

# Responsible Sourcing Policy

GP2.10

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# 1 Summary

- **Scope of Policy:** The policy applies to all Gränges' business units, especially those employees who are in contact with suppliers, directly or indirectly but also temporary staff and consultants who work on behalf of Gränges.
- **Responsible Sourcing Program:** All business units must implement a local responsible sourcing program, covering suppliers with an annual spend above 500 kSEK, to enforce sustainable practices and reduce supply chain risks.
- **Pre-Check and Risk Screening:** A sustainability pre-check must be conducted to identify potential supplier specific sustainability risks associated with the supplier's country of origin and sector. Suppliers are categorized into three risk levels: high, medium, and low.
- **Supplier Onboarding:** New suppliers must commit to Gränges' Supplier Code of Conduct, covering social, environmental, and ethical sustainability requirements. Training should be conducted for medium and high-risk suppliers.
- **Sustainability Assessments:** Regular assessments are conducted to ensure compliance with the Supplier Code of Conduct. The method assigned depends on supplier' risk and business impact. "Red" suppliers undergo 3rd party onsite audits, "Grey" suppliers conduct 3rd party desktop assessments, whereas "Green" suppliers are monitored regularly. Metal traders and scrap brokers conduct a self-assessment questionnaire sent out by Gränges.
- **Analysis and Corrective Actions:** Assessment results are analyzed, and corrective action plans are agreed upon. Suppliers must address any non-compliance issues identified during assessments.
- **Continuous Development:** Gränges uses the responsible sourcing program to discuss sustainability with suppliers, ensuring continuous improvement and fostering long-term relationships. Sustainability performance is integrated into supplier reviews.
- **Monitoring and Tracking:** Gränges tracks the percentage of purchase value from suppliers approved as sustainable, aiming for 100% by 2030. Annual reviews and re-assessments are conducted based on suppliers' risk and business impact.
- **Escalation Process:** All business units must have a local escalation team to manage deviations related to the responsible sourcing program.

## 2 Introduction

Gränges is committed to operating in accordance with responsible, ethical, and sound business principles and in compliance with all applicable laws and regulations. The company aims to be a reliable business partner and expect that its suppliers, contractors, and vendors ("Suppliers") to maintain equivalent high sustainability standards and principles.

### 2.1 Purpose

The aim of this policy is to outline Gränges' group-wide procedures and requirements related to responsible sourcing.

## 2.2 Scope

This Responsible Sourcing Policy applies to all Gränges' business units and mainly concerns employees who are directly or indirectly in contact with Gränges' suppliers, e.g. the Purchasing and/or Supply Chain departments. If applicable, the policy also applies to temporary staff, e.g. independent contractors, consultants who work onsite or offsite on behalf of Gränges.

## 2.3 Contacts

If you need advice, primarily contact your local Head of Purchasing/Supply Chain. You may also contact the Group SVP Sustainability.

## 2.4 Links to other policies

- GP1.0 Code of Conduct
- GP2.10 Global Responsible Sourcing Appendix, available internally
- GP2.11 Supplier Code of Conduct

# 3 Responsible Sourcing Program

All Gränges' business units operate a local responsible sourcing program as outlined in in this policy and infographics below. The program covers all suppliers with an annual spend above 500 kSEK or equivalent amount in local currencies, and is used as a platform to enforce sustainable practices, reduce supply chain sustainability risks, ensure continuous improvements, develop collaboration, and build lasting supplier relationships.



Figure 1: Gränges' responsible sourcing program

## 4 Pre-Check and Risk Screening

As part of the procurement process, Gränges' Purchasing team conducts a sustainability pre-check, where **potential** supplier specific sustainability risks are identified. The aim is to identify high risk suppliers in Gränges' supply chain, based on potential environmental, social and corruption risks associated with the supplier's country of origin and sector.

## 4.1 Country risk

Each supplier is assigned a 'country risk' score which summarizes the inherent risk related to the suppliers' country of origin. The country risk score is based on rankings from relevant sustainability country indices within human rights, corruption, and environment. Gränges applies the Rule of Law Index, the Global Rights Index, the Human Freedom Index, the Human Development Index, Transparency International's Corruption Perceptions Index, the Environmental Performance Index, and Aqueduct Water Risk Atlas. A weighted risk score is calculated per country and applied to each supplier. Country risks are updated annually.

## 4.2 Sector risk

Each supplier is assigned a 'sector risk' score which summarizes the inherent risk related to the suppliers' industry/sector. The sector risk score is based on a qualitative sector risk identification founded on news articles, industry reports, NGO databases and reports as well as government and intentional organization reports. Eleven sectors are covered in Gränges' pre-check: Chemicals, Energy, Metals, Metal scrap from manufacturers, Packaging, Operating supply, Logistic, Commodities, as well as Pre- and Post consumer metal scrap from traders/dealers/brokers. Sector risks are updated every 3-5 years.

Regulated energy suppliers, bank and insurance companies have lower sustainability risks compared to other sectors in Gränges' supply chain and are therefore considered as low-risk suppliers per default.

## 4.3 Total risk (Country + Sector risk)

Each supplier is assigned a weighted total sustainability risk score based on the country and sector risk scores. Depending on total risk score, the supplier is categorized into three different risk levels: high/medium/low potential risk.

# 5 Supplier Onboarding

Gränges' sustainability supplier onboarding is integrated into the local general supplier onboarding process, as applicable. This includes contract signing, supplier training, etc.

## 5.1 Supplier Code of Conduct

As part of the onboarding process, suppliers are required to commit to Gränges' Supplier Code of Conduct (SCoC) or have an equivalent standard in place. The SCoC covers Gränges' social, environmental, and ethical sustainability requirements, including the ten principles of UN Global Compact. The aim is to increase suppliers' awareness and ensure that they follow Gränges' sustainability principles and commitments.

The SCoC is inserted as an Appendix to the supplier contract for all new or renegotiated contracts. If no supplier contract exists, commitment to the SCoC is included as a requirement in the purchase order terms. By committing to the SCoC, suppliers also declare to promote implementation of these principles in their own supply chain. In cases where a supplier declines to commit to the SCoC, asks to make amendments, or refers to equivalent standards, an escalation process is triggered. Refer to section 10.

The validity of suppliers' commitment is aligned with the validity of the supplier contract or purchase order. In cases where Gränges has made significant revisions to its SCoC, it is under the discretion of Gränges' SVP Sustainability to decide whether the updated SCoC needs to be rolled out to suppliers for renewed commitment.

## 5.2 Supplier sustainability training

Gränges conducts an online sustainability training with medium and high-risk suppliers to raise their awareness and competence within the sustainability field.

# 6 Sustainability Assessments

Gränges conducts regular supplier sustainability assessments to ensure that suppliers comply with Gränges' SCoC and to further identify and mitigate sustainability risks in the supply chain. Depending on the supplier risk score (refer to section 3.1) combined with the suppliers' business impact (annual purchase value), different assessment methods are required.

## 6.1 Sustainability risk assessment matrix

Each supplier is annually categorized into one of six groups based on the supplier-specific business impact and potential sustainability risk. Gränges assigns a relevant assessment method to evaluate the supplier's sustainability performance and risk mitigation practices as illustrated below.

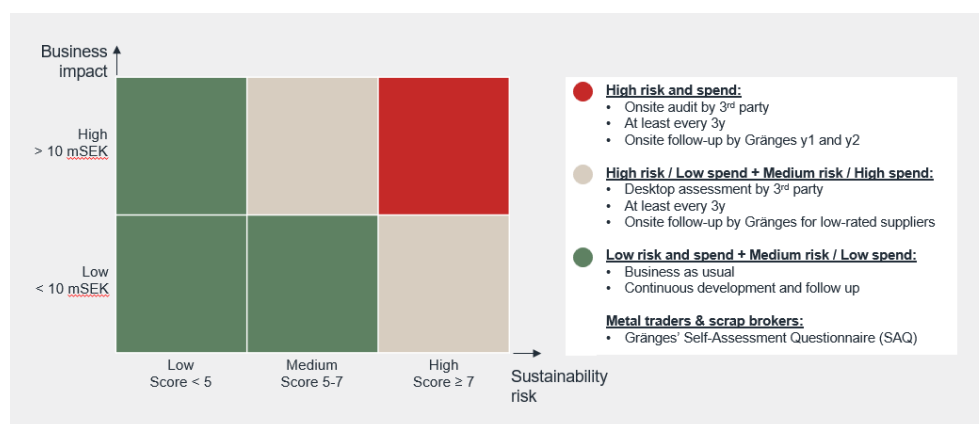


Figure 2: Gränges' supplier sustainability risk assessment matrix

## 6.2 Sustainability assessments

Suppliers with **High** risk & business impact, with **High** risk & **Low** business impact or **Medium** risk & **High** spend are assessed by a third party either through an onsite audit or a desktop assessment. Suppliers assessed as **Medium** risk & **Low** spend, **Low** risk & **High** spend and **Low** risk & business impact may also be included in procedure, as applicable locally. Gränges engages a third party to ensure that the sustainability assessments are conducted in a systematic, credible, and objective way. Metal traders and scrap brokers follow a separate process as described in section 5.2.4.

In cases where a supplier has already conducted and refers to a recent sustainability assessment or an onsite audit, an escalation process is triggered. Refer to section 10.

Gränges' escalation team can approve the previous assessment results as sufficient documentation, provided that all principles in Gränges' Supplier Code of Conduct are covered. If an aluminium supplier is certified in accordance with the Aluminium Stewardship Initiative's Performance Standard, no further sustainability assessment is required.

### 6.2.1 Onsite audit by third party

Suppliers identified as High risk and High business impact are required to accept an onsite audit at least once every three years, performed by a third party. Gränges engages a local audit firm specialized in sustainability auditing to perform the audit. The audit results is reviewed by Gränges' local Purchasing team who ensures appropriate follow-up, refer to section 6 and 7. The Gränges team also performs annual onsite follow-up visits at the supplier site to ensure progress is being made in line with the corrective action plan.

### 6.2.2 Desktop assessment by third party

Suppliers identified as **High** risk & **Low** business impact or **Medium** risk & **High** business impact are required to conduct a sustainability desktop assessment, performed by a third party that Gränges engages. The third party sends out customized sustainability questionnaires (varies by company size and industry) to Gränges' suppliers, analyses the data collected using an evidence-based approach, and provides verified sustainability ratings, scorecards, and benchmarks. Each supplier receives a total sustainability score of 0 to 100. The score guides the re-assessment frequency, refer to section 8.

### 6.2.3 Continuous follow-up

Suppliers identified as **Low** risk or **Medium** risk & **High** business impact are followed up on a 'business as usual' basis. This means that Gränges' local Purchasing team monitors the supplier's business impact and risk category regularly, refer to section 5.1.

### 6.2.4 Metal traders and scrap brokers: SAQ

When assessing the sustainability performance and risk mitigation among metal traders and scrap brokers, the companies' own business practices are of importance. Equally important is the upstream producers' businesses, e.g. where and how the metals are extracted or produced. In order to understand and mitigate sustainability risks associated with metal traders and brokers, and the supply chain further upstream, Gränges sends out a self-assessment questionnaire (SAQ) for suppliers to complete, at least once every three years. The SAQ addresses sustainability risks specific for these types of suppliers. The local Purchasing team ensures that the supplier responds to the SAQ, reviews the SAQ responses and follows up on agreed corrective actions.

## 7 Analysis and Corrective Actions

The third-party provider analyses the data collected and rates suppliers' sustainability performance and risk mitigation. A corrective action plan is agreed.

Gränges follows up the assessment results as part of the local supplier review procedure. If Gränges is aware of any non-compliance against the sustainability principles stipulated in Gränges' Supplier Code of Conduct, as a result from the sustainability assessments, the local Purchasing team contacts the supplier to discuss findings and mitigating actions.

In cases where a supplier is not able to, or shows no progress, an escalation process is triggered. Refer to section 10.

## 8 Continuous development

Gränges uses the responsible sourcing program as a platform to discuss sustainability efforts and ambitions with suppliers, as well as to ensure continuous improvements, joint collaborations, and lasting supplier relationships. Sustainability performance ratings are integrated into local supplier review procedures and incorporated into tools such as supplier scorecards as well as supplier discussions and onsite visits, as applicable locally. Gränges also provides sustainability training and meetings as applicable, to support suppliers on their paths towards becoming sustainable companies.

## 9 Re-assessment and Re-audit

Gränges annually reviews suppliers' sustainability risks and business impacts, as outlined in section 5. The frequency of re-audits is at least every three years. It is based on the assessment score, where the exact thresholds depend on which tool has been used:

- **Annually:** Low supplier performance or key incident identified. Supplier could present a high risk for Gränges with regards to regulatory compliance, impact on reputation, supply disruption etc.
- **Every 2y:** Medium supplier performance. Supplier could present a medium risk for Gränges. Improvement areas identified should be addressed.
- **Every 3y:** High supplier performance. Supplier is engaged in major sustainability topics and therefore risks are limited.

## 10 Monitoring and Tracking

Gränges measures and tracks the share of purchase value from active suppliers approved as sustainable in Gränges' responsible sourcing process and has set a 2030 goal to reach 100 per cent. At the end of each calendar year, all Gränges' business units compile a list of suppliers and statistics covering the below items. The process is integrated into the annual data collection for the sustainability report.

- Supplier Code of Conduct or equivalent standards commitments
- Supplier onsite audits by a 3rd party and/or follow-up onsite visit by the local Purchasing team (high risk suppliers)
- Supplier sustainability desktop assessments by a 3rd party (medium risk suppliers)
- ASI Performance Standard certification (aluminium suppliers)
- Corrective action plans



## 11 Local Escalation Process

### 11.1 Deviation management

All Gränges' business units have a local escalation team and internal routine to manage deviations related to the responsible sourcing program. This includes, but is not limited to, events in which a supplier:

- Declines to sign Gränges' SCoC or cannot present an equivalent standard.
- Declines to conduct a third-party onsite audit or desktop assessment.
- Is not able to or shows no willingness to improve in line with the agreed CAP.
- Has not improved corrective actions after two onsite follow-up visits.
- Receives a low sustainability score after having conducted the desktop assessment twice, i.e. after one re-assessment.

In line with the internal escalation routine, all local escalation teams are responsible to develop a customized action plan depending on the type of supplier, the business impact, and the associated supply risks. Actions can lead up to blocked purchased orders and terminated business.

### 11.2 Local escalation team

The local escalation team could include, but is not limited to, the regional President, Head of Purchasing/Supply Chain, Sustainability and Legal, as applicable locally. Gränges' SVP Sustainability is available to support the local escalation teams as needed.

## 12 Deviations

Any deviation or exemption from this Responsible Sourcing Policy must be approved or resolved in advance by SVP Sustainability.

## 13 Review

The Responsible Sourcing Policy is revised annually by SVP Sustainability and approved by the Group Management Team.