

● Our performance: Responsible supply chain

Responsible supply chain

Suppliers and their value-chain workers have both a direct impact on the extent to which we can operate as a circular company, and a direct influence on the communities and areas in which they carry out their activities. Our procurement office maintains the business relationships with our suppliers, and see to it that we properly address all our material topics.

KPI	Result 2023	Result 2022
EcoVadis spend coverage	76%	70%
High risk Tier I, Tier II and Tier III suppliers audited	66%	45%
Realized improvements on corrective action plans	98%	94%

Chapter contains information on material topics

- 04. Working conditions in the value chain (ESRS S2)
- B. Macroeconomics/geopolitics – a.o. regarding electricity, geopolitics, supply chain issues (entity specific)
- D. Responsibility for supplier behavior (ESRS S2)

- Critical raw minerals to be sourced from responsible and conflict-free sources
- Energy efficiency
- Reduction of GHG emissions

This set of ESG criteria for products and services forms part of the decision-making in our sourcing process. In 2023, we implemented a digital tender system with a standardized decision matrix and automatic scoring. The ESG criteria in the decision matrix have a weight of 10% and include questions on circularity, emissions, and social/ethical aspects.

Procurement and suppliers

Procurement policy, selecting and contracting suppliers

KPN's procurement policy guides us in sourcing, contracting and managing our suppliers that deliver products or services, and our suppliers' sustainable performance plays a role in this. Our procurement process is based on a competitive comparison of suppliers, and in the selection of a supplier it applies economic and technical criteria, as well as the following ESG criteria:

- Compliance with the KPN Supplier Code of Conduct
- EcoVadis assessment
- Onsite audits
- Design for environment and reduce the use of virgin raw materials
- Extend and optimize product use
- Increase reuse and recycling and minimize incineration and landfill of waste

We engage with strategic suppliers on a structural basis, setting out specific terms and conditions for products and services to improve their sustainable performance. In 2023, we organized a supplier event for a select group of suppliers, our Board of Management and other relevant KPN stakeholders.

Payment policy:

- Standard payment terms: KPN has categorized two payment terms as standard: N ≤ 60 for vendors contracted based on the KPN standard terms and conditions, and N ≤ 30 for Dutch MKB vendors, vendors with annual spend < EUR 50k, and vendors that apply direct invoicing without a contract.

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- A payment term longer than 60 days may only be in place when it is not deemed to be unreasonable towards the vendor and is contractually agreed upon.
- Exceptions to standard payment terms, for example prepayments, require approval from the CPO, CFO, EVP Corporate Control or EVP Finance depending on the cash impact.

CHALLENGES

In the context of gaining insight into our value chain, we depend on information from our suppliers. Due to the variety of suppliers, the quality and availability of this information it is not always at the same quality level. Collecting, assessing and processing this information is challenging. The upcoming CSRD legislation will ensure more uniformity in our value chain.

CSR risk management

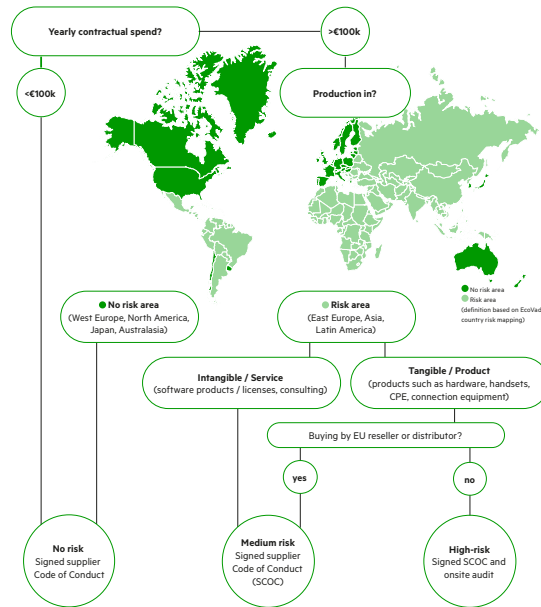
Once we have selected a supplier, we determine the impact the supplier may have on the environment in the communities where it operates, and the working conditions of its staff. Our sourcing process therefore includes a qualification process. This entails classifying the supplier based on the potential social and environmental risks that its operations, products and services represent. We assess this risk based on three parameters as illustrated in the below CSR risk decision-maker:

- Geographical areas
- Spend
- Potential environmental impact of a supplier's operations, products, or services

We use this assessment to determine the degree to which we subject our suppliers to regular sustainability checks.

In 2023, we had 4,857 Tier I suppliers, of which 1,411 contracted, unique suppliers. In 2023, we identified 29 high risk suppliers based on the definition above.

CSR risk level decision-maker



Sustainability checks

Supplier Code of Conduct

Once we have selected a supplier, we expect them to comply with the KPN Supplier Code of Conduct, or an equivalent set of standards. This code sets out social and environmental requirements for suppliers. It is inspired by the UN Guiding Principles on Business and Human Rights and based on the core conventions of the International Labour Organization (ILO). The code of conduct explicitly addresses human trafficking, forced labour, compulsory labour, child labour, health and safety, environment, ethics, bribery and corruption. It forms part of our general purchase terms and conditions and our purchase agreements.

EcoVadis assessment

We use the EcoVadis platform to assess their Tier I suppliers and to verify whether they have integrated the principles of ESG into their business and management systems. The EcoVadis ESG criteria cover four areas:

- Environment
- Labor and human rights (which include health and safety, working conditions, social dialogue, child labor, forced labor and human trafficking, diversity, equity and inclusion and external stakeholder human rights)
- Ethics
- Sustainable procurement

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A customized questionnaire and evaluation model is generated by EcoVadis according to the supplier's industry sector, countries of operations and size. We expect our suppliers to score at least the industry average in the assessment. If the outcome of the assessment is lower, then the supplier must draw up a plan to improve its score by mitigating identified risks or shortfalls with the purpose of achieving a score of at least industry average in a subsequent assessment.

In 2023, we added the EcoVadis carbon action module to the EcoVadis Risk platform we use for supplier assessments. This module is a GHG management solution to engage suppliers and drive decarbonization across our supply chain. As such, we request our suppliers to share metrics on GHG emissions with us in the EcoVadis platform and by participation to CDP.

The EcoVadis assessment is part of our tender process and agreements. In 2023, the EcoVadis spend coverage was 76%, which represents the percentage of the total KPN spend that was covered by EcoVadis assessments. The overall average EcoVadis sustainability rating of our suppliers is about 32% higher than the overall average score of the more than 100,000 of suppliers that EcoVadis assesses.

Social audits KPN

We strive to audit suppliers classified as high risk periodically and these social audits are carried out by an independent third-party auditor. These audits monitor whether suppliers and subcontractors comply with the sustainable guidelines set by the Joint Alliance for CSR (JAC). This association of 27 telecom operators aims to verify, assess, and develop corporate social responsibility implementation across manufacturing sites. JAC members, including KPN, share best practices on topics such as the circular economy, climate change and human rights to help embed long-term corporate social responsibility implementation in the different layers of the supply chain.

Thanks to the JAC members, 66% of our 29 high risk suppliers were audited in 2023 and in total 86% of KPN's high risk suppliers between 2014 and 2023. The audits were carried out by international specialist companies. The suppliers included in the audit campaign were from the sectors for user devices and appliances, network appliances and IT equipment production.

Fixing shortcomings through corrective action plans

The table below shows the numbers of non-conformities recorded during on-site audits conducted by KPN on behalf of JAC in 2015-2023.

For all the non-conformities we encountered, actions are taken to prevent or mitigate material negative impacts on value-chain workers. We do so by drawing up a specific corrective action plan (CAP) for each non-conformity that includes resolution

procedures and timetables. To track and assess the effectiveness of such actions in delivering intended outcomes for value-chain workers we engage with suppliers and production plants in following up on these corrective actions. JAC members constantly monitor the implementation of these plans.

CAPs set clear deadlines to complete all corrective actions within 12 months. Although all our suppliers are committed to completing all corrective action plans, we have found that some issues are hard to resolve within one year. In 2023, we closed 98% of all non-conformities raised between 2020 and 2022.

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Business ethics	-	2	-	2	3	4	11	7	19
Discrimination	2	-	-	-	2	-	1	-	-
Disciplinary practices	-	-	-	-	-	1	-	2	-
Environment	10	3	3	8	17	8	12	18	15
Freedom of association	-	-	-	-	1	1	1	1	2
Health & safety	15	6	4	10	39	23	27	31	45
Labor	-	-	-	-	-	4	-	2	5
Unlawful labor	-	-	-	-	-	5	1	-	8
Wages & compensation	4	1	-	-	3	4	3	6	5
Working hours	6	3	3	1	6	7	15	16	9
Other	-	-	-	-	-	-	1	-	-
Total	37	15	10	21	71	57	72	83	108

Total JAC audits

High risk Tier I, Tier II, and Tier III suppliers to KPN are audited by the JAC. Between 2010 and 2023, together with other JAC members, 902 audits were carried out in production plants (Tier I, II, and III) all over the world (of which the majority located in Asia). During 2023, audits were conducted in more than 20 countries around the world and most of them in China. The table below shows the total numbers of CSR issues recorded during on-site audits conducted on behalf of JAC in 2023.

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2023 Summary	Raised	Closed	Pending
Child labor & juvenile workers	21	10	11
Forced labor	31	11	20
Health & safety	391	173	218
Freedom of association	21	4	17
Discrimination	10	1	9
Disciplinary practices	8	2	6
Working hours	155	65	90
Wages & compensation	87	29	58
Environment	102	32	70
Business ethics	57	8	49
TOTAL	883	335	548

We are working on a comprehensive Human Rights statement, in which we also integrated a grievance mechanism for all stakeholders (such as value-chain workers), and a human-rights due-diligence process according to the OECD five-step due diligence guidelines. This includes an integration of responsible business conduct in our policies and management systems, risks assessments, mitigation and prevention mechanisms, monitoring and reporting.

To become more accessible for people who want to report on cases of abuse, we have expanded our grievance mechanism SpeakUp Line with the following languages: Spanish, French, Chinese (Mandarin and Cantonese), Hindi and Urdu. At KPN we aim to prevent and mitigate any human-rights violations in our own operations and our value chain, so the SpeakUp Line is accessible for people in- and outside KPN. In 2023, zero grievances were reported by our value chain.

Human rights in the value chain

Promoting human rights

We are a member of the JAC Human Rights Workstream, which focuses on addressing human-rights challenges in telecom industry supply chains. The goal of the JAC Human Rights Workstream is to act as one voice to improve the working and living conditions for workers in our value chain. KPN participates in the working groups General, Responsible Minerals, Child Labor and Living Wage.