

Owner
CPO Jarkko Sakki

Approval Date
05.11.2018

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Version
4

Security
Internal
Approved by
CFO Christian Luiga
Related
50000027

Group Instruction - Source-to-Pay

1 PURPOSE

This Group Instruction is to explain how to apply the “Group Policy – Source-to-Pay”; how to do business with suppliers to source goods and services in a smart, simplified and responsible way.

2 OBJECTIVES AND REQUIREMENTS

2.1 This is how Telia Company does business with suppliers

Objective

The Sourcing organisation is responsible for managing Telia Company’s supplier base. The Sourcing organisation’s responsibility is to ensure that Telia Company has the right relationships with the right suppliers to support our company’s needs in the most value adding and sustainable way. Ultimately, it is the Group CPO who is responsible for managing the company’s supplier base and is authorized to approve suppliers to be used. It is also the Group CPO who is responsible for all sourcing and supply chain related processes and tools.

Requirement 1

The Sourcing organisation shall understand the company’s supply needs and actively contribute with competence and category insight.

Requirement 2

The Sourcing organisation, in close collaboration with its stakeholders, is responsible for defining the supplier portfolio. The Sourcing organisation is responsible for managing the suppliers throughout the full lifecycle, from onboarding to off-boarding. This responsibility also includes managing risks connected to the supplier base in close collaboration with stakeholders.

Requirement 3

The Sourcing organisation is responsible for the overall supplier performance and relationship management. This means that the Sourcing organisation will continuously follow-up, evaluate and develop the supplier relationships as well as monitor supplier performance.

Requirement 4

All Telia Company employees involved in sourcing activities shall follow the sourcing process with clear decision points. The sourcing process includes sourcing, ordering and preparing for payment.

2.2 Maximizing value creation through strategic category management

Objective

The Sourcing organisation strives to maximize the value delivered from our supplier relationships by defining and working according to category strategies.

Requirement 1

The Sourcing organisation work together with stakeholders to define a category strategy, including:

- Demand structure and forecast
- Market insights

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- Cost structures
- Value drivers
- Supplier profile and strategy

Requirement 2

The Group CPO, or delegated person, shall approve all new suppliers that conduct substantial continued business with Telia in accordance with the Category Strategy and supplier segmentation.

2.3 Telia Company's supplier base is built on trust, transparency and fairness

Objective

Telia Company strives to build long-term supplier relationships based on trust, transparency and fairness.

- The company's employees act in line with the Code of Responsible Business Conduct at all times when dealing with our suppliers.
- In order to ensure segregation of duties, no single employee or function has all the decision rights for any agreement or transaction.

Requirement 1

Employees and consultants involved in sourcing activities shall follow our Code of Responsible Business Conduct.

Requirement 2

The segregation of duties and approval rights shall be reflected throughout the sourcing and purchasing process, including IT systems and delegation rights.

Requirement 3

The Sourcing organisation coordinates due diligence and audits of our suppliers and sub-suppliers to strive for a supplier base that fulfils our requirements.

2.4 Supplier base and risk management

Objective

The Sourcing organisation, with support from stakeholders, manages the company's supplier base and manages supplier related risks.

Requirement 1

For business-critical supply, Telia Company shall avoid single source suppliers to maintain competition and reduce risk.

Note:

Only Group CPO, or a delegated person, can approve single source of business-critical supply.

Requirement 2

The Sourcing organisation shall strive for including several suppliers in the sourcing process to secure competitiveness.

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Note:

Only Group CPO, or a delegated person, can approve exceptions from competitive tendering. Justification for all exceptions shall be clearly documented.

Requirement 3

The Sourcing organization is responsible for evaluating and applying the most appropriate and value creating strategy in every sourcing case and supplier relation, e.g. manage spend, change nature of demand or seek joint advantage with supplier.

2.5 Sourcing processes

The Sourcing organisation secures that there are processes for managing the full supplier lifecycle; including processes for qualifying, selecting, managing and off-boarding suppliers as well as for sourcing, ordering and preparing for payment. Two of the most important mechanisms for securing high quality sourcing is the Supplier Management Board as well as the Sourcing Approval Board.

Objective

The Sourcing organization secures the quality and maximized sustainable value of supplier relationships through Supplier Management Board and Sourcing Approval Board. Both these forums are governed by the Sourcing management and chaired by Group CPO.

Requirement 1

All category strategies and new suppliers with substantial continued business with Telia are approved in the Supplier Management Board.

Requirement 2

Sourcing Approval Board shall approve the sourcing approach, final choice of supplier and agreed terms for supplier engagements.

Requirement 3

Sourcing Approval Board shall be the point of escalation for matters during sourcing processes in need of escalation and approval/decision.

Requirement 4

The Sourcing organisation shall have a process governance structure to ensure that Telia always has relevant processes for all sourcing related activities, including Supplier lifecycle management, supplier risk management, supply chain and Source-to-Pay.

2.6 Written agreements to secure delivery, social commitments, compliance and manage risk

Objective

In Telia Company we have written agreements to define responsibilities and liabilities, help secure social commitments, compliance and manage risk. Telia Company minimum requirements for supplier agreements (available on Telia Company external webpages) are:

- Telia Company General Terms and Conditions
- Security Directives
- Telia Company Group Supplier Code of Conduct

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- Prohibited Substances – The Telia Company Black list
- Substances that are to be avoided – The Telia Company Grey list

Requirement 1

The Legal function shall approve our templates used for supplier agreements.

Requirement 2

Our suppliers shall fulfil our requirements in the above listed documents.

Requirement 3

Relevant business function shall approve the specifications and authorize spend of any supplier agreement according to the approval rights.

Requirement 4

The Sourcing organisation is Telia Company's signing party in supplier agreements, in some cases together with local executives with signatory rights.

2.7 Purchase orders secure deliveries and payments

Objective

In Telia Company we make purchases using purchase orders based on agreements. Our suppliers deliver based on such purchase orders and invoice us with the purchase order reference, for payment.

Note:

For a few agreed types of purchases, e.g. rentals, the purchase order obligation is excepted.

Requirement 1

The stakeholder that has a need to purchase shall, in reasonable time before delivery, create a purchasing request in the approved purchasing tool.

Requirement 2

The business cost owner(s) shall approve the purchase in the approved tool.

Requirement 3

The Sourcing organisation shall create a purchase order based on an approved request.

Note:

The Sourcing organisation is the only function authorized to send purchase orders to suppliers.

Requirement 4

The requester shall confirm the delivery of the product or service, by doing goods receipt in the approved tool, before any invoice can be paid.

The above objectives and requirements apply to the extent that they do not place Telia Company in violation of domestic laws and regulations.

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3 ROLES AND RESPONSIBILITIES

This Group Instruction applies to Telia Company AB and its Subsidiaries¹ and Joint Operations² as their own binding instruction to all directors, members of the boards, officers and employees. In addition, Telia Company works towards promoting and adopting this instruction's principles and objectives in other associated companies where Telia Company does not have control but has significant influence.

Each Group Executive reporting to the CEO of Telia Company is responsible for ensuring that this Group Instruction is duly communicated and implemented, and that the employees within his/her area of responsibility are familiar with and follow this Group Instruction.

Each country CEO is responsible for ensuring that all relevant entities within the CEO's geographic location has adopted and implemented this Group Policy

4 BREACHES AGAINST THE INSTRUCTION

Any Telia Company employee who suspects violations of the Code of Responsible Business Conduct or this Group Instruction must speak up and raise the issue primarily to their line manager, and secondly to the Human Resources department, to the Ethics and Compliance Office, or through the Speak-Up Line. The Speak-Up Line is available on Telia Company's internal and external webpages.

Telia Company expressly forbids any form of retaliation. For specific requirements, please see our Group Instruction on Internal Reporting and Non-Retaliation.

Violations against the Group Instruction can lead to disciplinary action, up to and including termination.

5 TARGET GROUP

All Telia Company and its subsidiaries' employees.

6 EXEMPTIONS

A Subsidiary-specific corresponding instruction shall be compliant with this Group Instruction while adapting to the concerned business activities, local laws, local circumstances and language. If a deviation or exemption from this Group Instruction is deemed necessary, the Country CEO shall escalate the matter to the Group General Counsel.

7 GROUP GOVERNANCE FRAMEWORK

This Group Instruction is part of the Group Governance Framework, which includes without limitation:

- a) Code of Responsible Business Conduct, Purpose and Values, Strategy, Group Policies, and Instructions for the CEO as approved by the Board of Directors;
- b) Decisions made by the CEO, the Delegation of Obligations and Authority as approved by the CEO, Group Instructions as approved by the CEO or by the responsible Head of Group Function; and

¹ All entities over which Telia Company AB has majority control.

² The joint operations over which Telia Company AB has joint control and management responsibility.

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- c) Guidelines, best practices, process descriptions, templates or working routines developed within area of responsibility of Head of Group Function.

8 TERMS AND ABBREVIATIONS

Terms and abbreviations	Description
Business	All employees and consultants outside the Sourcing organisation
Category strategy	A plan of how to fulfil the long-term demand of a certain type of products or services (category). The plan includes forecasts of demand, supply and cost, as well as a long-term supplier plan.
Group CPO	Group Chief Procurement Officer
Legal function	Telia Company legal resources within the Sourcing organisation
Supplier Management Board	Approval of category strategies and new suppliers. This forum is governed by the Sourcing management and chaired by Group CPO.
Prohibited Substances – The Telia Company Black list	In addition to legal bans of certain chemicals and materials, the list of substances which must not be found in products and services to Telia Company, nor must they be found in contracting or the manufacturing processes of these products and services.
Security Directives	Describe the security requirements applicable to Suppliers and other identified business partners to the Telia Company group. Additional security requirements may apply in particular cases if agreed by involved parties.
Source / Sourcing	All activities in defining and meeting goods and services needs
Sourcing Approval Board	The Sourcing Approval Board gives the formal approval of sourcing approach, final choice of supplier and agreed terms for supplier engagements. The Sourcing Approval Board is chaired by Group CPO.
Sourcing organisation	Telia Company's Sourcing and Supply chain organisations in all countries.
Stakeholder	A <u>person</u> or unit that has <u>interest</u> or <u>concern</u> .
Substances that are to be avoided – The Telia Company Grey list	List of substances under evaluation and should be avoided in all products and services, neither included in contracting nor

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	manufacturing processes of products and services to Telia Company.
Suppliers	Includes all external parties in the supply chain including consultant firms, landlords, law firms, banks and financial institutes
Supply chain	The network between Telia Company and its suppliers to distribute our products and services.
Telia Company Group Supplier Code of Conduct	Defines the conduct expected from our Suppliers in order to protect human rights as well as respect and promote safe and fair working conditions, the responsible management of environmental issues and high ethical standards along the supply chain.
Telia Company General Terms and Conditions	Telia Company General Terms and Conditions apply to all purchase order unless otherwise agreed in writing in a signed agreement