



GRÄNGES

Responsible Sourcing Policy

GP16

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1 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 responsible and reliable business partner and expect that its suppliers, contractors and vendors (“Suppliers”) to maintain equivalent high sustainability standards and principles. This Responsible Sourcing Policy outlines the group-wide procedures related to responsible sourcing.

1.1 Purpose

The aim of this policy is to outline Gränges’ efforts and expectations to ensure responsible and sustainable sourcing across the Gränges’ group.

1.2 Scope

This Responsible Sourcing Policy applies to all Gränges’ sites 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.

1.3 Contacts

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

1.4 Links to other policies

- Global Code of Conduct, see [link](#):
- Supplier Code of Conduct, see [link](#):
- Global escalation routine, available internally.

2 DEFINITIONS

For the purpose of Gränges’ Responsible Sourcing Policy, the following definitions are to be used.

KEY TERM	DEFINITION
Significant supplier	All metal suppliers (suppliers of primary ingots, purchased slabs, recycled aluminium, alloying elements) as well as other suppliers which have an annual purchase value above SEK 5 million or an equivalent amount in local currencies.
Escalation team	A local team responsible to manage deviations related to Gränges’ responsible sourcing programme. Members can include the regional President, Head of Purchasing/Supply Chain as well as the General Counsel (if applicable locally). Gränges’ Group General Counsel and SVP Sustainability support the local teams as needed.

3 RESPONSIBLE SOURCING PROGRAMME

All Gränges' sites are to operate a local responsible sourcing programme as outlined in the infographics below. The responsible sourcing programme should at least cover *significant suppliers* and is to be used as a platform to enforce sustainable practices, ensure continuous improvements, develop collaboration and build lasting relationships with Gränges' suppliers.



4 GLOBAL SUPPLIER SUSTAINABILITY REQUIREMENTS

4.1 Description in brief

Gränges has a Supplier Code of Conduct which covers social, environmental and ethical sustainability requirements, including the ten principles of UN Global Compact. The intention of the Supplier Code of Conduct is to increase awareness and transparency of responsible and sustainable business practices in Gränges' supply chain and ensure that suppliers follow the company's sustainability principles and commitments. By signing the Supplier Code of Conduct, suppliers also declare to promote implementation of these principles in their own supply chain.

4.2 Scope and validity

All sites are to make sure that at least *significant suppliers* sign the commitment to the Supplier Code of Conduct or have an equivalent standard in place. Suppliers who are not covered by the definition of *significant supplier* may also be asked to sign the Supplier Code of Conduct, as applicable locally. The validity of suppliers' commitment (signature) to the Supplier Code of Conduct is aligned with the validity of the supplier contract, refer to section 4.3.

4.3 Supplier Code of Conduct procedure

The Supplier Code of Conduct is to be inserted as an Appendix to the supplier contract for all new or renegotiated supplier contracts. The validity of suppliers' commitment (signature) to the Supplier Code of Conduct is aligned with the validity of the supplier contract.

In cases where Gränges has made significant revisions to its Supplier Code of Conduct, it is under the discretion of Gränges' General Counsel to decide whether the updated Supplier Code of Conduct needs to be rolled out for renewed commitment.

In cases where a supplier declines to sign the Supplier Code of Conduct or asks to make amendments, an escalation process is triggered. Refer to section 8.

4.4 Monitoring and tracking

Gränges measures and tracks the metric 'Share of *significant suppliers* committed to Gränges' Supplier Code of Conduct or equivalent standard' and has set a long-term target to reach 100 per cent. At the end of each calendar year, all sites are to compile a summary of the *significant suppliers* for the reporting year, as well as a status of whether the Supplier Code of Conduct has been signed and/or whether the supplier has been assessed and approved to have equivalent standards in place. This process is integrated into the annual data collection for the sustainability report.

5 SUSTAINABILITY RISK SCREENING

5.1 Description in brief

Gränges' supplier sustainability risk screening tool aims to assess potential environmental, social and corruption risks related to Gränges' supply chain. It is a desktop tool developed in Excel, and it automatically assigns sustainability risk scores to each supplier based on their respective assessed sustainability risks depending on sector and country of origin.

5.2 Scope and validity

All sites are to make sure that at least *significant suppliers* are annually desktop-screened for potential sustainability risks. The risk screening is conducted annually by the Group Sustainability department in conjunction with the annual data collection for the sustainability report. All risk scores are valid for one year.

5.3 Risk screening procedure

5.3.1 Country risks

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 as applicable.

5.3.2 Sector risks

Each supplier is assigned a 'sector risk' score which summarizes the potential 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. Eight sectors are covered in Gränges' risk screening model: alloying elements, chemicals, energy, maintenance, packaging, primary aluminium, recycled aluminium and transports. Suppliers from other sectors are treated as low risk suppliers.

5.3.3 Combined sustainability risk

Each supplier is assigned a specific country risk score as well as a sector risk score. A weighted sustainability risk score is thereafter calculated per supplier and each supplier is categorized as high/medium/low potential risk based on their average risk score.

6 SUSTAINABILITY DESKTOP ASSESSMENTS

6.1 Description in brief

Gränges' desktop sustainability assessments aim to ensure that suppliers comply with Gränges' Supplier Code of Conduct and to further identify and mitigate sustainability risks in the supply chain.

6.2 Scope and validity

All sites are to make sure that at least *significant suppliers* identified to have a potential medium or high sustainability risk in the risk screening process (refer to section 5 above) are invited to participate in the desktop sustainability assessment. Suppliers who are outside the scope for *significant supplier* may also be covered in the process, as applicable locally. The sustainability score is valid until a re-assessment is conducted, in line with the annual assessment cycle described in section 6.6.3.

In cases where the local Purchasing / Supply Chain department proposes to make exemptions from the scope of suppliers who are included in the desktop assessment, the SVP Sustainability should be contacted and approve the exemption. This could for example be applicable for suppliers with whom Gränges will not conduct any more business with.

6.2.1 Third-party solution

Gränges has decided to engage a third-party provider to conduct the sustainability assessments and verify suppliers' sustainability performance and risk mitigation activities. The reason for having an outsourced solution is mainly to ensure that the sustainability assessments are conducted in a systematic, credible and objective way.

6.2.2 Supplier sustainability performance

All sites are to provide the third-party provider with updated contact details for suppliers in scope for assessments. The third-party provider sends out customized (varies by company size and industry) sustainability questionnaires 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 on a scale 0 to 100. Gränges thereafter categorizes suppliers into three categories, as outlined below.

- **Low score:** Supplier with a score of less than 25 or a key incidence identified. This supplier could present a high risk for Gränges with regards to regulatory compliance, impact on reputation, supply disruption etc.
- **Medium score:** Supplier with a score of 25-44. This supplier could present a medium risk for Gränges. Improvement areas identified should be addressed.

- **High score:** Supplier with a score above 45. This supplier is engaged in major sustainability topics and therefore risks are limited.

All sites are responsible to provide feedback and follow-up to suppliers who have been assessed, and to integrate the follow-up process into local supplier review procedures. Refer to section 7.

6.2.3 Assessment frequency

The frequency of the assessments depends on the suppliers' sustainability score in the desktop assessments. Suppliers with a high score are to be assessed every three years, suppliers with a medium score are to be assessed every second year and suppliers with a low score are to be assessed annually. New *significant suppliers* are to complete assessment within one year, in line with Gränges' annual assessment cycle.

6.3 Monitoring and tracking

Gränges measures and tracks the share of purchase value from *significant suppliers* in scope that have a valid sustainability score and has set a long-term target to reach 100 per cent participation. At the end of each calendar year, all sites are to compile a summary of the local *significant suppliers* in scope and the status of whether a sustainability desktop assessment has been performed as well as the total performance score. This process is integrated into the annual data collection for the sustainability report.

7 FOLLOW-UP AND ENGAGEMENT

All sites are to use the responsible sourcing programme 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 to be integrated into local supplier review procedures and incorporated into tools such as supplier scorecards as well as supplier discussions and on-site visits, as applicable locally. All sites are also to prepare and provide sustainability training and meetings as applicable, to support suppliers on their paths towards becoming sustainable companies.

8 LOCAL ESCALATION PROCESS

8.1 Deviation management

All sites are to establish a local escalation team and routine to manage deviations and events in which a supplier declines to sign Gränges' Supplier Code of Conduct, asks to make amendments to the Supplier Code of Conduct, or refers to equivalent standards.

The local escalation team should also manage events in which a supplier declines to conduct the sustainability desktop assessment or in cases in which a supplier receives a low sustainability score after having conducted the assessment at two occasions, i.e. after one re-assessment.

8.2 Local escalation team

All sites are to establish a local escalation team consisting of local representatives from the Purchasing/Supply Chain and Legal departments. Members of the team could include, but is not limited to, the regional Head of Purchasing/Supply Chain, the regional President, as well as the regional General Counsel if available locally. Gränges' Group General Counsel and SVP Sustainability are available to support the local escalation teams as needed.

8.3 Internal escalation routine

All sites are to follow Gränges' internal escalation routine to manage events described in section 8.1. 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 strategic importance and the associated supply risks. Actions can lead up to blocked purchased orders and terminated business.

9 DEVIATIONS

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

10 REVIEW

The Responsible Sourcing Policy is revised regularly by SVP Sustainability.