

Report:
The Norwegian
Transparency Act

2022

INTRODUCTION

This report on due diligence assessments has been prepared by Voith Hydro AS in accordance with Section 5 of the Norwegian Transparency Act.

Voith Hydro AS focuses on hydropower projects within the product segments automation, turbines, generators and electromechanical auxiliary systems. This includes service, rehabilitation, modernisation, upgrading and delivery of new facilities. Voith Hydro AS has complete local expertise in electromechanical products and systems for hydropower plants.

The company has four locations in Norway: Oslo, Trondheim, Fredrikstad and Tranby. In total, there are 120 employees in the company.

We have chosen to highlight our work with the Transparency Act in line with the OECD's guidance for due diligence assessments (see Figure 2).

The report is based on the previous financial year from when the law came into force. The period covered is: 1 July - 30 September 2022.



Voith Hydro AS (VHO)

Oslo / Trondheim / Fredrikstad

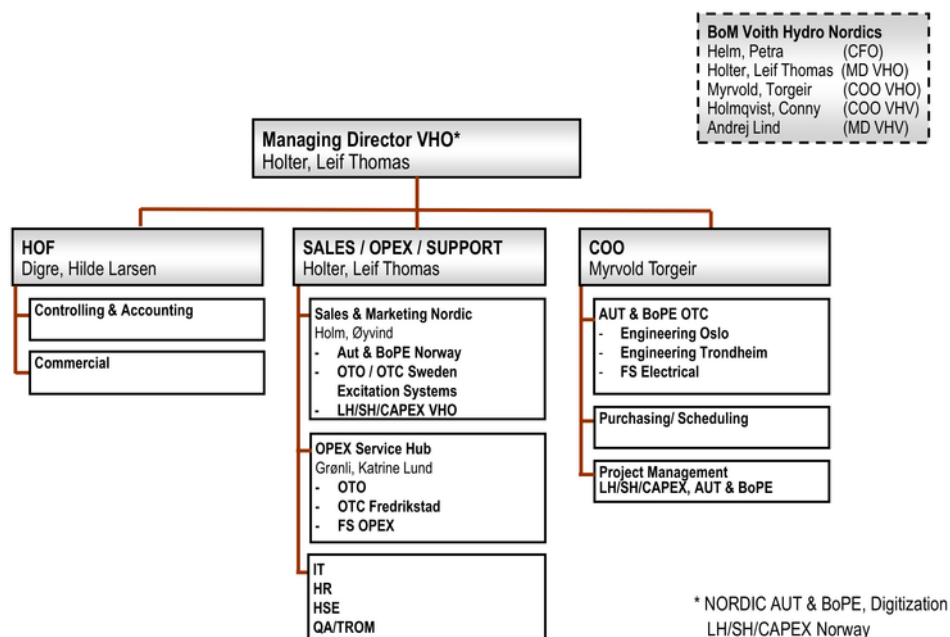


Figure 1 - Voith Hydro AS organizational chart



Figure 2 - OECD's guide for due diligence assessments for responsible business

S T R A T E G Y C O N T E N T S

01.

Anchor accountability

02.

Map negative impact

03.

Prevent, reduce or stop
negative impact

04.

Monitor results

05.

Communication

06.

Fix negative influence

07.

Further work

1. ANCHOR ACCOUNTABILITY IN GUIDELINES AND MANAGEMENT SYSTEMS

Voith Hydro AS fully supports and respects basic human rights and decent working conditions in its own operations, and expects the company's suppliers and business partners to do the same.

The work with the Transparency Act is anchored in the management team and the board of Voith Hydro AS. The management group has executive responsibility and must follow up the work. The board has overall and final responsibility. The report has been reviewed by the board.

Voith Hydro AS has established accountability in guidelines and management systems. Routine descriptions and checklists have been drawn up for the selection of suppliers, where human rights and decent working conditions are assessed. When entering into an agreement with business partners and suppliers, a number of requirements are set, and partners undertake to follow Voith Hydro AS's Code of Conduct. Violation of this by a partner can lead to the termination of the business relationship.

Guidelines and documents for compliance:

- COC_norwegisch_202301 (1).pdf - Documentation Code of Conduct
- How to... German_supply_chain_act_2023-04-18 - Guidelines Supply Chain Act
- Valg av leverandør 2019.07.04 - Supplier Selection
- VOITH PurONE_Compliance & sustainability status - Supplier questions Transparency Act

Voith Hydro AS evaluate offers from its suppliers in a fair and impartial manner. Allocation of projects is carried out according to factual evidence and is verifiable.

When choosing a supplier, the procurement manager must manage and prepare an overview of suppliers approved for use. The procurement manager is also responsible for making this overview known to relevant users.

To simplify communications and ensure a secure exchange of data with our partners, Voith has implemented the SRM system (Supplier Relationship Management) Jaggaer PurOne. The purpose is to achieve efficient exchange of data, and continuously improve supplier processes. When suppliers register their user account, they get access to relevant forms, answer requests and surveys. Voith Hydro AS thus already has a management system available for monitoring partners in accordance with human rights and decent working conditions.

2. MAP AND ASSESS NEGATIVE IMPACT/DAMAGE

Voith Hydro AS has a complex supply chain with over 700 direct partners, who in turn will have subcontractors. Thus, one has to make certain priorities. We have carried out an overall risk assessment based on country-, industry- and company-specific risk, as well as order volume. The company-specific risk involves subjective assessments based on experience and long standing business relationships with certain suppliers. Other information contained in the system, which is also part of the overall assessment, is whether it is a product or service, automation or mechanical and whether the partner is part of the Preferred Supplier List.

Carry out regular risk analyses

In order to comply with our obligations regarding human rights and decent working conditions, due diligence assessments are carried out. We designed and carried out a risk analysis of a selection of our direct suppliers in the reporting year 2022.

Three steps to prioritize risk & reduce complexity

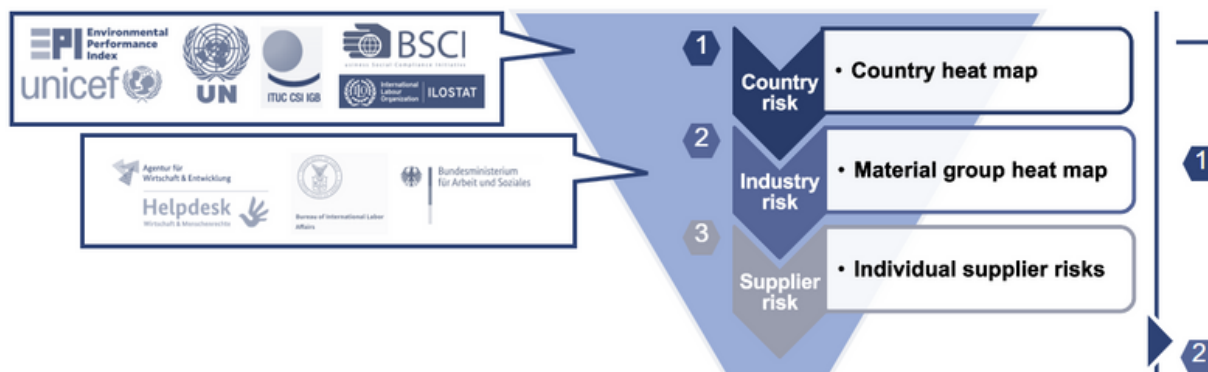


Figure 3 - background for risk analysis

Due to limited available resources, the supplier list was filtered on the basis of total order volume. This is not an optimal solution in the long term, but in this round it was necessary to limit the scope. This is continuous work, and the long-term goal is to carry out the risk analysis for the majority of our suppliers.

The first step in the risk analysis was to map the suppliers' country-specific risks, which resulted in a classification of individual countries into four risk categories. Publicly available indices were used here to ensure as objective an assessment as possible (see Figure 3 - background for risk analyses). The relevant indices were chosen based on the human rights and environmental requirements of the German Supply Chain Act (which the Voith Group is covered by). To make the scores of the different indices comparable, they were scaled uniformly and standardized. The relatively worst index value then determined the classification of the respective country.

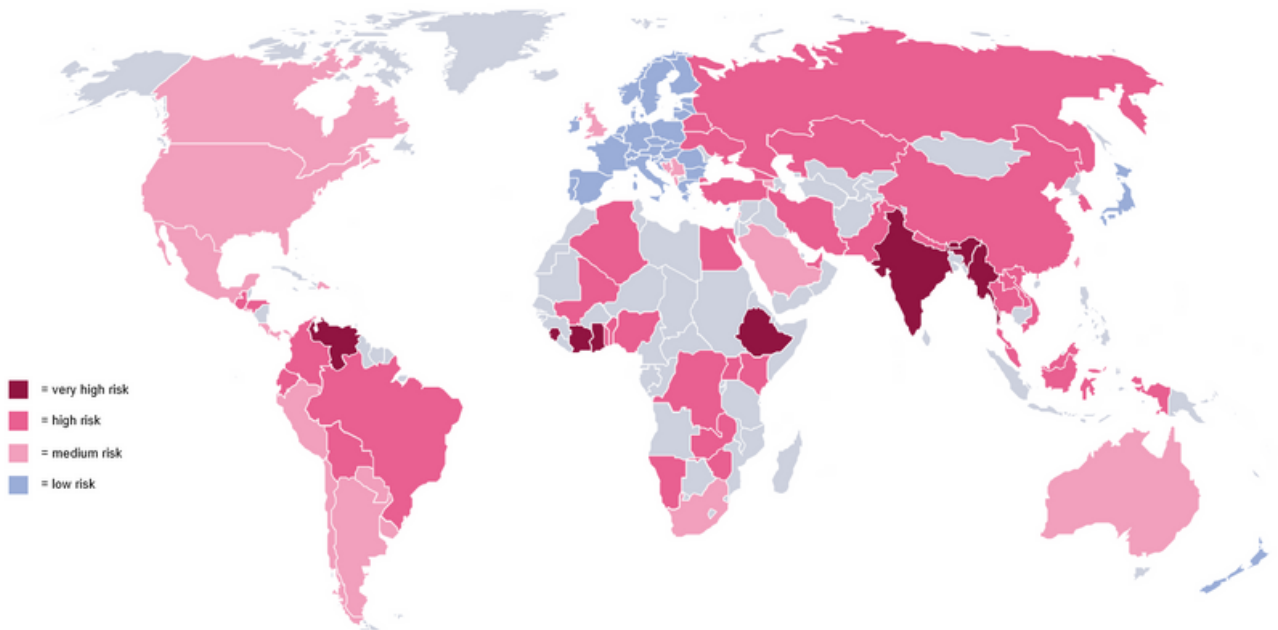


Figure 4 - Country Heat Map

In the second stage of the analysis, product- and industry-specific risks were mapped. At group level, the MVO Risk Checker, a publicly available database based on a number of sources related to social and environmental sustainability, was used to uncover industry risks. The risks identified in this step were processed and divided into 22 different sectors. The database was then translated into Voith's material group keys and classified into four risk categories.

Voith industry heat map – increased or very high risk

MGK	Key name	Risk assessment
200101	Construction, conversion, renovation and repair work on a building and its technical equipment	increased
200515	Disposal	increased
201501	Workwear (purchase)	increased
201703 – 06 - 21	Industrial chemicals / Lab chemicals / Paint, varnish (NPM)	increased
203001	Industrial temporary worker / helper	increased
203203	Assembly	increased
2034	Security services	very high
5001	Cast steel, not / low-alloyed	increased
5003	Cast steel, alloyed, stainless	increased
5006	Grey cast iron	increased
5009	Spheroidal graphite cast iron	increased
5012	Non-ferrous casting (brass, bronze)	increased
5015	Light metal casting (aluminum, magnesium)	increased
5018	Plastic casting	increased
5024	Foundry materials	very high
6201	Mechanical and thermal subcontracting - metal	increased
6203	Mechanical and thermal subcontracting - plastic	increased
6206	Surface coating	very high
6209	Assembly, Quality Assurance (subcontract) processing	increased
8001	Plastics and plastic semi-finished products	increased
8003	Fibers	increased
8006	Duroplastic resins	increased
8009	Thermoplastic resins	increased
8012	Plastic additives	increased
8015	Rubber additives	very high
8018	Coating materials	very high
9024	Chemicals for paper technology	increased

Figure 5 - Industrial risk and material group keys

The third step was company-specific risk, which involves subjective assessments based on experience and long business relationships with certain suppliers. This is work that is carried out continuously.

Based on the risk assessments above, the suppliers were classified into four risk categories. The risk assessments did not reveal any significant risks that require further follow-up. We have nevertheless chosen to send the Compliance and Sustainability Questionnaire to a selection of our suppliers.

In the further work, where we work our way through a larger part of the supplier list, we foresee that there may be potential risks such as working hours, working environment, pay and freedom of organisation. Those suppliers who are classified as having an elevated or high risk receive a request to complete the Compliance and Sustainability Questionnaire. If the answers are insufficient, we will follow up further through an established scaling process. If the concerns persist or there are indications of a breach of our standards, an escalation process is initiated which results in concrete countermeasures and which may ultimately lead to the termination of the business relationship.

3. PREVENT, REDUCE OR STOP NEGATIVE IMPACT/DAMAGE

Reduce risk

In order to minimize risk in the overall purchasing process, we require regular self-assessment for compliance with rules from our suppliers. A standardized group-wide questionnaire ensures that the relevant data is collected and processed in a coordinated manner. The Jaggaer PurONE system is being implemented, and the Compliance and Sustainability Questionnaire is part of the system.

The Compliance and Sustainability Questionnaire also forms the basis for the Sustainability Review and functions as a practically applicable questionnaire with guidelines for assessment during supplier visits.

Another measure is to check time lists from suppliers. This is, among other things, to ensure that they stay within the agreed working hours and the Working Environment Act's overtime provisions.

Check before establishing a business relationship

The purchasing department checks compliance with laws and regulations before a business relationship is established. The first step is to find out whether the supplier in question comes from a risk country (Critical Country Check) or is blocked (Blocked List Check). Checks are carried out using publicly available data to check the financial situation and to determine whether compliance incidents have occurred in the past.



4. MONITORING OF IMPLEMENTATION AND RESULTS

The work that has been initiated will develop over the coming years. It requires Voith Hydro AS to continuously assess the implementation and effect of measures. Furthermore, we must take measures to restore any damage and prevent repeated deviations or breaches. This is explained in more detail in point 6.

5. COMMUNICATION OF HOW NEGATIVE IMPACT/DAMAGE HAS BEEN HANDLED

Voith Hydro AS must be open about the assessments and measures taken in our supply chain and own organisation. In line with the Transparency Act, information on how we work with the topic and the results of the work must be published annually. In line with OECD guidelines, we must show responsibility, follow up and contribute to transparency and development.

Information and openness to the public is important for creating trust, including being open about challenges. At the same time, it is important to have good communication internally and with partners.

We mainly focus on three segments in our communication of how any possible negative impact will be handled:

- External communication takes place via our websites and in the annual report.
- Internal communication takes place via internal channels and information meetings.
- Communication with stakeholders who are affected must take place in a way that is accessible to those affected. If Voith Hydro AS has caused or contributed to a negative impact, information regarding measures to stop, prevent or reduce risk must be communicated if relevant.

6. RECTIFY NEGATIVE INFLUENCE

If there are indications that suppliers are breaking applicable laws or ethical guidelines, our procurement organization will carry out thorough investigations.

Voith has developed an escalation process to be followed in the event of indications of a breach, which results in an individual action plan with specific areas of responsibility. Possible measures range from requesting a declaration, establishing regular communication about the implementation of important and significant measures, to examining contractual insurances. If communication and measures do not lead to the desired result, the business relationship is terminated and the supplier is blacklisted. The blacklisting is then carried out by Voith's central Master Data Governance department, which has had organizational representation in all Voith regions since 2019.

7. FURTHER WORK

Carrying out due diligence assessments is a continuous task. Routines for follow-up have been implemented, and the further work will largely involve risk analyzes of a larger proportion of our suppliers as well as the collection of data from suppliers.



REPORT A BREACH

Violations or suspected violations can be reported to: compliance.vho@voith.com. This also applies if you have other questions related to our handling of the Transparency Act.



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