

# **HUMAN RIGHTS IN THE SUPPLY CHAIN: THE TELENOR GROUP'S APPROACH TO SUPPLY CHAIN SUSTAINABILITY**

BY BIANCA WILSON<sup>1</sup>

## **Human rights issues addressed**

- Child labour
- Complicity
- Diversity and/or non-discrimination in employment
- Forced labour
- Freedom of association/collective bargaining/collective action
- Human rights and environment
- Occupational health and safety
- Right to health
- Sphere of influence
- Standard of living
- Supply chain management
- Trade union rights
- Working conditions

## **Human rights management practices addressed**

- Strategy
- Policy
- Processes and procedures
- Communications
- Training
- Measuring impact and auditing
- Reporting

## **Human rights standards, tool, and initiatives mentioned (beyond the Global Compact)**

- Universal Declaration
- ILO Standards
- UN Convention on the Rights of the Child
- Rio Declaration on Environment and Development
- Electronic Industry Citizenship Coalition (EICC) Code
- Ethical Trade Initiative (ETI) Base Code

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## Abstract

This case study analyzes the development and implementation of the Telenor Group's Supplier Conduct Principles and related framework for supply chain sustainability. The company's response to human rights challenges leading up to the framework's creation and its process for designing the Supplier Conduct Principles demonstrate an underlying focus on human rights and sustainability within its own operations and throughout the value chain. Telenor's programme is particularly unique in that it contractually binds suppliers and sub-suppliers alike to a set of requirements related to human rights, labour, health & safety, the environment as well as prohibited business practices. Moreover, the company strives for continuous improvement and reduced risk among its suppliers with a collaborative approach through proactive trainings and a philosophy of working with suppliers to correct any non-conformities discovered.<sup>2</sup>

### 1. Company Profile

Founded in 1855, Telenor Group is one of the world's largest telecommunications companies serving over 300 million mobile subscribers.<sup>3</sup>

Telenor is headquartered in Oslo, Norway and operates in 11 markets worldwide employing approximately 32,000 people. Telenor also has a stake of around 32% in VimpelCom Limited, which operates in 20 additional markets. With revenues of NOK 95 billion in 2010, Telenor is ranked as one of the top 500 global companies by market value as defined by the Financial Times Global 500 and is also among the top performers on the Dow Jones Sustainability Indexes.<sup>4</sup>

It holds the leading position in mobile, broadband and TV services in the Nordic region (Norway, Denmark, Sweden and Finland) and has major operations in Hungary, Montenegro, Serbia, Pakistan, Bangladesh, Thailand, Malaysia and India. Over the last 155 years, the company has grown from its beginnings as a national telephone service provider in Norway to a global business providing voice, data (internet and broadband), content and other services to consumers and businesses around the world.

Telenor's corporate structure is particularly important to the design of its supply chain monitoring framework. In addition to its Board of Directors and Corporate Assembly, there is a Group CEO and Group Executive Management team that oversee operations in all 11 of Telenor's countries. Each country in turn has local Business Units, which manage individual functions and responsibilities at the country level. As a result, Telenor's governance structure is fairly loose and allows for significant freedom at the local level. Because sourcing is not a centralized function, most interactions with suppliers and sub-suppliers take place at the local Business Unit level.

### 2. Rationale for setting up the Supplier Conduct Principles

Telenor's decision to design and implement its Supplier Conduct Principles (SCP) is rooted in its commitment to human rights and corporate sustainability. According to Stein Hansen, Head of

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<sup>2</sup> More information on Telenor's Supply Chain Sustainability framework and programme is available at <http://www.telenor.com/en/corporate-responsibility/supply-chain-sustainability/>.

<sup>3</sup>"Telenor at a Glance." Telenor Group. Web.<<http://www.telenor.com/en/about-us/telenor-at-a-glance>>.

<sup>4</sup>*Ibid.*

Group Business Assurance, human rights have historically been a basic principle at Telenor. As a Norwegian company whose major shareholder is the Norwegian Government, respecting human rights has always been a priority as evidenced in the set of company Values and Code of Conduct<sup>5</sup> that govern Telenor.<sup>6</sup> Established in 2003, the Code of Conduct makes reference to the Universal Declaration of Human Rights and other UN conventions in describing its relationship with employees. It also states that working conditions must comply with International Labour Organization (ILO) core conventions including the ILO Minimum Age Convention 1973 (C138) asserting that Telenor shall not employ or contract child labor.

Though the SCP<sup>7</sup> – which address human rights, labour standards, health and safety, environmental issues and prohibited business practices<sup>8</sup> – were already being drafted at the time, an issue during the spring of 2008 propelled Telenor to move forward in establishing its Group-wide supply chain sustainability framework. That April, a Danish journalist produced a documentary for Norwegian television showing the work environment in some of the sub-suppliers for GrameenPhone, a Telenor subsidiary in Bangladesh. The documentary, which focused on the sub-suppliers building GrameenPhone's telecom infrastructure, contained examples of very poor health and safety conditions, serious environmental contamination and also the employment of child labor in steel manufacturing processes at the sub-supplier level.

Before the documentary, Telenor viewed itself mainly as an office-based service provider and focused primarily on the implications of its core business activities. However, the fact that the public was prepared to hold Telenor accountable for human rights violations and health and safety issues that occurred several levels down the supply chain demonstrated a need to create a system to back up its values of being a socially responsible corporation. As a result, Telenor initiated a Group-wide project to re-focus on preventing human rights violations and improving Health, Safety, Security and the Environment (HSSE) worldwide. Setting up a supply chain sustainability framework was a clear next step for Telenor.

### 3. Responding to Bangladesh

Telenor's CEO spoke out publicly about the issue and the Group immediately began an investigation. With being responsible and sustainable among its key company values, Telenor decided it was necessary to develop a system to increase awareness and to monitor suppliers and sub-suppliers. The first step was to immediately follow up with the sub-suppliers involved in the allegations in Bangladesh. Telenor sent a third party company, Det Norske Veritas (DNV), to the sub-suppliers in question to assess their actual HSSE situation through on-site inspections. A number of actions were subsequently initiated based on the inspection findings and closely followed up on by GrameenPhone.

Following the DNV inspections, GrameenPhone began a series of local HSSE awareness workshops and training sessions for suppliers. It should be noted that, in the case of Bangladesh, a

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<sup>5</sup>"Code of Conduct." Telenor Group. Web <<http://www.telenor.com/en/about-us/corporate-governance/codes-of-conduct/>>.

<sup>6</sup> Hansen, Stein. Telephone interview. 7 Jan. 2011.

<sup>7</sup>"Supplier Conduct Principles." Telenor Group. Web. <[http://www.telenor.com/en/resources/images/Supplier%20Conduct%20Principles\\_tcm28-37840.pdf](http://www.telenor.com/en/resources/images/Supplier%20Conduct%20Principles_tcm28-37840.pdf)>.

<sup>8</sup> Prohibited business practices defined in the SCP include corruption, business courtesies, money laundering and violations of competition laws.

legal framework surrounding human rights, labour and HSSE was in place, and the training, therefore, focused on educating suppliers about these local laws and how to implement them. In addition, the workshops and training also covered HSSE management practices and looked specifically at the area of child labour. Moving forward, GrameenPhone followed up with a number of subsequent site inspections and also supported the involved suppliers to ensure schooling facilities and a proper work environment for the underage workers.

As an approach to prevent child labour in Bangladesh, in June 2009, the Telenor Group entered into a five-year agreement with UNICEF Norway to fight child labour in Bangladesh, where an estimated 13 percent of children aged 5-14 work full-time.<sup>9</sup> Together, joint funding from Telenor and UNICEF will target over 12,000 child workers each year in six cities in Bangladesh – and Telenor's funds will cover more than 4,000 children per year.<sup>10</sup> Taking a holistic approach, the project comprises three key elements: educating children, educating social workers and educating society.<sup>11</sup>

In parallel to working specifically with the sub-suppliers in Bangladesh, Telenor began its Group-wide project to finalize its supply chain sustainability framework, including the SCP as well as the Group Policies and Procedures for implementation of the framework. As a first step, Telenor utilized two methods to conduct risk assessments of the supply chains in all countries where it operates. Firstly, Telenor again sent the third party inspector DNV to all countries with operations to assess the HSSE conditions. DNV inspected five to ten of the suppliers or sub-suppliers in each country determined to be high risk in terms of HSSE. In order to help the local Business Units identify the suppliers to be inspected, Telenor sent them general guidelines upon which to assess risk in their suppliers and sub-suppliers. These guidelines rated some of the highest risk suppliers to be those working in the construction, transportation and chemical sectors. In addition, local Business Units also used their own knowledge of suppliers to identify those of highest risk.

The assessment of suppliers and sub-suppliers at the local level is crucial. Because Telenor has no central procurement or production, it is not practical to manage the supply chain centrally – and the local Business Units know their suppliers best. Following the DNV on-site inspections, Telenor's Business Units in all markets have continued with their own regular inspections as part of Telenor's general supply chain sustainability framework.

Secondly, at the end of 2008 Telenor sent a global supplier Self-Assessment Questionnaire (SAQ) to more than 500 suppliers globally deemed to be most high risk in terms of HSSE by the various Telenor Business Units. This SAQ consisted of approximately 90 questions designed to evaluate risks in the areas of health, safety, labor, environment and other areas according to the requirements of the SCP.

Based on the two independent assessments, Telenor gained an in depth understanding of the overall HSSE or SCP risk level in its local markets. The Nordic countries were found to have the

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<sup>9</sup> "Combating Child Labour Through Education." Telenor Group. Web <<http://www.telenor.com/en/corporate-responsibility/initiatives-worldwide/combating-child-labour-through-education>>.

<sup>10</sup>*Ibid.*

<sup>11</sup> For more information about Telenor's project with UNICEF Norway, please see <http://www.telenor.com/en/corporate-responsibility/initiatives-worldwide/combating-child-labour-through-education>

lowest risk, followed by Central & Eastern Europe with medium risk, and then the higher risk Asian operations.

#### 4. Designing the Framework

Following the initial process of mapping the supply chain risk, the Group-level project team within Telenor began to design the supply chain sustainability framework and SCP. This team was cross-functional, with members from the Legal, Human Resources, Sourcing and Corporate Responsibility areas, and also included people with experience in operational Business Unit management and construction work in the field. A critical factor during this phase was continuous anchoring and communication with Telenor's Group management to ensure a high level of involvement and buy-in to the solutions and their implementation plans. Other important elements in this phase included an assessment of national law in the countries of operation as well as benchmarking with comparable industries and other telecom companies.

As a result of this process, the SCP were drafted and finalized. The set of principles, which have been approved by the Group's Board of Directors, "set out the requirements Telenor would like to see achieved by all its suppliers (in a wide sense) over time."<sup>12</sup> The principles cover six main areas: national law, human rights, labour standards, health and safety, environment and prohibited business practices. The standards apply throughout the entire Telenor Group. The SCP's overarching philosophy is for suppliers and sub-suppliers to continuously improve their performance in order to improve human rights, labor health and safety, environmental and other conditions in workplace and community. Instead of eliminating suppliers for non-conformities, Telenor prefers to work with them to correct them.

According to Telenor, the team drafting the SCP considered a number of sources and criteria. The company began by mapping out the laws in each country. The laws related to the SCP in the countries where Telenor operates were strong but they were not always enforced. Next, Telenor looked to the relevant international laws and standards. The resulting SCP were inspired by the UN Global Compact's Ten Principles, the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, ILO standards, the Rio Declaration on Environment and Development and the UN Convention against Corruption among others. Telenor also considered selected industry codes valid at the time, including the Electronic Industry Citizenship Coalition (EICC) Code and the Ethical Trade Initiative (ETI) Base Code, as well as supplier codes of conduct from certain other multinational companies. Gathering input from a variety of sources allowed Telenor to create the framework drawing on best practices while also tailoring it to work within the company's unique structure. The resulting SCP is, therefore, specific to Telenor – as opposed to the company simply adopting an industry code – though it is directly based on sources mentioned above.

After the SCP was finalized, an important decision was whether to create a binding contractual obligation for suppliers to adhere to the SCP or to use a more relaxed approach in which suppliers simply indicate willingness to comply. Telenor took on a formal contractual approach with its Agreement on responsible Business Conduct (ABC) that legally obligates suppliers not only to comply with the SCP within their own operations, but also to take the requirements further down the supply chain. Since it is only possible for Telenor to have a contractual relationship with its first line of suppliers, the contract binds Telenor's suppliers to monitor and follow up with their own

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<sup>12</sup>Hansen, Stein. *Telenor's Experiences and Approach to Supply Chain Sustainability*. 26 Oct. 2010. PPT.

sub-suppliers.<sup>13</sup> Telenor's ABCs with its first-tier suppliers place strict obligations but Telenor's supply chain sustainability strategy is based on continuous improvement of suppliers through collaboration.<sup>14</sup> The goal is not to throw out or penalize suppliers who make mistakes, rather it is to help the suppliers improve and live up to the SCP.

## 5. Implementing the Framework Internally

Telenor took two major actions internally to implement the SCP framework: creating a new department and making a new company policy. The company established a Group-wide "Business Assurance" function, with a Group-level Business Assurance unit and local Business Assurance Units in every Business Unit responsible for overseeing compliance with the SCP. Telenor also created a Group Policy and a Group Procedure, applicable to all Business Units, which govern their implementation of the responsible supply chain management framework.

Telenor's Group Policy designates responsibility for implementing and monitoring compliance and specifically defines key actors in working with the supply chain. The local CEOs are ultimately accountable for securing supply chain monitoring, reporting and remediation in their Business Units, which demonstrates the high priority Telenor places on the issue. In addition, the permanent local Business Assurance Units established in each Telenor Business Unit are held accountable for implementing responsible supply chain management in practice at the local level, overseen by the Group-level Business Assurance Unit. The Group Business Assurance Unit manages and aggregates global risk, performance and incidents with the support of all of the local Business Assurance Units.

Another important decision point for Telenor was choosing to define "supplier" in a very broad manner. According to the Group Policy, "suppliers are to be understood as any person and/or entity with a direct contractual relationship with the Business Unit and offering products and/or services to the Business Unit. This includes any manufacturer, vendor, contractor, consultant, middleman, service or facilities provider, dealer, distributor or other partner that is, or potential will be, directly cooperating with the Business Unit. For the avoidance of doubt, customers are not included in the definition of Supplier."<sup>15</sup> Sub-suppliers are defined to include any entity providing goods or services to a supplier, regardless of how far removed it is in the supply chain.

Telenor's wide definition of suppliers and sub-suppliers is influenced by the manner in which the public held it accountable for violations deep in the supply chain in Bangladesh. Moreover, the broad definition places a serious obligation on the Business Units and suppliers to consider each and every actor in the supply chain. It mitigates the risk of suppliers outsourcing potential problems because all suppliers and sub-suppliers are legally obligated to comply with the SCP and will be monitored.

## 6. A Contractual Requirement: the Agreement on responsible Business Conduct (ABC)

Telenor's Group Procedure for Supply Chain Business Assurance sets out the formal contractual relationship between Telenor and its suppliers as well as the procedure for monitoring

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<sup>13</sup>Hansen, Stein. Telephone interview. 7 Jan. 2011.

<sup>14</sup>*Ibid.*

<sup>15</sup>*Group Policy Supply Chain Business Assurance*. Telenor Group. 7 Jul. 2009, p. 2.

and follow-up with suppliers. The first element of the framework is communicating the importance of the SCP to suppliers. The SCP are publicly available on Telenor's external website as well as its Intranet.

Next, each of Telenor's suppliers must sign the ABC that legally binds it to comply with the SCP, and several requirements in the ABC itself concerning monitoring, mirroring<sup>16</sup> and other contractually important aspects. Each ABC also has two attachments, the SCP and an Improvement Plan. Recognizing that there may be a gap between the supplier's current situation and the SCP requirements, the Improvement Plan has the potential to identify issues and define specific steps and timelines within which to correct them. In addition to clarifying the relationship between the supplier and Telenor, the process of designing an Improvement Plan helps to reinforce Telenor's strategy of working with suppliers to continuously improve their processes.

For all new Telenor suppliers, a risk assessment must be completed and an ABC must be signed prior to any contractual agreement to supply goods or services to Telenor. The ABC and SCP are also mandatory elements in all Request For Quotation (RFQ) processes. For existing suppliers, risk assessments shall be conducted as soon as possible, with specific deadlines dependent on the risk level assessed for the supplier. Telenor's ABC consists of six core elements:

1. Implementation, monitoring and follow-up
2. Cascading of requirements
3. Transparency and inspection rights
4. Notification and remediation at own cost
5. Sub-supplier termination
6. Right to effective sanctions

The first requirement is straightforward and demonstrates a commitment to ensuring that the SCP is implemented and monitored internally at each supplier. The second requirement to reflect Telenor's unique policy for suppliers to cascade these requirements by contractually obligate their own suppliers, Telenor's sub-suppliers, to comply with the SCP. The third requirement means that suppliers must be willing to allow monitoring, including unannounced inspections, by the Telenor local Business Unit or its representatives. Fourth, the suppliers must notify the Telenor Business Unit of any non-conformities found and correct them at their own cost. The fifth and sixth requirements are also very strong. They allow the Telenor Business Unit to trigger termination of the relationship with a supplier or sub-supplier or impose sanctions if they are not able to correct non-conformities found in their operations.

Particularly significant is the availability of documents in a variety of languages. Both the ABC and the SCP are translated into the local language of each country where Telenor operates. As a result, staff at local Business Units as well as local suppliers and sub-suppliers are able to clearly understand the requirements.

## **7. Monitoring and Reporting**

Telenor's supplier monitoring and risk tracking procedures are crucial to the success of the overall framework. The Telenor senior manager at the local Business Unit level that is "Contract

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<sup>16</sup>Mirroring refers to Telenor's requirement that suppliers extend the SCP principles to their own suppliers.

Owner” is responsible for the compliance of his or her suppliers and sub-suppliers. However, the Head of Business Assurance for the local Business Unit is responsible for ensuring that supply chain assurance is carried out systematically across the Business Unit.

The supplier monitoring process produces important indicators on both risk and performance. As part of the overall risk assessment, Telenor conducts an annual SAQ with a sample of its suppliers worldwide. Telenor also assesses supply chain risk and performance through inspections by Business Units or third parties. The risk and performance picture at any time, as well as any actual non-conformities found - with related improvement plans - are tracked with “EasyRisk”, a Group-wide web-based tool.

In the long term, Telenor’s goal is to reduce the overall supply chain risk, which is continuously measured within the year through the Supply Chain SCP Risk indicator (SCSR). The SCSR is defined as the percentage of suppliers in a given Business Unit that have one or more “red flags”, or issues of concern, based on the annual SAQ process. When a red flag is identified, the Telenor Business Unit takes concrete steps to resolve it, which reduce the SCSR.

Further, when significant non-conformities are uncovered through inspections, a Group internal notification procedure is initiated and the Head of local Business Assurance must notify the local CEO as well as the Head of Group Business Assurance. Significant non-conformities include any confirmed findings related to child labor, forced labor or prohibited business practices. In addition, work-related fatal accidents must be communicated through this procedure.

After an SCP risk or a non-conformity is identified within a supplier or sub-supplier, Telenor requires that the supplier address and remedy the situation through a plan of action approved by Telenor. Local Business Assurance may also re-inspect suppliers to ensure that the remediation plan is being executed. Telenor strives to work with suppliers to correct non-conformities and terminating a supplier relationship is a last resort.

Telenor measures its performance in reducing supply chain risk through a number of internal Key Performance Indicators (KPIs). Some KPIs measure the execution of certain responsible supply chain management processes by Telenor’s Business Units while others measure the actual SCP risk or non-conformity levels for suppliers or categories of suppliers. Examples of KPIs include a reduction in number of red flags or non-conformities in inspections; the percentage of “critical” suppliers; or the number of suppliers who have signed the ABC. Since training is a key aspect of suppliers’ ability to enforce the SCP, Telenor also tracks the number of local Business Units holding training sessions for their suppliers. Because training programmes are tailored to local laws and challenges, they are mostly developed and executed locally by the various Business Units.

## **8. Addressing Non-Conformities**

While the majority of non-conformities found in supplier inspections carried out by Telenor Business Units relate to health and safety, other examples typically relate to labour rights. In very few instances, bonded labour issues are also seen, and an exceptionally small number of cases relate to underage labour issues. The following three examples from Pakistan, Thailand and China illustrate the types of non-conformities Telenor encounters and the steps taken to address them.

In Pakistan, Telenor discovered a labour rights issue with one supplier that was not disbursing salaries on time. While local law requires salaries to be paid no later than the 10<sup>th</sup> of each month, the supplier was not meeting this deadline because it was receiving late payments from its own suppliers, and its process for supervisors to disburse cash to employees was slow and manual. As a corrective action, the payment process was overhauled. Accounts were opened allowing employees to directly collect their salaries from banks. Though the previous manual process is still used in remote areas without banks, Telenor is also using “EasyPaisha”, its own mobile phone financial services product, to disburse salaries in these areas where possible and available. Two months later, the issue was closed after the supplier created a corrective action plan, which Telenor verified through random interviews with employees.

A supplier in Thailand was found to have a job application form containing questions, such as inquires about serious illnesses and the applicant’s nationality, that could be used to discriminate. To correct this human rights issue, the supplier has removed the questions from the application template and instead included them on a form completed after employment is obtained. The case was closed after a few weeks once Telenor had seen the two revised forms.

Another non-conformity in China relates to a local law requiring employers to arrange regular health checks for young workers. One Chinese supplier was found to have employee contracts with young workers that did not specify the regularity of these health checks, and there was no reference to the matter in the company’s other documentation. To remedy the issue, the supplier established a “Young Workers Management Procedure” outlining the regular health check requirements for young workers. In addition, the requirements have also been included in the staff handbook. After working with the supplier for a number of months, Telenor closed the issue once the new procedure was finalized.

## 9. Continuous focus on Performance

Even after its implementation in 2009, the SCP and the monitoring framework remain a priority at Telenor. The permanent Business Assurance Units in every local Business Unit drive supply chain sustainability and ensure that it remains a key element of all supplier relationships. It is also significant to note that Telenor’s framework has both structures and follow-up processes in-house as well as in the supply chain that strengthen its effectiveness. Furthermore, management from the Group-level executives through the local Business Units fosters a culture that supports the implementation of the ABC and the SCP.

As a result of this continuous focus, Telenor has already made significant progress working with suppliers and reducing supply chain risk as evidenced by KPI data that each Business Unit reports to the Group Business Assurance Unit. In 2009, Telenor reduced the SCSR indicator by 86% and in 2010 it was reduced by 94%.<sup>17</sup> These figures indicate that suppliers have greater knowledge of potential violations of the SCP and are taking steps to mitigate these risks.

Further, based on the annual global supplier self-assessments, which provide a sample of the SCP risk in the market at any given time, Telenor has seen improvement in the SCP risk levels found year by year. For example, the risk related to forced labour has been reduced from 29% high risk

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<sup>17</sup> Hansen, Stein. *Telenor’s Experiences and Approach to Supply Chain Sustainability*. 26 Oct. 2010. PPT.

indications<sup>18</sup> in 2008 to 16% high risk indications in 2010. For child labour, however, the high risk indications have remained around 1% every year. From the latest self-assessment in 2010, the initial high risk indications were as follows:

Forced labour	Child labour	Working conditions	Handling of waste	Employee's health	Serious accidents
16.4 %	0.7 %	3.0 %	0.6 %	0.4 %	19.6 %

On the monitoring side, Telenor carried out 1,419 supplier inspections Group-wide in 2009 and another 2,082 in 2010.<sup>19</sup> Further, as of mid 2011, Telenor has implemented more than 11,000 ABCs with suppliers globally. The incorporation of more suppliers into the framework allows Telenor to have a deeper understanding of its supply chain and increases the likelihood of identifying and correcting non-conformities.

## 10. Challenges and Lessons Learned

Before the supply chain monitoring framework, Telenor embedded human rights values into its Code of Conduct and corporate culture. However, the situation in Bangladesh presented the significant challenge of ensuring that the company's values were reflected in its operations. Through designing the SCP and implementation framework, Telenor was better able to understand the human rights challenges its suppliers and sub-suppliers face. The framework's monitoring and remediation components begin to address these obstacles by providing a means to identify issues and correct them.

In creating and implementing the SCP, one of the biggest challenges that Telenor faced was the organizational dynamic involved in reaching a Group-wide consensus on the SCP and its supporting processes. Because Telenor is such a large group of companies, it was particularly challenging to consult all concerned parties. Some internal stakeholders advocated for a policy with very strong requirements for sustainability, human rights and corporate responsibility while other stakeholders emphasized the importance of creating a practical policy that is feasible for Business Units to implement. Business Units in different regions also reacted differently. Countries generally facing fewer human rights challenges were hesitant about a framework that would be time-consuming or expensive to put into operation but unlikely to uncover many non-conformities.

Hansen found that patience and time spent consulting with internal stakeholders at all levels of the Group was crucial for reaching a compromise.<sup>20</sup> It was only when all stakeholders felt that their input was heard and taken into consideration that Telenor was able to reach final agreement on the supply chain sustainability framework. The resulting framework is a balance between the ideal and the practical. The strict language in the ABCs reflects Telenor's high human rights and responsibility standards, while the company's strategy of working with suppliers for continuous improvement indicates the realities of implementing the policy on the ground. To address the regional concerns about the burden of implementation, the framework was designed around risk so that those Business Units assessed to be lower risk would have to execute fewer inspections.

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<sup>18</sup> "High risk indications" refers to the percentage of questions answered in the SAQ in a manner that suggests the supplier has high level of risk in that area.

<sup>19</sup>*Ibid.*

<sup>20</sup> Hansen, Stein. Telephone interview. 7 Jan. 2011.

From the outset, it was a challenging task for Telenor to sign ABCs with its many existing suppliers. Therefore, the company prioritized signing agreements with the highest risk suppliers first and also started inspections before the agreements were officially signed. This initial phase has now passed, and over 11,000 ABCs have been signed to date. Although some negotiations are needed with certain suppliers to sign ABCs, the process generally works well, which is indicated by the number of signed agreements. A signed ABC is a requirement in every RFQ or contract renewal process.

A significant lesson Telenor learned during the process was about the importance of high-level buy-in. The SCP is a top-level document at Telenor, approved by the Board of Directors of the entire Group, and the Group Policies and Procedures are approved by the Group CEO. In Telenor's experience, unless top management is behind the establishment and operation of a supply chain sustainability framework, it would likely be difficult for a company to translate the idea into sustainable practice. At Telenor, there is not only high-level management backing for supply chain sustainability but also a permanent sub-committee of the Board of Directors that monitors HSSE and supply chain sustainability specifically. Hansen reports to the committee three to four times per year – largely on health and safety, but also on human rights and environmental issues as they arise. The Group CEO also frequently communicates the importance of supply chain sustainability internally as well as towards large suppliers.

Hansen strongly feels that if the team working on the supply chain sustainability framework had not had support from the top, they may have struggled to get buy-in and participation in the local Business Units. Without backing from the Group CEO and Board of Directors, local Business Unit management might have found the supply chain sustainability framework to be a nice add-on but not crucial. After all, such a framework puts an extra burden on Business Units, both in putting additional requirements into supplier contracts and in performing regular supply chain monitoring. Since there was sufficient awareness throughout Telenor that supply chain sustainability is a priority for executive management, it was possible for Hansen and his colleagues to gain local Business Unit support to implement the supply chain sustainability framework. “You really need to have top management behind you - and you need to have that from the start,” he argues.<sup>21</sup>

Telenor also saw the importance of awareness building and maintained focus within the company. When the Group-wide project started in 2008, Hansen and his team traveled to all the larger Business Units where Telenor operates to meet with their top management about supply chain sustainability. They held two-day workshops at each Business Unit. Without this initial focus on building awareness, the supply chain sustainability framework might not have achieved the level of success it has. To maintain a high level of engagement, the Group Business Assurance Unit meets with local management on a regular basis and also holds two workshops for the global Business Assurance network to discuss and further develop the supply chain sustainability framework, its requirements and performance.

Hansen also reflected that Telenor's particular model of supply chain sustainability works well because of its governance structure. Telenor's loose central governance devolves the responsibility for monitoring suppliers to the local Business Unit level because they best know their suppliers and local markets. For other companies – perhaps with more centralized sourcing in

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<sup>21</sup>*Ibid.*

particular - there may be further opportunities to simplify the framework and to customize scoping and other activities.

## **11. Looking forward and conclusions**

With more than 11,000 supplier signatories to the ABCs and demonstrated reduction in SCP risk and non-conformities in the supply chain over the last three years, Telenor considers its supply chain sustainability framework successful.<sup>22</sup> It demonstrates Telenor's ability to address a crisis and respond in a constructive manner. Telenor's framework differs from other approaches to supply chain monitoring because of its formal contractual process and extension of SCP requirements to sub-suppliers. Furthermore, Telenor's wide definition of "supplier" encompasses a broad range of entities, and its philosophy of working with suppliers for continuous improvement sets an important precedent for supply chain sustainability.

It is difficult for any global corporation to oversee a multitude of suppliers and sub-suppliers operating around the world. However, Telenor has taken steps to identify and minimize SCP risk and address problems that arise. A continued process of monitoring, tracking and correcting non-conformities contributes to Telenor's goals of acting responsibly and respecting human rights within its supply chain.

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<sup>22</sup>*Ibid.*