
Socially Responsible Procurement Policy (SRP)

Stedin Group

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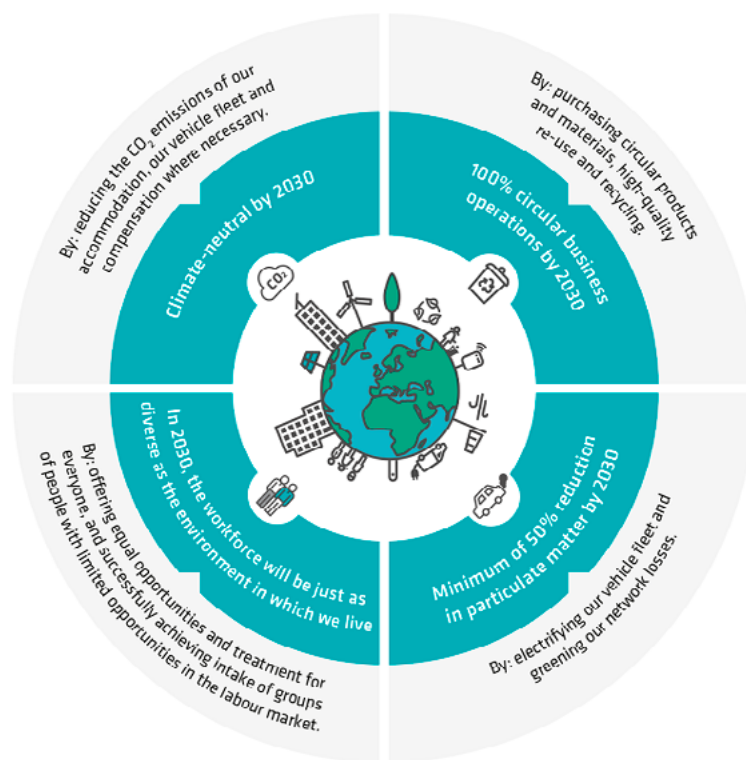
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1. Introduction

Procurement plays an important role in increasing the sustainability of Stedin Group's operations. Each procurement or tender procedure provides opportunities to seek innovative, sustainable solutions together with our suppliers. In order to do so, Stedin Group has defined sustainability goals that we want to achieve with our suppliers. In this Socially Responsible Procurement Policy, we will explain what these sustainability goals are, how we implement them in our procurement procedures, which tools our buyers can use during the procurement procedure, how we monitor and manage our sustainability goals, and what we ask from our suppliers regarding this subject.

2. One Planet Goals

Stedin Group applies the One Planet methodology to achieve our sustainability goals. The One Planet methodology is based on sustainable use of the Earth's resources. We only have one Earth and if we use it beyond its boundaries, for example by emitting more CO₂ than the Earth can process, we will jeopardize the future and livability of our planet. Stedin Group has therefore committed to limiting its impact to remain within our planet's boundaries by 2030. This is what we call 'One Planet Thinking'. We will focus on the areas with the largest impact; CO₂ emissions, particulate matter emissions, material use and an inclusive society. The Stedin Group has committed to the following goals for these categories:



These goals, which apply to the entire Stedin Group, are translated to the goals below for procurement:

2.1. CO₂ emissions

2.1.1 Greenhouse gas emissions

Our goal is to be climate neutral in 2030 with regards to CO₂-equivalents (scope 1 and 2, see below). Stedin Group stimulates suppliers to pursue these goals as well, thereby lowering our scope 3 emissions. For greenhouse gases, Stedin Group follows the 'well below 2 degrees'-scenario, as established in the Paris Agreement.

Explanation for scope 1, 2 and 3 emissions (for visual explanation, see appendix 6.1):

- Scope 1: Direct emissions from our own activities (a.o. gas usage, emissions from company cars)
- Scope 2: Indirect emissions from our own activities (a.o. electricity usage of our buildings, grid losses)
- Scope 3: Emissions from purchased products and services (a.o. subcontractors, ICT, emissions caused by production of bought products)

2.2. Material use

2.2.1 Circularity

Stedin Group wants to be 100% circular by 2030. In procurement procedures, we aim to buy products and services that promote the efficient use of materials. This means that we attempt to use recycled raw materials as much as possible. At the end of the product lifespan, raw materials will be reused without loss of value whenever possible. If waste streams occur, these will be recycled with the highest quality possible. To measure and monitor the circularity of the products we buy, we ask our suppliers to fill out a material passport (see 3.2).

2.2.2 Hazardous substances

Stedin Group wants to prevent the environmental impact and degradation from hazardous substances. The use of harmful substances in products, production processes and/or services is therefore prevented where possible.

2.3. Particulate matter emissions

Stedin Group's ambition is to reduce the total particulate matter emissions of our operations and supply chain by 50% by 2030, when comparing to our emissions from 2018. This is in line with targets set by the World Health Organization. We will, in collaboration with our suppliers, actively seek innovations and solutions which contribute to this goal.

2.4. Inclusive society

Stedin Group aims to help create an inclusive society, as well as being an inclusive organization. For us, an inclusive organization is a reflection of society. Everyone is welcome to join our company, regardless of age, sex, religion, ethnicity, level of education or physical health. Stedin Group wants to help people with poor job prospects. We call this 'social return' and also expect our suppliers to put in extra efforts towards supporting this goal.

3. Tools for the procurement procedure

At the Stedin Group we translate our sustainability goals into tangible tools that our employees can use in procurement and tender procedures. Besides minimum legal requirements, criteria and certificates, our buyers will use the supplier code of conduct, the material passport and a life cycle analysis during the procurement process.

3.1. Supplier Code of Conduct

A standard part of the contracts we have with our suppliers is the [Stedin Supplier Code of Conduct](#). By signing our code of conduct, suppliers commit to international principles regarding human rights, working conditions, safety, integrity, and our One Planet goals. We also expect our suppliers to closely monitor if their suppliers and the third parties they hire follow (inter)national laws and regulations and our code of conduct.

The supplier code of conduct is based on guidelines set by the Organization for Economic Co-operation and Development (OECD), the Universal Declaration of Human Rights, and the international labor standards set by the International Labor Organization (ILO). All the suppliers we work with are expected to sign and abide by our code of conduct.

3.2. Material passport

Stedin Group is gathering insight into its use of raw materials. In order to achieve this, suppliers are requested to fill out a [material passport](#) when possible. The material passport considers the raw materials used in the production, the percentage of these materials that are sourced from recycled materials, as well as the percentage of materials that can be recycled when the product is at the end of its' life span. This information is used to increase the circularity of our products.

3.3. Life Cycle Analysis

To measure the environmental impact of a product or service, we ask suppliers to fill out a Life Cycle Analysis (LCA), or a comparable analysis, where possible and relevant. An LCA measures the total environmental impact of a product: from the extraction of raw materials, production, distribution, and (re)usage, until waste processing. The choice for a specific analysis depends on proportionality and verifiability. This enables us to gain insight into the environmental impact of each phase within the life cycle of a product we are planning to buy. This information is used to reduce the environmental impact of a product.

4. Risk management in the supply chain

4.1. Risk labels

Our procurement projects, and therefore our suppliers, are divided into three procurement categories; Assets, Equipment & Services, Business & Support Services and ICT & CPE. We call these categories 'level 0'. Each procurement category has been divided into subcategories up to level 3. Based on these level 3 subcategories and guidelines set by 'MVO Nederland' (a Dutch governmental organization supporting Dutch companies with Corporate Social Responsibility), we have given all our suppliers a risk label; namely 'low risk', 'medium risk' or 'high risk'. Based on these labels, we decide which actions regarding Socially Responsible Procurement we should take during our procurement procedure.

- For suppliers with the label 'low risk', signing the supplier code of conduct is sufficient.
- For suppliers with the label 'medium risk', we will mitigate as much risk as possible by using additional awarding criteria in addition to signing the supplier code of conduct.
- For suppliers with the label 'high risk' we will conduct an in-depth CSR risk analysis (see 4.2) and add the expertise of a CSR specialist during the tender process in addition to the measures for the 'medium risk' label.

4.2. CSR risk analysis

For the suppliers with the label 'high risk', Stedin Group conducts a CSR risk analysis. This is done for both current suppliers, to gain insight into the risks in our supply chain, as well as future suppliers to mitigate the risk in the early stages of the procurement procedure. The analysis is done based on the data provided by the 'CSR Risk Check' offered by MVO Nederland. The CSR Risk Check is a tool which can be used to conduct a CSR risk analysis: it gives an overview of potential risks in a supply chain based on the potential risks of a product and/or country. Topics covered by the tool are; fair business practices, human rights & ethics, labor rights (including child labor, forced labor, etc.) and the environment. Because the CSR risk analysis is not based on internal production data provided by the supplier, but on potential risks per product and/or country, it provides an independent evaluation of the CSR risks in the supply chain for our high-risk products.

The results of this analysis will be used in two ways:

1. They will be used as guidelines to draw up selection and awarding criteria. Knowledge of the potential risks, which is the result of the analysis, allows buyers to draw up selection and awarding criteria to specifically avoid or mitigate these risks.
2. Results will be used to determine which suppliers will conduct self-assessments and/or audits (see chapter 5). Self-assessments and audits give us the opportunity to check if our supplier code of conduct is followed, measure the CSR performance of our suppliers, and identify areas of improvement.

5. Self-assessments and audits

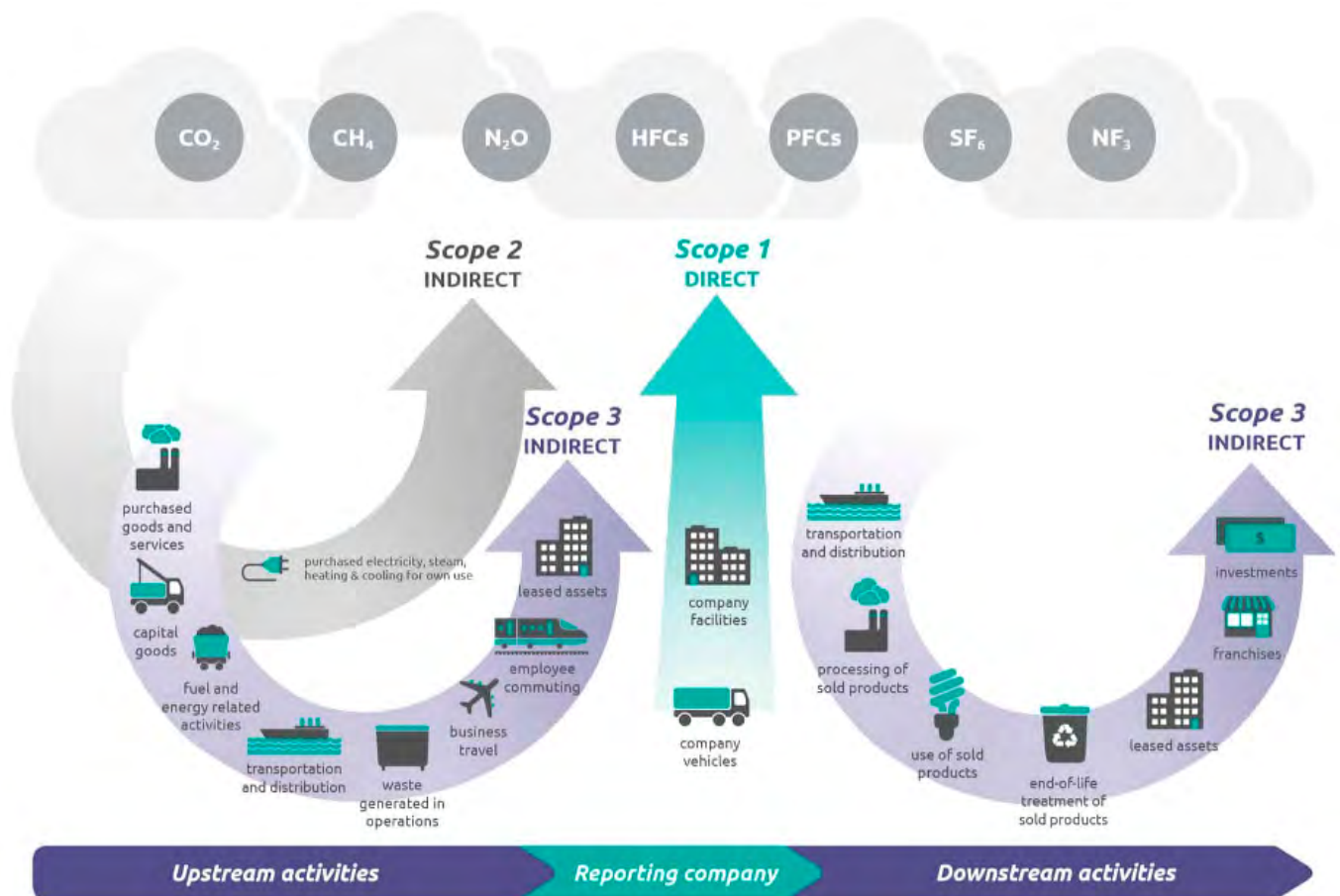
Based on the CSR risk analysis, we determine which suppliers will conduct a self-assessment and/or audit. Firstly, we will ask our suppliers to fill out a self-assessment regarding the CSR topics. In this self-assessment, suppliers can specify how they identify actual and potential adverse CSR impacts, how they mitigate these adverse impacts, and how these measures are embedded in the company policy and decision-making process. These self-assessments are checked by Stedin Group employees. They will determine in which areas additional clarification is necessary, through a phone call or company visit. In addition to these measures, we will also include CSR verifications in regular company visits.

Where necessary, we will collaborate with the supplier to look for improvement options and include these in an improvement plan. An improvement plan focuses on avoiding or mitigating the identified risks. When avoidance or mitigation is not possible, we aim to compensate for the identified risks as much as possible.

The goal of self-assessments and audits is to improve, not to punish suppliers. We will therefore use the results where necessary to set up improvement plans and will give the supplier time to achieve these goals. However, when no improvements have been made after several requests and after a reasonable amount of time and opportunities, we will be enforcing consequences in the form of exclusion from cooperation between Stedin and the supplier.

6. Appendix

6.1. Explanation scope 1, scope 2 and scope 3 emissions



Source: GHG Protocol

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