

Audit report Monbat

Site visit Montana, 2020-01-21

Contents

1.	Introduction	3
2.	Audit method	3
3.	About Monbat	4
4.	Audit findings.....	4
4.1	Fair working conditions.....	5
4.2	Diversity and inclusion	6
4.3	Compensation and benefits.....	6
4.4	Occupational health and safety	7
4.5	Environment	8
4.6	Anti-corruption	8
5.	Corrective action plan	9

1. Introduction

At Tele2, we recognize that our success as a business is dependent on the success of the societies where we operate. We are aware of the impact that our operations have on the world around us, and strive to maximize our creation of value for all stakeholders. By promoting sound business practices, we can ensure that our business partners join us in these efforts.

We require all Business Partners that do substantial business with us¹ to sign our Business Partner Code of Conduct, or adopt equal or higher requirements. We expect our business partners to sign, implement and comply with the code. To ensure compliance with the code we, or an external party appointed by us, will regularly conduct on-site audits at the premises of our selected business partners.

Our Business Partner Code of Conduct is built on the following international guidelines and declarations:

- The United Nations Global Compact (UNGC)
- The Universal declaration of Human Rights
- The OECD Guidelines for Multinational Enterprises
- The International Labour Organization Standards
- The United Nation's Children's Rights and Business Principles

The latest version of the Business Partner Code of Conduct can be found [here](#).

2. Audit method

Tele2 purchases lead-acid batteries to provide reserve power in our mobile network from Global Batterier AB. Their supplier for this product is Monbat AD. As one of our suppliers' suppliers, this on-site audit has been conducted to ensure that Monbat AD comply with our Business Partner Code of Conduct, as we expect Global Batterier AB to ensure.

On January 21, Tele2's Head of Sustainability conducted this on-site audit at the premises of Monbat AD in Montana, Bulgaria. This audit was on-site audit was conducted in the presence of the CEO of Global Batterier AB.

The audit has the following steps:

1. Documentation review (before visit)
2. On-site audit
 - a. Company presentation
 - b. Visit at the production site
 - c. Management presentation on sustainability
 - d. Management presentation of code of conduct compliance
 - e. Discussion on preliminary audit findings
3. Review of audit report (after visit)
4. Publication of audit report

The draft version of this report was completed on: 2020-06-26

This was approved by the audited company on: 2020-08-19

The final version of this report was published on: 2020-12-21

During step 2c) management presentation on sustainability, the following topics were presented

1. Environmental sustainability
2. Health & safety

¹ Defined as someone we purchase goods or service from for more than SEK 1 million annually

3. HR
4. Quality management

During step 2d) management presentation on code of conduct compliance the following topics were discussed:

1. [Fair working conditions](#)
2. [Diversity and inclusion](#)
3. [Compensation and benefits](#)
4. [Occupational health and safety](#)
5. [Environment](#)
6. [Anti-corruption](#)

3. About Monbat

Monbat Group is a European batteries' producer, that operates under two main business segments - Lead-Acid batteries and Li-Ion high-power solutions. The lead-acid business is a vertically integrated business model with operating production and recycling facilities in Bulgaria (Monbat AD and Start AD) and recycling plants in Romania, Serbia and Italy.

According to the company's own description, Monbat is a reliable and sustainable economic group that offers vertically integrated solutions for starter and reserve power on demand and strives to further develop the integrity and diversity of its team, partners and shareholders. Monbat's commitment is enshrined in globally recognized standards and regulations such as the UN's Global Compact Principles. By continually incorporating these standards into its internal policies and procedures, aligned to a culture of integrity, Monbat leads the way to sustainable business growth.

Monbat is certified according to the following international standards:

- ISO9001 – quality management
- ISO14001 – environmental management
- OHSAS18000 – occupational health and safety

In 2018 Monbat underwent an audit by the Joint Audit Co-operation organization, which according to Monbat did not result in any remarks.

Employees at Monbat AD work in 2-3 shifts depending on work station, Monday to Friday, with the exception of the Formation department, which sometimes also work Saturdays and Sundays. Employees benefit from various skills training programs. In 2019 the total amount of training hours was 11 000, up from 6 000 in 2017. Employees are also able to benefit from complementary beach or spa vacation for them and their families, with the goal of everyone participating every year. During the workday, employees are provided with food, including apples, fruit juice and pectin. The food is adapted to the working environment, to reduce damages from exposure to lead, including fresh produce, fruit, meat, food with high concentrations of iron, juice and pectin, which helps the body to rid itself of any lead that might be absorbed. Twice every year employees are tested to ensure that the concentration of lead in the blood does not exceed threshold values. If an employee is found to have a too high concentration of lead they are sent for treatment and then 5 working days rest.

4. Audit findings

During the management presentation on sustainability the following was presented:

Health and safety

- On the site there are emergency evacuation plans on display throughout the site
- The company conducts fire training together with the local fire brigade

- The company provides personal protective equipment for the production works including clothes, shoes, goggles, and ear, dust and hand protection where necessary
- The most common hazards in the production relate to on-site vehicle traffic, machines, high voltage equipment, high temperatures and chemical substances
- To reduce the risk of on-site vehicle traffic the company has implemented traffic separation for pedestrians and vehicles and installed traffic signs

Environmental

- The company's environmental management system is certified according to ISO 14001:2015
- The company has all necessary environmental permits from local authorities

Human Resources

- The average age of employees is 39 years
- The company employs 10% women
- A majority of employees are between 26 and 45 years old
- The company's remuneration policy aims to provide equal pay for equal work. The remuneration costs of a base salary, with additions based on employee qualifications. The company provides a quality bonus to promote quality enhancing activities among employees.
- The company has increased the amount of average training hours per employee from 15h in 2017 to 22h in 2019.

In terms of ensuring compliance with the Business Partner Code of Conduct, the following six important areas were considered.

4.1 Fair working conditions

Our code demands that:

- All employees of Business Partners are entitled to fundamental human rights which shall be known, understood and respected and be applied equally.
- No one shall be subject to corporal punishment, physical, sexual, psychological or verbal harassment or abuse.
- Forced, exploited or bonded labour is strictly forbidden.
- Employees shall not be required to lodge deposits or original identity papers as a condition for employment.
- Employees shall not be forced to work more than the limits on regular and overtime hours allowed by the laws of the country in which they are employed.
- Overtime shall be compensated at no less than the legally required rate.
- All employees shall have contracts specifying the terms of employment.
- Children under the minimum working age established by local law or fifteen (15) years, whichever is greater, shall not be used as part of the labour force.
- Employees under eighteen (18) years shall not be engaged in hazardous or heavy work, or on night shifts.

Monbat AD has asserted their full compliance with these requirements. There are no indications through documentation review, management presentation, site visit or preliminary compliance discussion to suggest otherwise.

It is considered good practice in the industry to have in place fair procedures regarding disciplinary actions against employees. Monbat AD has asserted that they follow national legislation. If an employee is suspected of misconduct, they are asked to provide a written explanation. Based on this the company decides if there is need for disciplinary action. Disciplinary action usually first consists of additional training, if repeated then a warning. Salary deductions as a form of punishment cannot be made from the fixed salary, only from the employees' bonus. The company has had disciplinary cases during 2019, mainly regarding failure to follow personal safety rules.

Based on this there is nothing to suggest that there are any issues with Monbat AD's handling of disciplinary actions.

This leads to the following findings regarding Monbat AD's compliance:

- Monbat AD is deemed to be in compliance with the fair working conditions requirements of the Tele2 Business Partner Code of Conduct.
- No other discrepancies were found which would lead to a requirement of a corrective action.

4.2 Diversity and inclusion

Our code demands that:

- All employees of Business Partners are protected by the fundamental right not to be discriminated against. They shall not be subject to discrimination, whether active or by means of passive support, whether based on ethnicity, national origin, religion, disability, gender, sexual orientation, marital or parental status, union membership, political affiliation or age.
- The rights of employees to freely associate and to bargain collectively, in accordance with the laws of the countries in which they are employed, shall be recognised and respected.

Monbat AD has asserted their compliance with the requirements of our code.

Monbat AD has asserted that it has rules in place banning discrimination based on gender, age and religion.

Monbat AD has informed us that there are no labour unions active in the company, however the company asserts that employees have full freedom of association and collective bargaining. In lieu of active labour unions the company has an internal committee that meets 4 times per year, where every worker can discuss experiences and complaints with the HR director and managers. It is also possible to raise possible concerns through the employee survey and a suggestion box. In lieu of collective bargaining, salaries are set in relation to a worker qualification matrix, where a new level of qualification is what guides the employees' salaries.

It is considered good practice in the industry to provide information to employees describing local laws and regulations pertaining to freedom of association and labour unions, and to provide minutes from management-worker meetings.

The company provides information about freedom of association at the information desk, and through the TV in the canteen. The company has quarterly meetings with management and employees, and the minutes from these meetings are shared on the information screens.

Based on this there is nothing to suggest that there are any issues with freedom of association and the provision of minutes from management-worker meetings at Monbat AD.

This leads to the following findings regarding Monbat AD's compliance:

- It is important to ensure the rights of employees to freely associate and to bargain collectively.
- The company has asserted that they have a strong anti-discrimination programme. It would be advisable to update it to include further aspects that could constitute a basis for discrimination.
- Monbat AD is deemed to be in partial compliance with the diversity and inclusion requirements of the Tele2 Business Partner Code of Conduct.

4.3 Compensation and benefits

Our code demands that:

- No employee of Business Partners will be paid less than the minimum total wage required by applicable national law, including all mandated wages, allowances and benefits.
- All employees shall have the right to equal pay for equal work, as well as periodic holiday with pay.

Monbat AD has asserted their full compliance with these requirements.

The minimum wage in Bulgaria is 610 leva per month. No one is paid below that at the company. The average gross salary at the company is 3 times higher. The company is one of the highest paying employers in the Montana region.

The company states that all employees have the right to equal pay for equal work, and periodic holiday with pay. Local legislation states this should be 20 days, in Monbat AD's production employees are given 25 days periodic holiday with pay.

There are no indications through documentation review, management presentation, site visit or preliminary compliance discussion to suggest that Monbat AD would not be in compliance with the requirements in our code.

It is considered good practice in the industry to provide information to employees regarding wages and possible deduction of wages.

At the company, employees are given information about the wage structure during the onboarding, and personally receive a pay slip at the end of each month. The company is considering to implement a software solution where employees can find information about HR-related issues, such as wages, vacations and training.

Based on this there is nothing to suggest that there are any issues with the provision of information regarding wages at Monbat AD.

This leads to the following findings regarding Monbat AD's compliance:

- The company is encouraged to implement a software solution where employees can find information about HR-related issues, such as wages
- Monbat AD is deemed to be in compliance with the compensation and benefits' requirements of the Tele2 Business Partner Code of Conduct.
- No other discrepancies were found which would lead to a requirement of a corrective action.

4.4 Occupational health and safety

Our code demands that:

- Safety at work is a prioritised concern of Business Partners and therefore it takes adequate steps to prevent accidents and injury to health, by minimising the causes of hazards inherent in the working environment and by providing appropriate safety equipment.

Monbat AD has asserted their full compliance with these requirements. There are no indications through documentation review, management presentation, site visit or preliminary compliance discussion to suggest otherwise.

It is considered good practice in the industry to have emergency evacuation plans available to all employees, to conduct and document fire/evacuation drills, to have a chemical spill emergency response plan, to provide employees training on health and safety issues, and keep a record of work-related accidents.

The company has emergency evacuation plans available to all employees, and have conducted and documented fire/evacuation drills. The company provides training on health and safety before new employees start working, followed by a yearly training. The company keeps a record of work-related accidents, including a list of what most commonly causes accidents.

This leads to the following findings regarding Monbat AD's compliance:

- Monbat AD is deemed to be in compliance with the occupational health and safety requirements of the Tele2 Business Partner Code of Conduct.

- No other discrepancies were found which would lead to a requirement of a corrective action.

4.5 Environment

Our code demands that:

- Environmental laws and regulations applicable to local surroundings and the relevant business sector shall be complied with by Business Partners.
- Practices minimising the impact on the environment shall be encouraged and care shall be taken with any environmentally sensitive substances or processes.
- Business Partners promote a sustainable development and cost efficiency by proactively reducing resource consumption and thus the impact on the environment.

Monbat AD has asserted their full compliance with these requirements.

The company tries to increase resource efficiency by recycling lead waste at their own recycling centre.

There is a water treatment plant on the site, that all water from the site goes through, to ensure that there is no lead contamination through the water. To ensure there is no contamination through the water tests are conducted twice yearly.

To reduce greenhouse gas emissions the company is using transportation that has lower emissions.

To ensure responsible sourcing of raw material, virgin lead is purchased from a production site in southern Bulgaria.

There are no indications through documentation review, management presentation, site visit or preliminary compliance discussion to suggest that that Monbat AD would not be in compliance with the requirements in our code.

It is considered good practice in the industry to not have received any environmental regulatory citations in the past three years and to commission air emissions and wastewater monitoring reports.

The company states that they have not received any environmental regulatory citations in the past five years, and that air emissions and wastewater measurement is conducted by an independent third party.

This leads to the following findings regarding Monbat AD's compliance:

- Monbat AD is deemed to be in compliance with the environmental requirements of the Tele2 Business Partner Code of Conduct.
- No other discrepancies were found which would lead to a requirement of a corrective action.

4.6 Anti-corruption

Our code demands that:

- Business Partner employees and members of the Board of Directors may not offer, ask, give or accept, directly or indirectly, any undue advantage for personal gain to or from any third party, unless it can be constituted as being within the boundaries of accepted business practices such as representation and reasonable hospitality given in the ordinary course of business.
- In most countries, gifts or benefits to government employees or public officials are considered a violation of law. Business Partners must not offer money or any gift, at their own initiative or on behalf of Tele2, to an official or employee of a governmental entity, except for symbolic gifts of insignificant monetary value, provided this is allowed by law.

Monbat AD has asserted their full compliance with these requirements.

The company has an anti-corruption policy, and adheres to the principles of the UN Global Compact. The 10th principle of the UN Global Compact is to work against corruption in all its forms.

There are no indications through documentation review, management presentation, site visit or preliminary compliance discussion to suggest otherwise.

This leads to the following findings regarding Monbat AD's compliance:

- Monbat AD is deemed to be in compliance with the anti-corruption requirements of the Tele2 Business Partner Code of Conduct.
- No other discrepancies were found which would lead to a requirement of a corrective action.

5. Corrective action plan

Based on these findings the following corrective action plan is proposed

Area	Description	Action	Deadline
Diversity & inclusion	Inclusion of all possible grounds for discrimination listed in the code into the corporate anti-discrimination policy would ensure full compliance	Update the anti-discrimination policy to include all possible grounds for discrimination	2020-12-31