



Transparency Act



THE TRANSPARENCY ACT

The Transparency Act (The Act) was implemented in 2021, and made effective from July 1, 2022. The Act promotes companies' respect for fundamental human rights and decent working conditions. The Act refers to the OECD Guidelines for Multinational Enterprises and provides guide for businesses to assess the risk of violations or actual violation of basic human rights and a lack of decent working conditions. The legislation requires larger enterprises, operating in Norway, to monitor and control impact they have on social conditions including basic human rights and decent working conditions. Corporations are also obliged to publish an annual report that documents how the company assessed all business aspects, including its entire supply chain, in accordance with the values promoted by the law.

NAVTOR is among the enterprises that are required to conduct the due diligence assessment on a regular basis and implement measures where necessary. The assessments have to be made public.

DUE DILIGENCE PROCESS

A due diligence assessment under the Transparency Act means that an enterprise has to investigate whether there are any actual risks of adverse impacts on human rights or decent working conditions in their own operations, their supply chain and other business relationships.

It is important for NAVTOR to comply with the regulation and as a leading technology company set an example for others in maritime industry. Hence, the due diligence is an important aspect of our decision-making process during procurement, supplier evaluation, and selection of our suppliers. NAVTOR works risk-based, where risk assessments and analyses are part of our management system. Due diligence is conducted prior to business decisions that have an impact on our governance, for example when entering new business areas, launching new products or acquiring other businesses. NAVTOR also respects evaluation criteria's such as corruption, bribery and money laundering.

Due diligence process

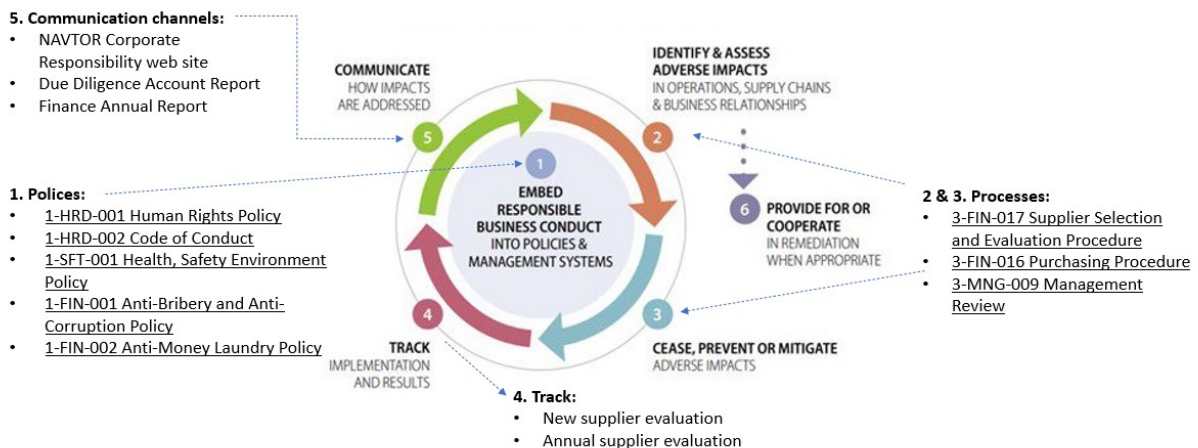


Figure 1 NAVTOR's due diligence process based on OECD Due Diligence Guidelines for Responsibility Business Conduct (2018).

The due diligence process in NAVTOR (Figure 1) based on the "OECD Due Diligence Guide for Responsible Business Conduct" and consists of below steps:

1. Embedded responsible business conduct into policies and management systems.

NAVTOR has in place a set of policies that provides rules and expectations and govern our decision-making process. Business policies provide a guideline for regulatory requirements, legal issues, and other situations, that can lead to severe consequences for our company and employees.

NAVTOR's policies, that govern human rights and working conditions:

- 1-HRD-001 Human Rights Policy
- 1-HRD-002 Code of Conduct
- 1-SFT-001 Health, Safety Environment Policy
- 1-FIN-001 Anti-Bribery and Anti-Corruption Policy
- 1-FIN-002 Anti-Money Laundry Policy

2. Identify and assess adverse impacts in operations, supply chains and business relationships.

On an annual basis, NAVTOR conducts a supplier evaluation which is described in the internal document: 3-FIN-017 Supplier Selection and Evaluation Procedure. All suppliers used in previous fiscal year, are evaluated based on the risk impact on NAVTOR's crucial business activities, products or services, and human rights. Suppliers are divided into three categories: critical, tactical and non-critical.

Additionally, the due diligence in connection to the Transparency Act is conducted where external suppliers, business partners and intercompany relationships are evaluated. An overall risk assessment is carried out based on home country, population and freedom index, as well as high-risk industries specific for Norway. This assessment generates a list of suppliers that has high risks related to human rights, decent working conditions and corruption. If no supplier is rated with a high risk, this part of the process is concluded.

Next in the process, the detailed assessment is prepared for the high-risk suppliers.

Based on the findings, related documentation, and knowledge that NAVTOR possesses about the relevant suppliers, the process may go two ways. When solid evidence confirms, the risk associated with the supplier may decreased, otherwise NAVTOR will address the risk and find the best solution for both sides – see point 3.

3. Cease, prevent or mitigate adverse impact damage.

For those suppliers where the risk cannot be reduced, a written action plan on how to address the risk, shall be prepared. For example, educating the provider on human rights and decent working condition legislation and the methods to prevent breaching them; additional risk assessment; on-site audit or changes in contracts may be arranged that adverse or reduce the negative impact. Depending on the outcome of taken actions NAVTOR can decide to set new, lower risk status for supplier.

If above proceedings will not result in lowering supplier's risk, NAVTOR can choose to cease the business relation with this supplier.

4. Monitor and track implementation and results.

NAVTOR shall conduct supplier assessments on a regular basis, minimum once a year. For every new supplier or business partner the evaluation and risk assessment shall be conducted, in accordance with 3-FIN-017 Supplier Selection and Evaluation Procedure prior to the business agreement is signed. Executive management reviews the result of the evaluation during the management meeting, ref to 3-MNG-009 Management Review.

5. Communicate, in relevant channels, how impacts are addressed.

NAVTOR has published an article on the website summarizing the Companies' responsibilities and governmental compliance, also relating to the Transparency Act. The report is published on the [Corporate Responsibilities Page](#) and NAVTOR shall update it regularly.

6. Provide for, or cooperate in remediation and replacement where appropriate.

When NAVTOR identifies that our business operations have caused or contributed to adverse impacts, we will strive to address such impacts by providing for or cooperating in the remediation. Action plan, to cease, prevent or mitigate adverse fundamental human rights and decent working conditions, mentioned in Point #3 will address this matter.

ASSESSMENT OF RISK

In the evaluation tool developed by NAVTOR, the official and internationally recognized sources were used to assess the risk (please go to the Source Reference for detailed source information).

The sources quantify the degree of risk on the day NAVTOR conducted the assessment. Please note, that all sources are continually evaluating and changing data - at least once a year, which is consistent with NAVTOR's policy of annual due diligence. NAVTOR has used the following sources for its due diligence assessments of suppliers (Table 1):

Focus areas	Source	Goal
Human Rights	World Population Review - Freedom Index	Measuring human freedom. Human freedom is an inherently valuable social concept that recognizes the dignity of individuals. Human freedom enables and empowers people to do as they please, free from restrictions or penalties, as long as it does not affect the freedom of another. Human freedom plays a major role in human progress.
Decent working conditions	International Trade Union Confederation	Summarizes data from trade unions internationally about what it is like to be an employee in the individual country. Measures e.g., the right to establish and join trade unions, the right to collective bargaining and the right to strike.
Money laundering and terrorist financing	High risk list from Finansstilsynet/EU/FATF	Countries identified by the FATF as failing to implement adequate and effective measures to combat money laundering and terrorist financing shall be considered high-risk countries.

Table 1 Sources used in suppliers' due diligence assessments.

When is a country good enough at safeguarding basic human rights or decent working conditions? NAVTOR based threshold value in accordance with the source recommendations (Table 2). The sources have recommendations that NAVTOR has chosen to use:

Focus area	Source	Threshold value	Explanation
Human Rights	World Population Review - Freedom Index	Min. category 2	Countries in category 3 and below will be monitored.
Decent working conditions	International Trade Union Confederation	Min. category 3	Countries in category 4 and below will be monitored.
Money laundering and terrorist financing	High risk list from Finans-tilsynet/EU/FATF	Category 1	Countries on the lists is category 1 will be monitored.

Table 2 Recommended acceptance criteria per source used in due diligence assessment.

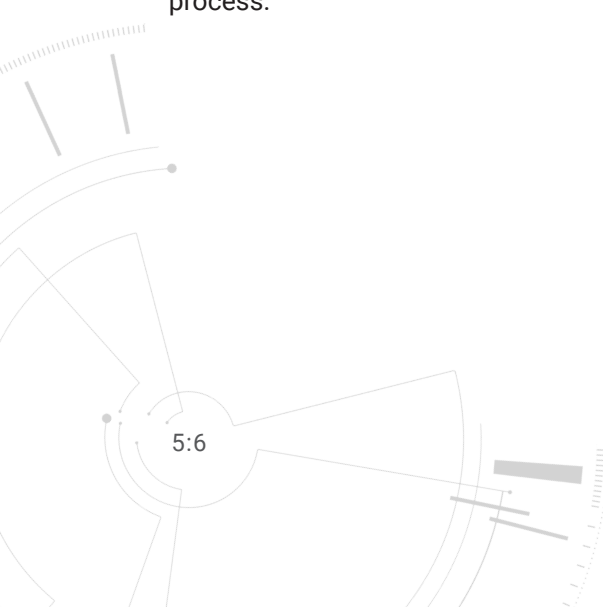
Suppliers in countries with scores below the threshold values, or who uses raw materials or performs assembly in countries with points below the limit values, will be given a high risk in the NAVTOR assessment tool and proceed to a detailed risk evaluation.

OVERALL RESULTS OF SUPPLIER'S RISK ASSESSMENT

NAVTOR has performed the due diligence assessments, in connection to the Transparency Act for suppliers and business partners, that NAVTOR has conducted business with in 2022.

As described above, when it comes to NAVTOR's suppliers these will be selected based on, among other things, how critical they are to NAVTOR's operations, whether they are intercompany, which countries they operate in, and NAVTOR's purchase volume. The tool and the criteria used as a basis for the selection of suppliers are under continuous assessment and update. The aim is for the tool to take into account any new issues related to human rights and working conditions that may arise.

Based on our criteria, we have identified 35 out of 300 suppliers with high risk, that were subject to detailed assessment (see Table 3). Additional investigation eliminates the intercompany offices and official governance offices and suppliers with purchase volume under 500.000 NOK, reducing the number of high-risk suppliers to 13. These remaining suppliers were the subject of our due diligence process.



Map of Suppliers' Risk		Assessment & Findings
Suppliers with registered transactions in 2022	300	NAVTOR active suppliers with registered transaction in 2022.
Suppliers operating in high-risk countries	8*	Out of 300 NAVTOR suppliers - 21 were selected as operating in the high-risk countries (USA, UAE, Greece, India, and the Marshall Islands). After excluding intercompany offices, we ended with 8 unique suppliers with transactions over 500.000 kr.
Suppliers of physical goods	3*	NAVTOR has used 9 suppliers of physical goods, hard wares and IT equipment that may have suppliers from high-risk countries in own supply chain. 3 of those were with transactions over 500.000 kr.
Norwegian suppliers in risk industries	2	Out of 300 NAVTOR's suppliers - 179 are Norwegian suppliers with purchase value over NOK 500,000. 5 of them are operating in the industries that are considered high risk, like: cleaning, building and construction, and transport services. Only 2 of these were selected due to transactions over 500.000 kr.
Committee for detailed risk assessment	13	

Table 3 Results of the supplier's risk assessment.

So far, NAVTOR due diligence assessment has not uncovered high risk within our supply chain in relation to breaching human rights or working conditions.

Suppliers' due diligence assessments in connection with the Transparency Act is an annually activity that will be also undertaken in connection with significant changes to NAVTOR operations. New critical suppliers will be assessed in accordance with the pre-qualification process as described in 3-FIN-017 Supplier Selection and Evaluation Procedure.

Accountability report is available on NAVTOR web page under [Corporate Responsibility](#).

SOURCE REFERENCE

World Population Review, Freedom Index by County:

<https://worldpopulationreview.com/country-rankings/freedom-index-by-country>

The International Trade Union Confederation (ITUC), Global Rights Index:

<https://www.globalrightsindex.org/en/2022/countries>

Finanstilsynet, Geografisk risiko:

<https://www.finanstilsynet.no/tema/hvitvasking-og-terrorfinansiering/geografisk-risiko-over-sikt-over-listeforte-land/>