

Transparency Act | Statement

Fonn Group

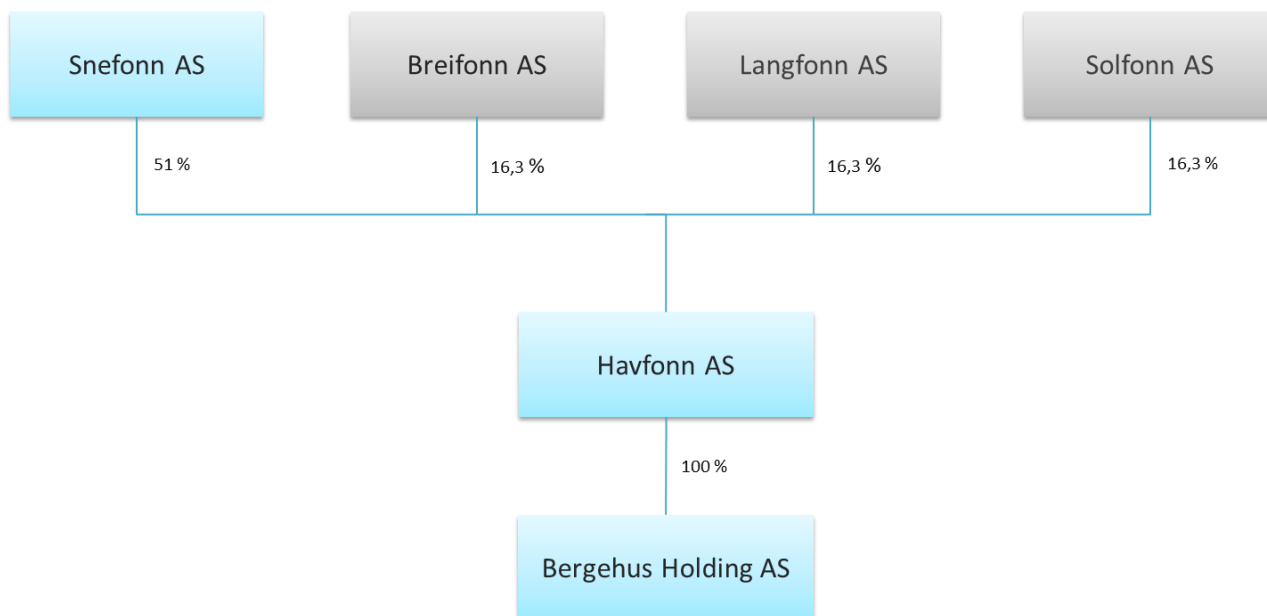
Introduction

As of July 1, 2022, the Transparency Act came into effect in Norway. The act aims to promote businesses' respect for fundamental human rights and decent working conditions in the production of goods and provision of services. It also ensures public access to information regarding how businesses address negative consequences for fundamental human rights and decent working conditions, as referenced in Section 1 of the Transparency Act.

The OECD Guidelines for Multinational Enterprises serve as the basis for due diligence assessments, where companies must conduct evaluations of human rights and decent working conditions internally, across their supply chains, and with their business partners.

This statement has been prepared for the Fonn Group and its subsidiary companies. Snefonn AS and Havfonn AS review and approve the statement. Since the majority of the activity is related to suppliers in the subsidiary company Bergehus Holding AS, the statement will also be reviewed and approved by that company. The statement covers the financial year 2022 and is applicable from January 1, 2022, to December 31, 2022.

Snefonn AS operates as an investment company without employees or suppliers. Our due diligence assessments conclude that there is no risk of negative impact on fundamental human rights and decent working conditions in our investment activities. Therefore, our due diligence assessments and the content of this statement focus on the subsidiary companies, Havfonn AS and Bergehus Holding AS.



1. Facts about us

Havfonn AS ("Havfonn") is the active joint investment company of the Bergesen family. The majority owners are Morten Sigval Bergesen and his wife Ragnhild Bergesen, who own Snefonn AS. In addition, their three children, Morten, Henrik, and Charlotte Bergesen, own shares in Havfonn AS through their own holding companies. Havfonn manages and creates value through investment activities and has seven employees covering areas such as management, finance, asset management, compliance, and administration. The business lines report to the CEO and the board. The board of Havfonn consists of three board members in addition to the chairman.

Havfonn owns 100% of the subsidiary company Bergehus Holding AS ("Bergehus"). Bergehus owns and manages real estate directly. The company's sole asset is the wholly owned property Bergehus in Oslo, where several businesses, including Havfonn, have offices. Bergehus has a property manager as its only employee. The board of Bergehus consists of two board members in addition to the chairman.

Additionally, the owners of Havfonn have shareholdings in Aksjefonn AS, and Snefonn AS holds a share in Skåbu Industriendom AS, both of which are companies with limited activity.

Since its establishment in 2003, Havfonn has had a purpose-driven approach to sustainability and corporate social responsibility, including human and labour rights, which is also reflected in its investment strategies. Havfonn believes that long-term and responsible ownership, with an emphasis on value creation for society as a whole, provides the best conditions for developing the future. A good example is Havfonn's active ownership in Cloudberry Clean Energy ASA and Arendal Fossekompagni ASA, and we refer to their respective statements.

Similarly, sustainability is an important element in the selection of suppliers and business partners. Bergehus has recently implemented several measures to upgrade ventilation and heating systems to develop the property in an even more energy-efficient and sustainable direction.

Havfonn assists the Fonn Group with the processing and implementation of procedures and instructions.

Since the Transparency Act came into effect, the companies have been working systematically to formalize and document their efforts to conduct responsible business operations in accordance with the OECD Guidelines, including documenting the selection and follow-up of suppliers, as well as the requirements imposed on them.

2. Due Diligence assessments

2.1 Annual cycle

Havfonn has established an annual cycle based on the OECD Guide on Due Diligence for Responsible Business Conduct:

FIGURE 1. DUE DILIGENCE PROCESS AND SUPPORT MEASURES



2.2 Responsibility

The Transparency Act has been anchored in the board and has also been implemented in guidelines and management systems. Additionally, new guidelines have been developed to ensure compliance with the Act. The board and the CEO have the ultimate responsibility for ensuring that the companies meet the requirements of the law. The Compliance Manager in Havfonn is responsible for the practical implementation and coordination, in collaboration with the Property Manager in Bergehus where applicable, including the identification of risks, deviations, actions, and follow-up on the results of the actions.

Any concerns regarding business practices or advice related to responsible business conduct should be directed to the responsible parties mentioned above and will be assessed on an ongoing basis. The company's guidelines and instructions are expected to be followed by all employees and require the safeguarding of human and labour rights.

2.3 What we have conducted internally

In our own company, fundamental human rights have been a matter of course, and decent working conditions are well maintained. Over the past year, we have conducted a closer assessment of our own company to identify potential measures to further promote positive impacts on decent working conditions.

This analysis has led to several actions that have either been implemented or will be carried out in the first half of 2023, including:

- Establishment of a safety representative.
- Review and update of our health, safety, and environmental guidelines.
 - This provides employees with a comprehensive overview of their rights and how we work to ensure their well-being in terms of psychosocial, physical, and practical aspects.
- Conducted market surveys regarding employee conditions and ensured that we meet industry standards for our employees.
- Facilitated a healthy and sustainable work-life balance.
- Strengthened procedures related to GDPR to protect employees' rights to privacy and personal life.

2.4 How employees can report violations of guidelines

In our health, safety, and environmental (HSE) guidelines, there is clear information on how to report violations of internal guidelines and what to expect when reporting. Any reports will be taken seriously, and we will investigate and follow up on each case within a reasonable timeframe.

In summary, the following principles apply to whistleblowing:

- Whistleblower reports will be handled and managed by objective individuals who are not involved in the conflict.
- Whistleblower reports will be treated confidentially to the extent permitted by laws and regulations.
- The employee will be protected against retaliation, and we will ensure that all parties involved - both the whistleblower and the subject of the report - have a satisfactory working environment.
- The employee will receive immediate feedback upon reporting and will be provided with follow-up feedback within a short period of time, considering the company's size, as well as the complexity and seriousness of the issue.

2.5 Instructions for information requests

In accordance with the Transparency Act, everyone has the right to information on how we prevent and address negative consequences related to human rights and decent working conditions. Information on where to submit such information requests is available on the company's website.

An instruction has been established to ensure consistent internal handling of information requests in accordance with the Transparency Act. The instruction is developed based on the requirements of the law, guidelines from the Consumer Authority, and internal regulations. The Compliance Manager is responsible for handling all requests and, in collaboration with colleagues and management, will process the request following this procedure.

Internal ethical guidelines have been approved by the board, and any breaches of these guidelines are matters to be reported and addressed by the board.

3. Due Dilligence assessments - existing suppliers and investment activities

The companies collectively had approximately 150 suppliers in the past year. This number also includes one-time or sporadic purchases. Several of the suppliers themselves are subject to the Transparency Act. In Havfonn, the use of suppliers primarily relates to software services and services related to regular office operations, such as cleaning, information sources, and procurement of technical equipment. Bergehus accounts for most of the supplier usage and is associated with typical goods and service deliveries required for property management.

Although thorough background checks based on prequalification requirements have been conducted in previous years before entering into contracts with suppliers, we identified potential for improvement regarding documentation and criteria for supplier evaluation. Therefore, we have systematically worked on an overall assessment of risks among our suppliers. In accordance with the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Responsible Business Conduct, we have prioritized due diligence assessments based on the following:

- Size of the company
- Annual sum and/or whether the supplier's deliveries are part of regular periodic expenses/agreements.
- Whether the agreement also includes goods/service delivery to external parties
- Risk of human rights violations based on the supplier's industry and operating country or its subcontractors.
- Severity and likelihood of impact (risk level)

Most of our suppliers are established in Norway. We have chosen to emphasize the annual sum, number of employees, the companies' ability to influence, and industry risk. To delve deeper into a selected portion of suppliers based on the risk assessment, we created a questionnaire with clear questions related to monitoring and safeguarding of fundamental human rights and decent working conditions, as well as the measures implemented by the supplier in relation to this. We also included questions related to the use of subcontractors to assess the risk in the overall supply chain.

3.1 Findings from the due diligence assessments

Regarding our investment activities, we concluded that there is low risk of negative impact on fundamental human rights and decent working conditions, aligning with our investment strategy and selected sustainability goals.

The greatest risk of negative impact on fundamental human rights and decent working conditions lies with our suppliers in product categories where there is a high risk of human rights violations according to the Directorate for Administration and Finance¹ ("DAF") high-risk list. These areas include:

- Construction and building materials.
- Electronics and IT
- Products containing conflict minerals.
- Food and beverages
- Office supplies
- Cars and other vehicles.

¹ In norwegian; Direktoratet for forvaltning og økonomistyring («DFØ»)

Through our due diligence assessments, we confirmed that the initial evaluations previously conducted during supplier prequalification generally had a low risk of violating fundamental human rights and decent working conditions. Our due diligence assessments did not uncover any specific violations of fundamental human rights and decent working conditions. However, we acknowledge the existence of well-known challenges associated with certain components, such as raw materials for electronics and ICT.

The findings revealed that some suppliers primarily focus on health, safety, and environmental criteria. Other factors that may impact fundamental human rights and decent working conditions further down the supply chain, such as the procurement of raw materials, may be insufficiently addressed. We have also not completed a comprehensive mapping of our prioritized suppliers due to the lack of- or incomplete feedback. We believe that this is partly because the Transparency Act was recently implemented, and we are working to emphasize the importance of this work to our suppliers. We also expect that the task will become easier as compliance with the law becomes the norm and the requirements for suppliers are perceived as a standard over time, although this expectation will not reduce our efforts to monitor and follow up with suppliers in the present.

4. New Suppliers

In relation to new suppliers, we have developed an internal guideline for prequalification, which includes the following areas in our assessments to determine if a supplier is suitable:

- Sustainability and environmental considerations
- Requirements imposed by the supplier on their subcontractors.
- Quality standards
- Organizational capacity of the supplier
- Health and safety practices
- Economic and technical capacity of the supplier

We have established ethical guidelines that the prequalified supplier must sign before entering into an agreement. These guidelines are based on key UN conventions, ILO conventions, and national legislation at the production site. Additionally, suppliers are required to disclose information about their subcontractors, where appropriate, for the purpose of assessing their compliance.

5. Goals and measures

To limit and prevent negative consequences, we will focus on establishing closer dialogue with key suppliers who have not responded to our self-reporting questionnaire and ensure that we receive this information. We will also utilize other sources for gathering information. This will enable us to identify, by the end of 2023, whether and how actions should be taken in collaboration with the supplier or evaluate the partnership.

Based on the information provided in the submitted self-reporting questionnaires, we will take concrete measures, including:

- Requesting documentation of guidelines
- Encouraging suppliers to thoroughly monitor their subcontractors.
- Following up with those who have inadequate conditions for subcontractors, especially regarding guidelines related to child labour and the use of conflict minerals.
- Motivating suppliers to have a sustainability strategy with an action plan for improving environmental impact.

The responses will also be subject to analysis to determine if the questions need to be reformulated or if other types of questions should be asked to enhance the quality of the information we receive.

We will also align with the company's annual schedule to ensure continuous oversight of our suppliers, fulfil our internal and external obligations, and influence our suppliers in the right direction.

Our next goal is to conduct due diligence assessments on a higher percentage of existing suppliers by 2024. It is our aim that individuals providing inputs to our operations have worker rights and a liveable wage.

Decent work has long been communicated as one of our priority sustainability goals, and going forward, we will adopt a broader approach to positively impact fundamental human rights. To achieve this, we will set higher requirements for our suppliers. By the end of this year, we will implement contract terms based on the DFA's proposal for contract clauses addressing the protection of fundamental human rights in the supply chain. These clauses will cover the supplier's policy and procedures for due diligence throughout the supply chain, along with documentation. This will supplement our ethical guidelines, which suppliers are obligated to sign.

We will continuously revise and analyse our guidelines, procedures, and measures, stay updated on public guidance, and engage in dialogue with our business partners. In this way, we can obtain better information in the future and have a positive global impact on improving fundamental human rights and decent working conditions.

This document will be updated and published annually by June 30th. It will also be updated in the event of significant changes to the company's risk assessments.