

Responsible sourcing and supply chain management

Techstep is committed to respecting and supporting human rights and workers' rights, as reflected in our ESG policy and our commitment to the UN Global Compact. Techstep shall uphold and protect internationally proclaimed human rights and labour rights and treat employees with dignity and respect as understood by the international community. Our goal is that no form of human rights abuses or labour issues, including forced labour, human trafficking or any form of modern slavery, shall occur in our value chain.

Our partners and suppliers are important parts of our value chain, as they provide us with the products and services we need to deliver our solutions to our customers. Our relationship with our third party partners also brings responsibilities, including a shared concern for the environmental impact of our supply chain and potential social and compliance risks such as human rights violations if these factors are not managed appropriately. Even though we do not directly influence working conditions or the climate footprint in the supply chain, we believe in advocating for changes. We do this through responsible sourcing by setting clear expectations to our third parties and challenging them to continuously improve to increase positive and limit negative impacts on people and environment.

In 2022, Techstep purchased goods and services for approximately NOK 970 million, of which close to 80% relates to hardware and related accessories sold to customers. Of some 200 suppliers, 16 of them are manufacturers and only five of them are considered to be Tier 1 and Tier 2 suppliers to Techstep. Our due diligence efforts are hence prioritised accordingly.

Our initial mapping shows that our greatest risks related to human rights violations and labour standards violations relate to the value chains of hardware production. The potential risks specifically identified were child and slave labour, employment conditions, restrictions in the right to organise, discrimination, health and safety.

The Norwegian Transparency Act

The Norwegian Transparency Act entered into force on 1 July 2022, and its introduction has coloured our work with respect to responsible business practices. During 2022, we have improved internal procurement processes as part of the work with strengthened focus on ESG, risk and compliance in the Group. The work relating to the Transparency Act is an integral part of Techstep's general efforts to promote sustainability in the supply chain, with focus on the highest potential risk of human rights violations or poor labour standards, or negative environmental impact. This applies both in terms of risk to others (for example employees in the supply chain) and/or risk of this having a negative impact on Techstep. We also focus on where we can have a positive impact, especially through our work with our strategic suppliers and partners. The reporting requirements subject to the Transparency Act is discussed in the text that follows.

Policy commitment and governance

Our policies and commitments, which build on internationally proclaimed guidelines for human rights and labour standards, are approved by the Board and the executive management team. Techstep's supplier code of conduct sets out our expectations of suppliers, which are based on the principles of the Universal Declaration of Human Rights, the International Labour Organisation (ILO) Core Conventions and UN Global Compact's 10 principles for sustainable development.

Our Sustainable Procurement policy and procedures, which were revised in 2022, set out the principles for supplier selection and follow-up, including the steps we take to investigate, analyse and address potential ESG risks, in accordance with the concepts and principles set forth in the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for responsible business conduct. Our sustainability strategy goes however beyond risk management and intends to leverage our purchasing power to incentivise and promote responsible and sustainable business practices across the supply chain. Our ambition is to work and collaborate systematically with our suppliers and business partners, and that they share our commitment to conducting business in an ethical manner.

Techstep's Risk function is responsible for overseeing supplier due diligence and reporting, and the ESG and Compliance function is responsible for ensuring that Techstep complies with the Norwegian Transparency Act. These functions include supporting holistic work with due diligence assessments and responsible supply chains and subsequent reporting to the executive management, audit committee and Board. The work involves collaboration with representatives from other parts of the organisation such as procurement related to customer deliveries, internal IT operations, and security, depending on relevance. For own operations, regular follow-up of the guidelines for due diligence assessments is included as part of the Group's risk and compliance work.

Supplier due diligence

Techstep uses a third-party risk management tool to keep an overview of and follow-up partners and suppliers. Our suppliers are prioritised based on their strategic importance or the size of volume, as well as context and the supplier's ties to Techstep and how closely we are linked to the supplier or its activities.

All potential, new and existing business partners will be subject to regular risk-based due diligence with respect to environmental, social and governance practices as well as security and economic considerations, depending upon relevance of the product/service provided. Techstep will primarily do this through a mix of supplier assessments and supplier self-assessments. "High-risk" suppliers shall be subject to more in-depth follow-up and assessment, i.e. by obtaining further information from the supplier concerned or gathering documentation from external sources.

We also look to industry news sources, information provided by industry and NGOs and other relevant sources to identify possible allegations that could directly affect Techstep's supply chain and suppliers. Information obtained will be checked for validity with industry schemes and suppliers directly and then acted upon according to OECD Guidelines for Multinational Corporations.

Main findings

An initial mapping of Techstep's key suppliers has been made to identify potential risks and ensure compliance with our standards. By having a clear understanding of our supply chain, we can make informed decisions and take necessary actions to reduce our impact on people and the environment.

Some 20 third party assessments were completed in Q1 2023, by using Techstep's third-party risk management system. The suppliers were assessed on questions related to sustainability, social responsibility, working environment and business conduct. The assessment provides an overall overview of the supplier, as well as which of these have activities in countries/geographical regions that entail a higher risk of violations of human rights, labour standards, environmental requirements or corruption. For suppliers that have a higher "inherent" risk, or where a specific risk is identified, a more thorough assessment is conducted.

The maturity of sustainability work with our suppliers varies with respect to type of product and service offered. When it comes to mobile devices and related electronic products, we prioritise working with suppliers that have a strong commitment to uphold high ethical standards in their operations and supply chain. 80% of the Tier 1 and 2 electronics manufacturers we resell from are members of the Responsible Business Alliance (RBA), as well as the RBA-adjacent Responsible Minerals Initiative and Responsible Labour Initiative, which commits them to support the rights and well-being of workers and communities worldwide that are affected by the global electronics supply chain. It also ensures that they have systematic audits and assessments, grievance mechanisms, corrective action processes and documentation in place.

Of the suppliers assessed, 40% are considered to entail higher inherent risk due to type of products manufactured, geographical location and complexity of their supply chain. Most of these manufacturers are headquartered in European countries or the US, while the manufacturing and assembly processes are mainly located in Asian countries with known social and environmental risks. In addition, mobile devices contain dozens of different elements and materials, each with a different supply chain stemming from mined and/or recycled sources. The mining sector has its share of social and environmental problems, ranging from dangerous working conditions and child labour to poor wages and pollution. The supply chains are normally very long and complex, often with low transparency and traceability.

Even though the manufacturers of products we resell have comprehensive programmes to ensure supply chain responsibility, it appears to be challenging to fully eradicate all risks across the supply chains – especially at the component and raw material stages. As of the date of this report, we are not familiar with any confirmed breaches of human rights and labour standards in our supply chain. At the same time, we recognise that the main risks in the electronics supply chain remains, ranging from risks of excessive working hours, forced labour, child labour, low wages and income, unsafe work practices, lack of worker representation and voice.

The due diligence assessments will continue going forward, with a closer follow-up on main risk suppliers. We further aim to assess all suppliers classified as Tier 1-3 during the year. New suppliers that sign a contract with Techstep will be subject to a risk assessment before any collaboration commences.

Reporting concerns

Techstep's whistleblower channel is open for both employees and external stakeholders to raise concerns without fear of retaliation or reprisal and to provide fair investigation. There were no reported cases during 2022.