

The Transparency Act – Report of due diligence assessments in AXTech

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

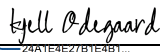

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1 Introduction

1st of July 2022, the Norwegian Transparency Act entered into force. The law provides that companies shall:

- Carry out human rights due diligence in its own business and value chain
- Publicly account for its due diligence, including its procedures and identified risks
- Provide information upon request

The Act shall promote businesses' respect for basic human rights and decent working conditions, and ensure the public has access to information about this.

AXTech is covered by the Act's scope, cf. Transparency Act §§ 2 and 3. Section 4 of the Transparency Act requires AXTech to carry out due diligence assessments with the goal of identifying actual and possible negative consequences for basic human rights and decent working conditions. According to § 5 of the Act, the results from the due diligence assessments shall be made public through an annual report.

This document contains a report of the due diligence assessments AXTech has carried out in the period from 1st of July 2022 to 31st of December 2022. The purpose of the report is to provide the general public insight into the key findings from the due diligence assessments, and which measures AXTech has implemented.

2 Transparency as part of AXTech's guidelines and management system

The Board of AXTech has the overall responsibility to ensure that the company has in place adequate measures in relation to responsible business conduct. The Board has in a statement from August 2022 a clear expectation that AXTech must comply with all the obligations under the Transparency Act, and that AXTech shall follow the UN Guiding Principles on Business and Human Rights and provide a more complete and transparent reporting within June 2023.

AXTech CEO is responsible for the day-to-day implementation of such measures. The HR Manager is given the mandate to ensure that AXTech follows the given legal requirements and guidelines.

AXTech's obligations related to the Transparency Act is described in the Company's governing documents. The main documents are *220-03 Code of Ethics Conduct* and *410-02 HSE Policy*.

It is expected that all suppliers and business partners follows AXTech's standards and business ethics, and that all commits to the international proclaimed human and labour rights. These governing documents describes AXTech management system for following-up of these standards:

- 610-04 General Purchasing Conditions
- 630-04 Audit report Suppliers
- 630-09 Main suppliers qualification and evaluation
- 630-11 Sustainability Questionnaire
- 630-12 Self-declaration Supplier behaviour
- 740-01 Risk Management

3 Duty to conduct due diligence assessments and account for own activities

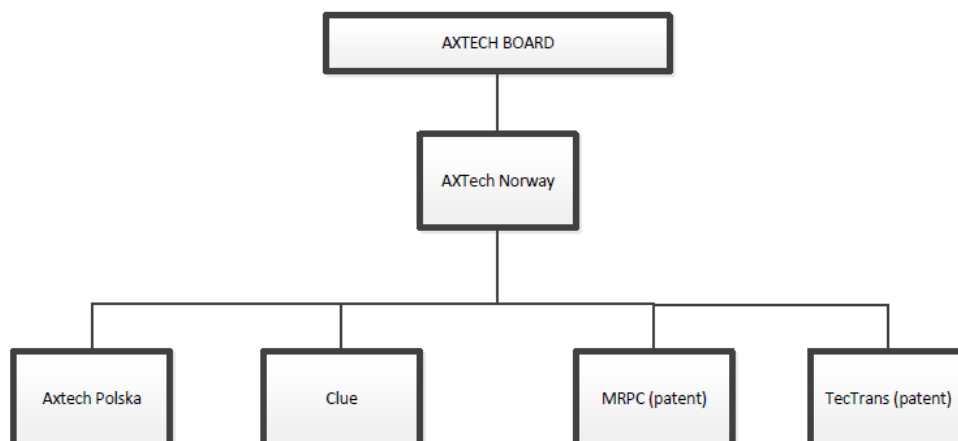
§ 4 b of the Transparency Act states that we are obliged to: "Mapping and assessing actual and potential negative consequences for basic human rights and decent working conditions that the business has either caused or contributed to, or which are directly linked to the business, products or services of the business through supply chains or business partners".

This paragraph coincides to a large extent with responsibilities and duties that the Company has through other laws and regulations. Among others:

- The Working Environment Act chapters 2-4 and the working environment regulations
- Regulations relating to Systematic Health, Environment and Safety Activities in Enterprises (Internkontrollforskriften)
- Activity and the reporting obligation in the Equality and Discrimination Act (Aktivitets og redegjørelsesplikten i Likestilling og diskrimineringsloven))
- Regulations on the duty to provide information and the right of access and the Act on public disclosure with regulations (Forskrift om informasjons- og påseplikt og innsynsrett og Lov om allmenngjøring med forskrifter)

3.1 Duty to conduct due diligence assessments and account for own activities

AXTech is an engineering company specialized in tailor-made heavy lifting and handling equipment for marine and offshore industries. The services reach from early feasibility study phases to concept development, engineering, production, commissioning and startup, operations, maintenance and aftersales/service. The main office is in Molde, Norway, and two subsidiaries in Poland.



3.2 Analysis of AXTech

The due diligence assessment of AXTech shall identify which areas pose the highest risk of negative impact on human rights and decent working conditions. As described under chapter 3, AXTech is as a Norwegian company required to follow Norwegian laws and regulations, and by this we have several legal requirements that shall ensure safe and healthy work conditions.

AXTech follows the requirements for internal control, stated in the Regulations relating to Systematic Health, Environment and Safety Activities in Enterprises. There are set goals for health, safety and environment and an overall HSE plan with activities that is informed to all employees. The Company has had a working environment committee for over 10 years, a safety delegate is chosen by the employees and there is established a cooperation agreement with the Company health Scheme Avonova for external support. AXTech identifies hazards and assess risks through an established risk management system and have plans and measures to reduce risk factors.

Through risk assessments of the working environment, several aspects of work conditions are gone through and evaluated in the working environment committee. Factors as equal salary, working hours, health and safety at the office and site, risk of harassment has been assessed, and there are not found great risk of negative impact related to either work conditions or human rights.

In sum there are low risk of negative impact on human rights and decent working conditions in AXTech.

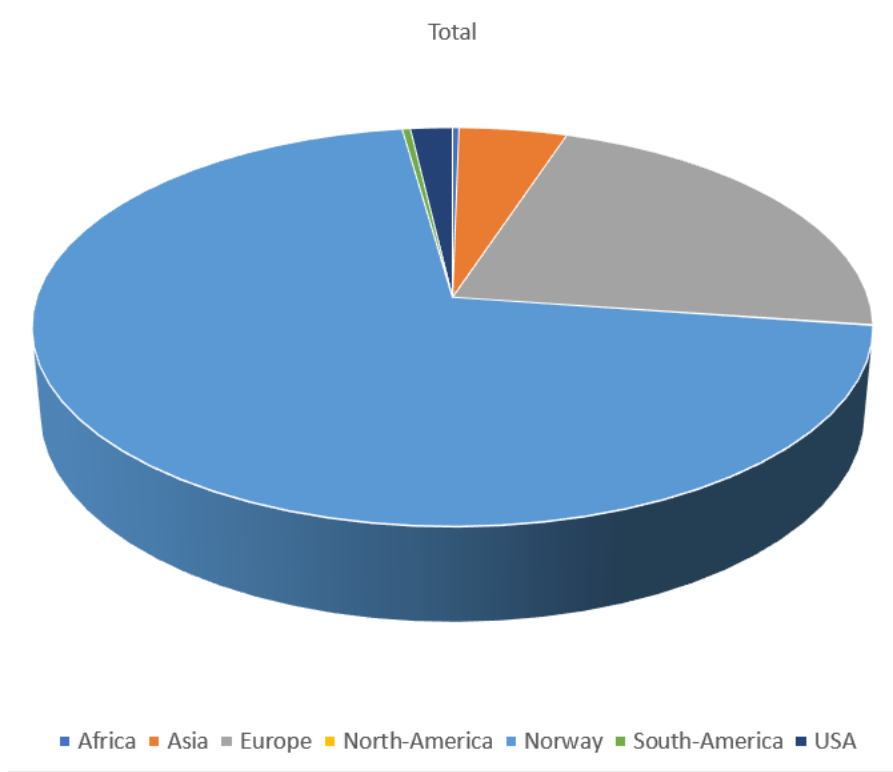
But, there is part of the company's services that might entail bigger risk. AXTech do not have its own production facilities. Equipment fabrication is outsourced, and project managed by AXTech. The purchase of fabrication services constitutes a large part of AXTech's project delivery, and since the fabrication is done all over the world, it is very important for AXTech to have thorough analysis of these suppliers.

4 Mapping, risk assessment and follow-up of suppliers

4.1 Risk parameters for selection

A working group was established autumn 2022, having the mandate to set the risk parameters for selection of suppliers and reveal where the risk of violations of basic human rights and decent working conditions is considered greatest.

Review and mapping of suppliers showed that most suppliers are located in Norway and Europe.



AXTech purchase goods from suppliers in connection with projects and the goods are primarily within these categories:

- Fabrication services
- Metals (steel)
- Electrical & hydraulic components (hydraulic power units, motors, frequency converters, electronics+)

Initial assessment of risk was carried out by classifying location of suppliers and industrial risk to type of product. The classification was based on international indexes of human rights, in special The Corruption Perceptions Index (CPI) and ITUC Global Rights Index.

An overall risk assessment was made where countries were mapped according to a risk scale from 1-5 and product risk was mapped according to risk scale from 1-3. The sum of these data gave us a risk factor of either low, medium or high risk. ITUC Global Rights Index was chosen as the base for mapping of workers rights. The ITUC Global Rights Index depicts the world's worst countries for workers by rating 139 countries on a scale from 1-5 based on the degree of respect for workers' rights. Workers' rights can be absent in countries with the rating 5 and violations occur on an irregular basis in countries with the rating 1.

As the majority of our suppliers were Norwegian (over 70%) and the second largest percentage European (22%), the result showed that our mapped suppliers came out with a low risk of actual and potential negatives consequences for basic human rights and responsible working conditions.

But, even though only 4,7% of our suppliers were Asian, the main fabrication suppliers in 2022 were in Asian countries, including United Arab Emirates. As described The risk assessment for countries highlighted a higher risk for violation of human rights in Asian countries. Based on this,

in addition to having new cooperation partners in Asia, it was decided to conduct due diligence assessment of all fabrication partners in these countries.

4.2 Due diligence assessments – focus areas

The aim of the due diligence assessments was to look for both actual negative consequences and risks of negative consequences for human rights or decent working conditions. People can be negatively affected in a number of ways, and it was decided to have particular attention to our chosen fabrication suppliers and work conditions at site. Special focus was on risks for:

- Low wages that do not cover basic human needs
- Accidents and lack of safety
- Discrimination
- Forced labour
- Children labour
- Violation of the right to join a trade union

4.3 Collecting of data and assessments

All of the chosen fabrication suppliers have answered a Sustainability Questionnaire, containing 7 categories of questions:

- Anti-Corruption
- Supplier & Contractor Management
- Labour risks
- Worker welfare risks
- Health & Safety Risks
- Environmental Risks
- Local Community risks

They also answered about general information about the Company, such as number of direct employees workers, number of agency workers, number of women in the workforce, number of disabled in the workforce, overview of nationalities etc.

Their answers in the different categories were set in a risk classification framework, after a “traffic light”-model with a summary and a Corrective Action plan with the purpose to communicating findings to supplier and record agreed improvement actions.

The Suppliers were also asked to confirm their statements and answers with documents and proof of conditions, such as for example Anti-bribery Policies, HSE policies, Ant-forced labour policies, copy of working contracts that showed payment and conditions, etc.

4.4 Findings and planned actions

The focus on human rights and safe work conditions were topic in management audits and visits in 2022. All chosen fabrication suppliers had all relevant policies and procedures in place related to ensuring safe and healthy working conditions for their employees. The initial analyzes and implementation of risk assessment per today did not reveal any violations or a high risk of negative consequences

for basic human rights and decent working conditions. This is based on audits and a thorough documentation review.

Nevertheless: further measures were decided to be implemented in 2023 to ensure that working conditions are followed up in practice. The manufacturing work was not ongoing at the selected fabrication facilities in 2022, and the following actions were planned for 2023:

- Supervisors from AXTech at site throughout the whole manufacturing period. In addition to following up on HSE & QA, the Supervisors shall have a special focus on the condition for involved personnel
- Weekly HSE report from customer

5 Summary and further work

The working group has reviewed AXTech's governing documentation and assessed existing business practices. It is considered that we have good routines to ensure that our suppliers are responsible and provide basic human rights and decent working conditions.

Two new documents have been added to the QA system as a result of the Transparency Act-process:

- 630-12 Self-declaration Supplier behaviour
- 630-11 Sustainability Questionnaire

In 2023 two more will be added:

- Human Rights Policy
- Modern Slavery Statement

In the further work it is necessary not only to focus mainly on fabrication suppliers, but in general our main suppliers after a further categorization related to collaboration, turnover and degree of impact. Where we have regular dialogue and cooperation with our suppliers, we also have the opportunity to influence our suppliers directly. And in addition, we can through this collaboration cause suppliers to inquire the status of their suppliers. In this way, AXTech can contribute to good awareness in the supply chain of responsible practices.

6 Inquiries

The Transparency Act of 2022 includes the duty to provide information upon request. Questions related to the Transparency report and our work can be sent to transparency@axtech.no.

The CEO of the company is responsible for ensuring that inquiries are answered by the relevant person in charge within the deadline of three weeks.