

Group Directive - Procurement

1. Introduction and Purpose

This *Group Procurement Directive* (“Directive”) is related to and aligned with the *Operations, Quality & Procurement Policy, Sustainability Policy, and Responsible Business Policy*.

The purpose of this Directive is to enable Billerud Procurement to support the business on executing the company strategy and on reaching the long-term goals on profitability. This Directive is establishing the standards of professional conduct that are to be observed while executing procurement activities.

Billerud’s ability to engage, develop and contract a supplier base that has solid sustainability performance, cost-competitive operations and secured supply sets a baseline for our own performance in the market.

The *Group Procurement Directive* and supporting document (such as the *Billerud Supplier Code of Conduct*) are tools to outline and communicate externally our expectations and requirements to the supply market and demonstrate that we live and breathe sustainability throughout our operations and our supply base.

This Directive is supplemented by other Directives and underlying routines and instructions.

2. Scope and Application

This Directive applies to Billerud and its subsidiaries (“Billerud” or “the Group”) and covers Billerud business activities and operations globally. This Directive applies to all personnel working for Billerud or on Billerud behalf, including board members, employees, interns, and consultants (“Representatives”).

The Directive Owner is responsible for the communication and implementation of this Directive. All Billerud Representatives are, however, individually responsible for reading, understanding, and following this Directive.

3. Sourcing Strategy

Billerud procurement activities are guided by a balanced, strategic sourcing approach that delivers cost savings and optimises the total cost of ownership for the business, considers supply security and risk management, sustainability, and safety, leverages supplier capabilities and innovation, and drives continuous improvement for Billerud.

General

- Our procurement shall be based on specifications drawn up by the business. Specifications shall be designed in such a way that more than one supplier may be considered, and competition ensured. Specification shall cover functions, properties, and requirements so that the lowest practical cost is obtained.
- We shall use standardised methods and invitations to tender.
- The procurement function shall deal with all commercial matters in the procurement process.



- Supplier selection shall be done based on pre-defined criteria agreed by business and procurement, such as supply security, total cost, working capital, safety, and sustainability, in the sourcing process. If needed, contract award can be raised to sourcing committee or in line organisation for final decision.
- The procurement function shall take an overall approach that is commercially sound, work proactively, be well-acquainted with market and cost trends, and establish sourcing strategies and act according to them in the short and long term.

Coordination

- We shall strive to find and make use of synergies, between different functions within Billerud, manufacturing sites and all subsidiaries to consolidate spend, and facilitate best practise sharing.
- We shall act in a unified and fair manner in meetings and communication with suppliers.
- When procurement has been completed, the results shall be communicated internally to secure contractual compliance.

Supply Security

- To minimize risk and secure supply, we shall strive to have a sufficient number of approved suppliers for each product and service as defined in sourcing strategy. This requires good foresight and efficient cooperation between the procurement function and the business.
- Our choice of supplier shall take long-term competition into consideration.

Sustainability

- We shall take sustainability issues into consideration in the procurement process and evaluate suppliers' sustainability focus and roadmaps, in accordance with our sustainability policy and additional directives.

Continuous improvement

- Internal knowledge sharing, benchmarking and activities for continuous improvement shall form the basis of our activities, with the aim of reducing the total cost of ownership and increasing profitability.
- We shall work in collaboration with our suppliers to improve their performance and encourage them to be more innovative, sustainable, and competitive.

4. Supplier expectations

Supplier Code of Conduct

Billerud is committed to respect a sustainable balance between economic, social, and environmental needs and expect our suppliers to do the same. We encourage all Suppliers and require all Suppliers over a certain spend threshold to comply with the requirements of *Billerud Supplier Code of Conduct*, and to make sure that their suppliers and sub-suppliers are complying with standards that are not less strict.

- We shall ensure the efficient use of resources and capital.
- We shall constantly strive to improve the sustainability of our operations.
- We shall ensure compliance with the requirements expressed in international regulations on basic human rights, labour law and safety at work.



Long-term partnership

- Long-term partnership agreements with strategic suppliers are desirable, given that they have been established in full competition, are cost-competitive, and based on continuous improvement.
- Suppliers that actively contribute to cost reduction on their own initiative and focus on innovations that bring benefits to the business shall be prioritised.
- Cost inflation shall be mitigated with increased efficiency in the suppliers' business, whenever possible.

5. Authorization and Approval

This Directive shall ensure that the commitment of funds in the sourcing of goods and services is made at the authorised organizational level best equipped to achieve the highest value for the organization, consider all available resources, follow the established financial controls and authorisations, and assess all strategic and tactical information. The business is responsible for specifications and requirements, while Billerud Procurement is responsible for supplier selection based on pre-defined criteria and for best commercial result.

Formal Contracts and Contract Management

- All procurement contracts shall be executed using a Billerud agreement template, or with legal review according to internal procedures.
- All agreements shall be registered, and original documents shall be archived in line with applicable routines.
- All agreements shall be signed in accordance with the Billerud's Delegation of Authority.

Separation of Authority

- Segregation of duties must be followed and considered throughout the procurement process to ensure no individual has access or authority to violate internal controls intended to prevent fraud and error.

Controls and Reviews

- In line with the *Directive for Responsible Business Due Diligence in relation to Business Partners*, risks are considered when onboarding new suppliers and monitored during ongoing business. This includes, but are not limited to, screening against *Billerud's list of excluded and high-risk markets*, identification of beneficial owners and sanction screening.
- Supplier qualification process is performed when a new supplier is engaged, and includes assessment of supplier's financial, operational, and sustainable performance. The assessment will be regularly repeated to ensure continued health and compliance.
- Suppliers' performances are assessed and monitored according to separate processes.
- Internal and external audits/controls are regularly performed.

Financial

- Our internal interest rate, set annually, shall guide price optimization, credit periods and working capital.
- The purchase currency shall be selected in the following order: the product's official market price currency; the currency of the product's main cost driver; the currency in the country of



manufacture (applies to SEK, EUR, USD and GBP). For Billerud NA, USD is the main purchase currency.

- As a main principle, all purchases shall be made so that the invoice and/or payment can be matched against the purchase order.

6. Business Ethics

This Directive shall ensure that we maintain our commitment to the highest standards of conduct in our business relationship with suppliers and contractors.

General

- All purchasing of goods and services should strictly comply with relevant legislation, regulations, and internal procedures.
- Our Supplier Code of Conduct applies to all our suppliers and shall be signed by suppliers above the defined spend thresholds.
- Procurement shall be based on objectivity and professionalism, and decisions shall be selected based on the established strategy for the category/supplier and criteria set for each procurement case.

Supplier Diversity

- As customary in its markets and to effectively conduct its operations, Billerud NA will continually offer minority, women, and service-disabled veteran-owned businesses opportunities to participate as suppliers, contractors and subcontractors of goods and services to Billerud NA.

Confidentiality and Trade Secrets

- Any use or disclosure of proprietary information that contradicts this Directive, or any other Directive, including the Code of Conduct, is not authorized.
- Proprietary information may be provided to a supplier only after an executed non-disclosure agreement, approved by legal, has been executed.

7. Accountability, monitoring and compliance

This Group Directive has been approved by the Policy Owner or assigned. The Directive Owner is responsible for the implementation of this Group Directive, including:

- (i) to develop more detailed rules (if needed) for the subject matter, consistent with the purpose and intent of this Group Directive,
- (ii) to ensure that the Group Directive and underlying supporting documents are communicated and known to Representatives,
- (iii) to monitor and follow-up compliance with the Group Directive and underlying steering documents; and
- (iv) to take other actions, including corrective and reporting measures necessary to achieve the purpose and intent of this Group Directive.

Billerud's Representatives are expected to report violations (including suspected violations) of this Group Directive to the immediate manager or Directive Owner. Anonymous reporting of wrongdoings (whistleblowing) can be made through Billerud's Confidential Reporting System (Speak-Up Line). If you have questions or feedback on this Group Directive, please contact the Directive Owner or Legal & Compliance.

