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On 1 July 2022, the Norwegian Transparency Act came into effect. The Act promotes enterprises' respect for human rights and decent working conditions in connection with the production of goods and the provision of services. It also ensures the general public has access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions.

## 1. Arendals Fossekompani ASA

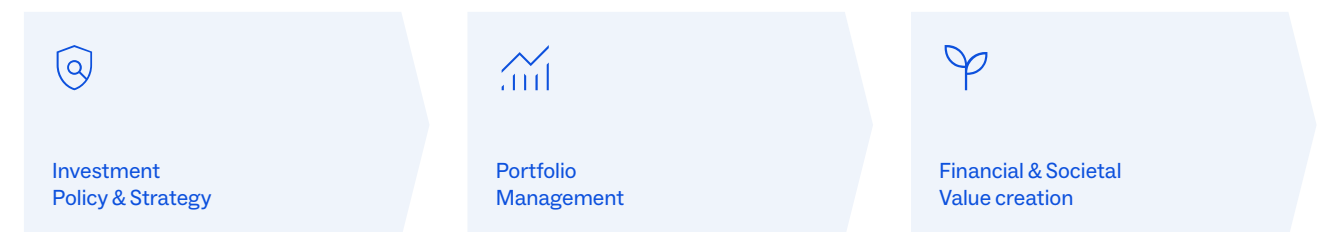
Arendals Fossekompani is an industrial investment company with a portfolio of several financial investments. We operate globally in many progressive industries including 3D printing, algo trading, satellite services, battery and solar technology, software, and digitalisation, as well as various green energy technologies. We have proud traditions in power production and own and operate two hydropower plants, with a third planned to be operational in 2026.

Our portfolio of companies can be divided into four areas: Digitalization and big data analytics, green energy, electrification and materials, and property. The value chain will be described differently for the Parent Company and for each of the portfolio companies. We acknowledge that our portfolio companies have different value and supply chains. Some focus on service whereas others focus on production. This presents different risks of breaches in the value and supply chains.

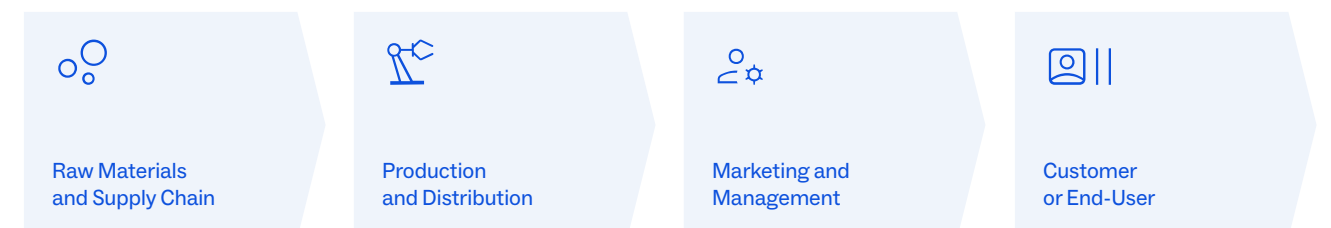
Reporting and disclosure of financial and non-financial developments of the portfolio companies ensure that stakeholders are provided with necessary information. The overall value chain for the portfolio companies is presented in the figure below. Investments and acquisitions of companies lay the foundation for positive sustainability impact in the management phase. Our portfolio companies have sustainable impact throughout their value chain. Companies are developed in line with stakeholder expectations and leverage sustainable opportunities.

### ARENDALS FOSSEKOMPANI'S PRIMARY AND SECONDARY VALUE CHAIN

#### Primary value chain (AFK Parent Company)



#### Secondary value chain (Portfolio companies)



## 2. Guidelines and routines

Several guidelines and routines have been created for handling actual and potential negative consequences for basic human rights and decent working conditions. Any concerns about the business conduct, or advice regarding the policies and practices for responsible business conduct, will be sent to the Chief Sustainability Officer and taken into consideration on a continuous basis.

### 2.1 CODE OF CONDUCT

To secure that all employees know the Code of Conduct (CoC), everyone is participating in online training. All new employees need to read and sign the CoC as part of their onboarding process.

The CoC was developed and adopted to secure the company's mission, values, and high ethical standards are complied with by everyone associated with the company. The CoC is a tool for self-evaluation. It is the employee's own responsibility to respect and act in compliance with the Code of Conduct.

The most updated CoC, is available on our website and, was approved by the Board of Directors of Arendals Fossekompni on 9 February 2023.

### 2.2 BUSINESS PARTNER CODE OF CONDUCT

The Business Partner Code of Conduct (BCoC) was adopted by Arendals Fossekompni's Board of Directors on 9 February 2023. The BCoC is based on the ten principles of the United Nations Global Compact concerning human rights, labour rights, environmental responsibility, and anti-corruption. The BCoC applies to all business partners supplying material, labour, or services (hereinafter referred to as "Business Partners") to the company. We do not want to be associated with partners lacking appropriate ethical standards. Business Partners must commit to adhering to our ethical standards. Our Business Partners acknowledge that Arendals Fossekompni is liable for any damage suffered as a result of failure to comply, and that we may immediately terminate the business relationship in case of violations of this BCoC. The Business Partner commits to implement procedures to ensure compliance with applicable laws and regulations as well as its obligations under the BCoC.

The BCoC contributes to set the framework for the behaviour we expect from all stakeholders in our worldwide chain of supply. The BCoC shall contribute to ensure that our Business Partners adhere to high ethical standards and integrity. Integrity in this context means "the quality of being honest and just in character" and relates to attitude and behaviour. Arendals Fossekompni has zero tolerance for illegal or unethical behaviour and expects all Business Partners to commit to the same.

The Business Code of Conduct includes 10 areas of concern: people, environment, anti-money laundering, trade sanctions and export control, fairness and competition, handling information, cooperation with third parties, reporting concerns, audit rights, and termination rights.

#### 2.2.1 Human Rights

Topics addressed related to people are human rights, prohibition of child labour, labour rights, health and safety, hazardous substances and conflict materials, and discrimination and harassment. Our Business Partners shall respect human rights and always act in line with the rules and principles framework by the UN Guiding Principles on Business and Human Rights; including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation's Fundamental Principles and Rights.

#### 2.2.2 Prohibition of Child Labour

We do not accept any form of child labour or that children below the lawful minimum age for admission to employment are engaged in our or our business partners' business. If persons below the age of 18 are involved, we demand special precautions to safeguard their health, security, and rights. Persons below the age of 18 shall not perform dangerous or night-time labour, and their work shall not inflict damage on their education or development. Arendals Fossekompni and our Business Partners fully support, and will act in accordance with, the UN Convention on the Rights of the Child.

#### 2.2.3 Labour Rights, Health, and Safety

AFK does not accept any involuntary labour and expects all Business Partners to comply with all fundamental labour rights and applicable laws and regulations. Business Partners shall ensure fair salaries, safe working conditions (including necessary supervision and protection from fire and other dangers), the right to organise, a good workplace environment, and have in place a whistleblowing procedure for concerns reported by employees.

#### 2.2.4 Hazardous Substances and Conflict Materials

AFK and our Business Partners shall comply with applicable laws and regulations regarding the use of, prohibition and restriction of hazardous substances and shall avoid the use of conflict materials, i.e. materials that originate from conflict areas and contribute to fund governments and movements which violate fundamental human rights.

#### 2.2.5 Discrimination and Harassment

Any kind of discrimination due to gender, ethnicity, national origin, descent, skin colour, language, religion, sexual orientation, family situation or disability is not accepted in Arendals Fossekompni or among our Business Partners. All individuals shall at any time be treated with respect and dignity.

### 2.3 THE WHISTLEBLOWING POLICY

An effective whistleblowing policy has been implemented in AFK and our portfolio companies. Openness and transparency are essential for the workplace environment and general well-being of our employees. Employees are encouraged to report if they suspect or witness any unethical conduct, breach of the Code of Conduct or other policies, or applicable law, and may have a duty to do so. All employees should therefore be familiar with our whistleblowing policy so they know how they may report concerns and what to expect once they have reported a concern.

Every concern reported by employees will be taken seriously and we will investigate and follow up in an appropriate manner and within a reasonable timeframe.

The following principles will be adhered throughout the process:

- Concerns will be followed up and handled by persons that are not in conflict of interest or otherwise involved in the matter to ensure sufficient independence of the assessment.
- The employee will be protected against retaliation, i.e., any disadvantageous treatment as a reaction to reporting a concern, and we will ensure that the employee has a satisfactory working environment.
- The identity of the employee reporting a concern shall, as a main rule, be treated confidentially and shall only be known to the person(s) handling the matter. Persons involved in the reported incident may be contacted and/or provided with information, if necessary, in an anonymized form,
- in the course of the investigation of the matter, and may, under certain circumstances, have a right to information under applicable data protection laws and regulations.
- The employee reporting a concern shall be informed that the report was received within seven days of the receipt of such report.
- The employee reporting a concern shall receive feedback within three months of the deadline to acknowledge the receipt as stated above.

Any feedback from the stakeholders on the design, review, operation, and improvements on these mechanisms are taken into consideration on an ongoing basis. The effectiveness of the grievance mechanism is revised and evaluated annually, including the previous year's cases of stakeholder feedback.

In 2023, there were no whistleblower cases reported in AFK Parent Company, and 1 case reported among all portfolio companies. None of these cases resulted in further investigations.

AFK acknowledges that reporting and preventive work to reduce the violation of laws and regulations are dependent on the willingness of employees and external parties to report. We encourage external parties to report, and in 2024, we will implement a digital whistleblowing system for external parties to improve on reporting of incidents in our supply chain.

### 2.4 POLICY FOR HANDLING REQUESTS OF INFORMATION – THE TRANSPARENCY ACT

A routine is created to secure a consistent internal handling of requests which are in accordance with the Transparency Act law. The Chief Sustainability Officer has the responsibility to deal with all incoming requests and will, possibly in cooperation with other relevant colleagues, handle the request in accordance with the routine. According to the law, everyone has the right to information about how AFK prevents and handles negative consequences on basic human rights and decent working conditions. A step-by-step guide is described in the routine to secure a consistent handling of requests.

In brief, the routine is:

1. Receipt of inquiry: The request for information is received and a reply is sent to the information seeker/sender, no later than 3 weeks prior. By law the request must be in written form.
2. Handling of the request: Evaluation of the requested information to assess whether it falls within the scope of the Transparency act. If this is not the case the request can be declined.
3. Assessment of request: Several requirements must be met for the request to be valid and fall within the scope of the Transparency act. Unreasonable claims can also be declined, such as requests for information regarding personal affairs and company specific business relationships.
4. Reply information seeker: After all necessary assessments are done, the information seeker will receive a reply. The reply will either be the requested information, or a declined request.

The full detailed routine for handling inquiries according to the Transparency Act is available on AFKs website in Norwegian.

### 2.5 SUBJECTS FOR THE BOARD

The Board shall determine the Group's strategy, carry out necessary control functions and ensure that the Group is satisfactorily managed and organized. The Board shall set the company's financial objectives and approve its plans and budgets. The Board is also responsible for approving and updating the organisation's purpose, value statement, policies and goals related to sustainable development. Furthermore, the Board is overseeing the organisation's due diligence and other processes to identify and manage the impacts on the economy, environment, and people. Stakeholders are encouraged to support these processes with their input during the annual general meeting. The Code of Conduct, the Business Partner Code of Conduct, the Whistleblowing Policy, and the Environmental Policy are approved by the Board of Directors. Breaches in the Code of Conduct, Business Partner Code of Conduct, and Whistleblowing Policy are matters for the Board of Directors to handle.

## 3. Risks of negative consequences

Risks of negative consequences internally are identified through a sustainability due diligence process. This is especially important with regards to acquisitions and investment decisions. A due diligence is also conducted each year as a part of the annual strategy process. We

are committed to providing for - or cooperating in - the remediation of negative impacts that the organisation identifies it has caused or contributed to.

Our portfolio companies submit annual financial and sustainability reports to the Parent Company. With the passing of the Norwegian Transparency Act law in 2023, three of our portfolio companies, Volve, Tekna, and ENRX, were subject to the Transparency Act and were required to submit a report by 31 June 2023.

### 3.1 DUE DILIGENCE AND SUPPLIER RISK

AFK has performed due diligence to identify, measure and understand the most important risks in our supply chain. This was conducted with assistance from Factlines, a company that provides a corporate social responsibility self-reporting form based on the ten principles of UN Global Compact, OECDs guidelines for responsible business conduct, and the Transparency Act law. The form covers topics such as supply chain, risk assessment, management systems, working conditions, social responsibility, environment, anti-corruption, and conflict minerals. The due diligence assessments include suppliers and service providers that have provided AFK Parent Company and AFK Hydropower with goods and services during the year 2023.

Suppliers are categorized based on the products or services they offer to AFK, aiming to assess the distribution across various product and service categories. This categorisation helps identify potential high-risk areas. A table with the type and number of suppliers in each category is shown below.

#### SUPPLIER CATEGORIES

Type of supplier	Number of suppliers
Machine and Hydroelectric Contractors	14
Infrastructure and Construction Work, Craftsmen and Products	22
HR and Recruitment Services, Consultancy Services	13
AFK Office Solutions and Property Services	23
Telecommunications, Web Design and Services	14
Insurance and Financial Services	8
Attorney and Accounting Services	5
Media Services	7
<b>Total number of suppliers</b>	<b>106</b>

1. [Procedure for handling inquiries under the Transparency Act \(In Norwegian\)](#).

### 3.2 MAPPING AND RISK ASSESSMENT OF SUPPLIERS

Using the Factlines platform survey, we've obtained results from our suppliers. The 2023 survey had a respond-rate of 52% from our suppliers, in which no high risks were found. The total number of suppliers rose from 76 in 2022, to 106 in 2023. With most new suppliers being related to AFKs hydropower business. Our largest suppliers selected in the screening process were mostly service providers, craftsmen, and location-based suppliers. These are not the typical high-risk suppliers.

The supply chain for hydropower equipment is long. Product categories relevant to AFKs hydropower business that are typically associated with a higher risk is building and construction materials and hydropower specific equipment. Electromechanical equipment for hydropower production is typically custom-made to fit the hydropower plants production capacity. Common materials used in electromechanical equipment are steel, copper, and aluminium. Furthermore, components used in control systems can often contain one or more minerals defined as "conflict minerals".

Medium to high-risk products according to The Norwegian Agency for Public and Financial Management (DFØ) related to building and construction includes products such as stone, metals, and wood materials. The DFØ list contains information about high-risk products, meaning there is comprehensible documentation showing systematic violations of the UN Declaration of Human Rights, ILO's core conventions (prohibition of child labour, forced labour, discrimination, and the right to organize), and national legislation concerning labour law and health and safety regulations within the product's supply chain. These violations can occur during raw material extraction, component manufacturing, and final product assembly. Some risk may also be associated with goods delivered to AFK headquarters, such as furniture and office equipment.

The risk categorisation of countries is done according to Transparency International and the International Trade Union Confederation (ITUC). Four suppliers are categorized as high-risk, although two are related to advertising and web development, categories not deemed high risk. Both remaining suppliers are machine contractors. One of the two remaining suppliers is a minor supplier with spend just above the limit specified in the screening criteria, which was set at 100 000 NOK. While the other supplier has central approval for responsibility and is a member of the machine contractor's association, which recognises the importance of emphasizing human rights and decent working conditions in its operations. No obvious high risks are found with either of these two suppliers.

It should be noted that for most suppliers, the products, and services they provide are regarded as very low risk, which is the case for the majority of all the suppliers. Supplier categories such as consultancy services, IT, web development, media, insurance and financial services, and recruitment services, which naturally restricts the potential for breaches concerning working conditions and basic human rights.

### 3.3 RISK EVALUATION OF UNRESPONSIVE SUPPLIERS

It is difficult to know the risk associated with the suppliers that did not respond to the survey.

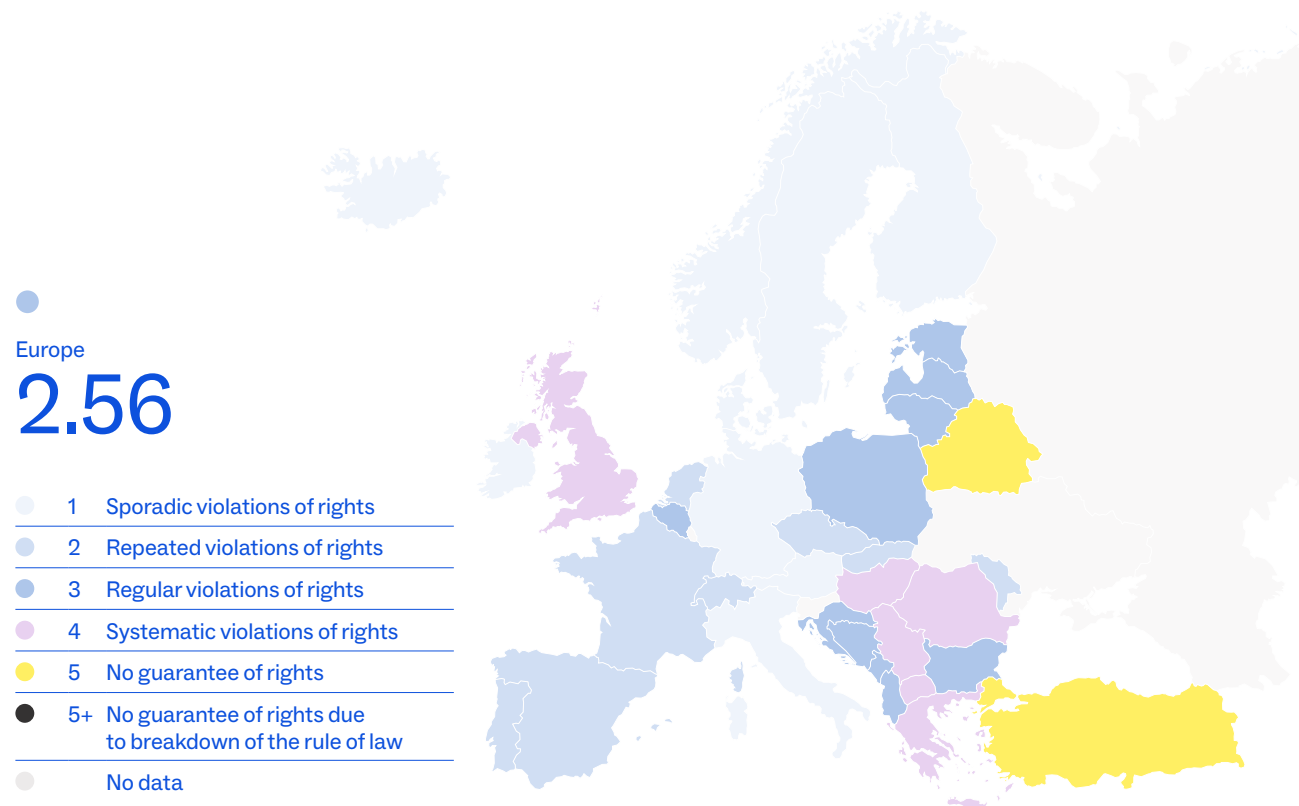
These were then investigated further by analysing their product or service category and location, to assess whether an additional follow-up was necessary. The suppliers were checked for statements on the Transparency Act and Ethical business conduct on their websites, or similar published documents regarding their supply chain, products, and services. Several suppliers that did not respond to the survey did send statements on the Transparency Act and ethical business conduct. The value of the transaction amount is also considered. It should also be pointed out that many suppliers provide services and not a physical product making several survey questions irrelevant to them.

In 2023, AFK sourced from 106 different suppliers, and of those 55 responded to the survey. Of the 51 unresponsive suppliers three are headquartered in Spain, the Netherlands, and Denmark, respectively, with the remaining 48 located in Norway.

ITUC comprises national trade union centres, connecting trade unions within individual countries. It serves as the worldwide representative body for the labour force globally. Figure X shows the Global Rights Index which represents the degree of respect for workers' rights on a scale from 1 to 5+. Europe is on average the region with the lowest rating, with Norway being among the countries with the best respect for workers' rights according to the Global Rights Index.



## GLOBAL RIGHTS INDEX



Around 26% of total spend (cost of purchased goods and services) is related to AFKs hydropower business in Norway. Of 106 suppliers, close to 100% of spend originated from Norway. With 56% of suppliers having a spend below 500 000 NOK. 47 of 55 suppliers have implemented a social responsibility strategy, only 18 of 43 suppliers have performed onsite inspections in the last 12 months (only including those where it is relevant). 27 of 46 suppliers have a supply chain overview of risks, components, and inputs associated with the products/services they deliver (only including those where it is relevant).

### 3.4 PROCESS TO REMEDIATE NEGATIVE IMPACTS

All new suppliers, offering materials, labour, or services, must uphold high ethical standards and comply with our BCoC to engage in business with us. AFK Parent Company was for the first time in 2022 legally mandated to report on the Norwegian Transparency Act. We evaluated our process and measures from last year, and due to the majority of our suppliers being categorized as low-risk suppliers, sourcing primarily from Norway, an easier process will be practiced going forward.

A system for digital signing of new BCoC will be implemented in 2024.

A risk assessment is conducted to map potential high-risk suppliers and suppliers that did not respond to the self-reporting form. These were followed up and investigated further as described in the previous chapter. On a general basis, Arendals Fossekompni will direct more questions to the suppliers that did not answer important questions in a satisfactory way. If necessary, suppliers classified as high risk in the self-reporting will be followed up further.

### 3.5 THE TRANSPARENCY ACT IN THE PORTFOLIO COMPANIES

The three portfolio companies have all conducted their own due diligence. Both Volue and Tekna have used the Factlines platform to do this. Volue, Tekna, and ENRX, are subject to the Transparency Act and were required to submit a report in 2023. All companies work closely through their ethics and compliance programs to prevent and reduce negative impacts and high risks.

Volue's business partners are largely related to the IOT and IOT related services. Generally, there is a medium risk associated with these suppliers/sub-contractors and business partners. Volue screen their suppliers and business partner using an internal subcontractor checklist. Tekna has a more comprehensive supply chain which is associated with a higher risk, due to different raw materials used in their metal powder production. Approximately 80% of Tekna's global expenditures originate from suppliers in the EU or NA, while roughly 15% is allocated for crucial raw materials, such as titanium. These materials are procured from two reputable and audited suppliers based in China. ENRX delivers induction heating and charge and power products. They supply products to numerous leading production companies worldwide, all of which have stringent requirements for the supply chain. Typical high risks can be found in products containing conflict minerals, making sustainable supply chains increasingly important in such cases.

## 4. Measures

To limit and prevent negative consequences, Arendals Fossekompni has taken several measures. A whistleblowing system and whistleblowing policy is already

implemented. External reporting on incidents that violate the CoC and BCoC will be made available in 2024. For AFK, it is important that the company's ethical guidelines are familiar to all employees. In 2023, we launched a nano learning ethics programme that aims to inform all employees of our guidelines and routines. It includes overall ethical topics and specific challenges one can encounter in our everyday work life.

A system will be set up for digital signing of Business Partner Code of Conduct in 2024.

The portfolio companies that are legally mandated to report on the Transparency Act have conducted surveys of their suppliers and published their reports. Potential risks and negative consequences have been identified. Given the escalating global emphasis on sustainability, we will persist in collaborating closely with the sustainability officers in our portfolio companies to ensure focus on human rights and transparency in their supply chains.

Our engagement with suppliers will continue and based on the outcomes of our supplier survey and the risk assessment of unresponsive suppliers, we intend to carry out follow-up actions as deemed necessary.



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