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# Human Rights and Transparency Act Report 2022

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 access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions.

## ARENDAKS FOSSEKOMPANI ASA

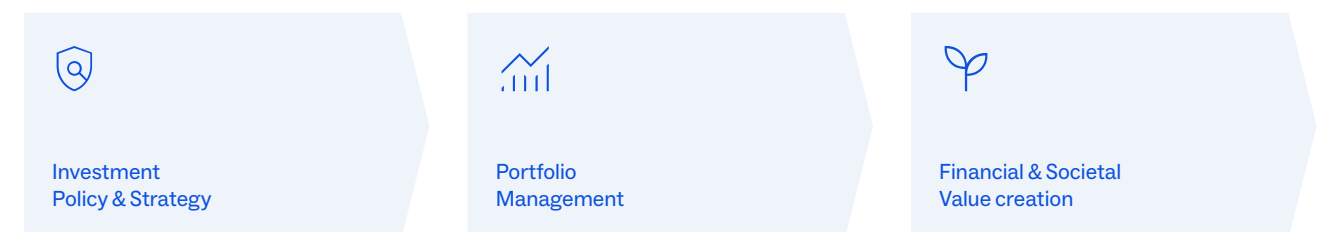
Arendals Fossekompani is an industrial investment company holding several core investments and a portfolio of financial investments. We operate globally in many forward-looking industries including 3D printing, algo trading, satellite services, battery and solar technology, software, and digitalisation, as well as various green energy technologies. We also have proud traditions in power production and own and operate two hydropower plants.

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 very different value chains and supply chains. Some focus on service whereas others focus on production. This presents very different risks of breaches in the value chain and supply chains.

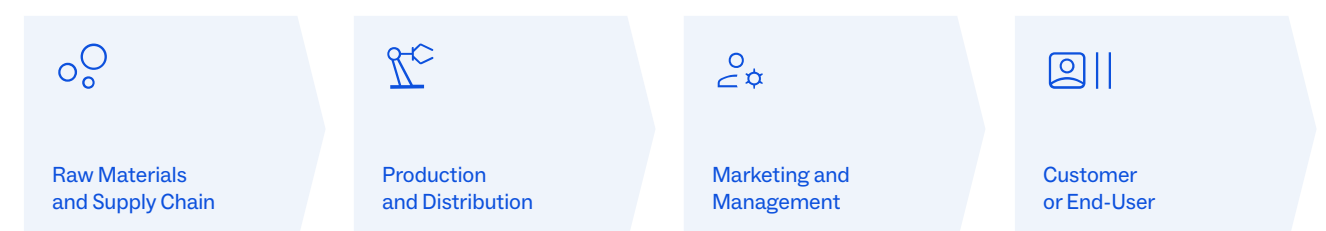
The overall value chain for the portfolio companies is presented in the figure below. Investments and acquisitions of companies lay the foundation for positive sustainability impact in the management phase. Our portfolio companies have sustainability impact throughout their value chain. Companies are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

## ARENDAKS 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, shall 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 given online training in its content. All new employees need to read and sign the CoC as part of their onboarding process.

The CoC has been developed and adopted to secure that 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 current CoC, available on our website, was approved by the Board of Directors of Arendals Fossekompagni on 9 February 2023. It replaces the CoC adopted on 15 February 2020.

### 2.2 Business Partner Code of Conduct

The Business Partner Code of Conduct (BCoC) was resolved by the Board of Directors of Arendals Fossekompagni 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. To do business with us, Business Partners must therefore commit to adhering to our ethical standards. Our Business Partners acknowledge that it is liable to Arendals Fossekompagni 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 of all our 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 Fossekompagni has zero tolerance for illegal or unethical behaviour and expects all of its 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 right.

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.

#### 2.2.1 HUMAN RIGHTS

Our Business Partners shall respect human rights and always act in line with the rules and principles laid out in the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions iden-

tified in the Declaration of the International Labour Organisation on 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 Fossekompagni 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 our 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 organize, a good workplace environment, and have in place a whistleblowing procedure for the reporting concerns 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, 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 Fossekompagni or any of our Business Partners. All people shall at any time be treated with respect and dignity.

### 2.3 The whistleblowing policy

An effective whistleblowing policy is implemented in AFK and our portfolio companies. Openness and transparency are essential for the workplace environment and general well-being of our employees. Our employees are therefore 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 even have a duty to do so. All employees should therefore be familiar with our whistleblowing policy so that 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 ensure to investigate and follow up such matter 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 any conflict of interest or otherwise involved in the matter in order 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, led by the Chief Sustainability Officer. The effectiveness of the grievance mechanism is revised and evaluated annually, including the previous year's cases of stakeholder feedback.

## 2.4 Policy for handling requests of information – The Transparency Act

A routine is created to secure a consistent internal handling of request which are in accordance with the Transparency Act law. The Chief Sustainability Offices 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.

## 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 organization's purpose, value statement, policies and goals related to sustainable development. Furthermore, the Board is overseeing the organization's due diligence and other processes to identify and manage the organization's 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 matter of 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 organization identifies it has caused or contributed to.

Our portfolio companies submit annual financial and sustainability reports to the Parent Company. This year, they will report specifically on The Transparency Act data. Four of the portfolio companies, Volue, Tekna, Alytic and ENRX, are subject to the Transparency Act and will submit a report by 31 June 2023. Going forward, the remaining companies will be encouraged to go through the same process that the AFK Parent Company went through during the fall of 2022, which is explained in chapter 3.1.

### 3.1 Performance

AFK has performed a 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. 54% of our suppliers responded to our first survey, in which we did not find any obvious high risks.

Our largest suppliers selected in the initial round of screening were mostly service providers and location-based suppliers, hence not the typical risk suppliers. There are some issues we would like to learn more about, as discussed in the next sub chapter. Our suppliers purchase from 21 countries. The risk categorization of countries is done according to Transparency International and the International Trade Union Confederation. Five suppliers purchase from China, which is classified as a country with high risk because there is no guarantee of workers' rights.

35 of 41 suppliers have a social responsibility strategy. Only 13 suppliers have conducted audits at production sites during the last 12 months.

In 2022, there were 2 reported incidents of discrimination, anti-corruption or breaches of the BCoC or CoC in the portfolio companies.

KPI	2022 <sup>1</sup>
Percentage of new suppliers that were screened using social criteria	100%
Number of suppliers assessed for social impacts	41
Number of suppliers identified as having significant actual and potential negative social impacts	0
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	9 <sup>2</sup>
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why	0

1. Numbers as per 27 October 2022.

2. Improvements not agreed upon, but feedback received.

### 3.2 Process to remediate negative impacts

Following up on the survey, we will validate that our suppliers have submitted the correct information. We will reduce the number of suppliers with a low score on corporate social responsibility and determine what is missing for the suppliers to have a greater positive impact in their respective business areas. We will also evaluate the key suppliers that have not answered the self-reporting form.

Specific follow-ups towards our suppliers:

- Ask for documentation that they behold the knowledge that they state they have.
- Encourage activities to follow up of their suppliers, such as self-reporting, improvement projects or inspections.
- Conduct a closer follow-up on suppliers purchasing from countries that are regarded as high-risk countries in the ITUC and Corruption Perception index.
- Obtain more information on which quality and HSE management systems they use.
- Follow up on those who do not have policies against use of child labour and/or forced labour.
- Encourage all suppliers to have an environmental strategy with a clear action plan to improve their impact on the environment.
- Follow up on the suppliers that do not have a contractual ban on conflict minerals in their supplier agreements.

On a general basis, Arendals Fossekompni will direct more questions to the suppliers that did not answer important questions in a satisfactory way. Also, those that rated themselves with high risk in any parts of the self-reporting form will be followed up with a request for documentation to back the statements submitted. We will request information from suppliers trading with high-risk countries, to ensure that necessary processes and systems are in place to maintain an overview of potential risks and negative impact. The suppliers that did not answer the form need to be followed up and encouraged to submit their answers.

To simplify reporting of incidents in our supply chain, we plan to create a digital whistleblowing system for external parties.

### 3.3 The Transparency Act in the portfolio companies

Both Alytic and Tekna plan to conduct a Factlines CRS due diligence in 2023. To prevent and cease actual adverse impacts or mitigate significant risks of adverse impacts, the companies work actively through code of conducts, supplier code of conducts and whistleblowing systems.

Volue, Tekna, Alytic and ENRX, are subject to the Transparency Act and will submit a report by 31 June 2023. ENRX has a particular focus on fair wages, safe working conditions and a good working environment. Alytic works closely with their portfolio companies to ensure decent working conditions and fundamental human rights. Volue has an ISO-certified quality system in place that describes routines applicable for the selection of suppliers and partners. Tekna conducts supplier audits and measures to better understand the climate risk and support the development of a mitigation plan, as well as ensuring back-up suppliers for critical components in different areas.

## 4. Measures

To limit and prevent negative consequences, Arendals Fossekompni has taken several measures. We have set up a whistleblowing system, a whistleblowing policy and an online policy training course for all employees. This allows for people to report on incidents that violate the Code of Conduct and Business Partner Code of Conduct. Anonymous reporting is possible internally and will be made available externally in 2023.

A system will be set up for digital signing of the new Business Partner Code of Conduct.

It is important to work closely with our portfolio companies, in particular with the sustainability offices and through our representation in the Board of Directors. To secure that human rights and transparency are taken seriously, the portfolio companies are encouraged to conduct a survey of suppliers to identify potential risks and negative consequences.

From our survey of suppliers, we have several action points, especially in relation to trading with high-risk countries and production sites in such countries. These will be addressed further in 2023. The due diligence process will be improved, to secure better information in the future.

All these measures will reduce the risk of negative consequences and halt present activities that have negative impact.

#### ACTION PLAN

External whistleblowing system	Q2
CSR self-reporting follow-up	Q3
New CSR self-reporting form	Q4
System for digital signing of the Business Partner Code of Conduct	Q3
Assist portfolio companies in mapping out their value chains in relation to a risk assessment	Q3
Assist portfolio companies in their work with the Transparency Act	Q4

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