

Report:
The Norwegian
Transparency Act

2023

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, modernization, 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 period from the previous report until 30 April 2024.



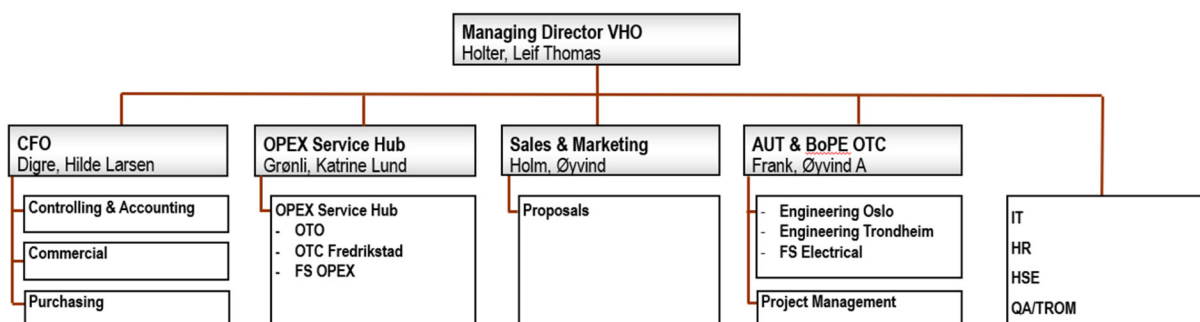


Figure 1 - Voith Hydro AS organization chart

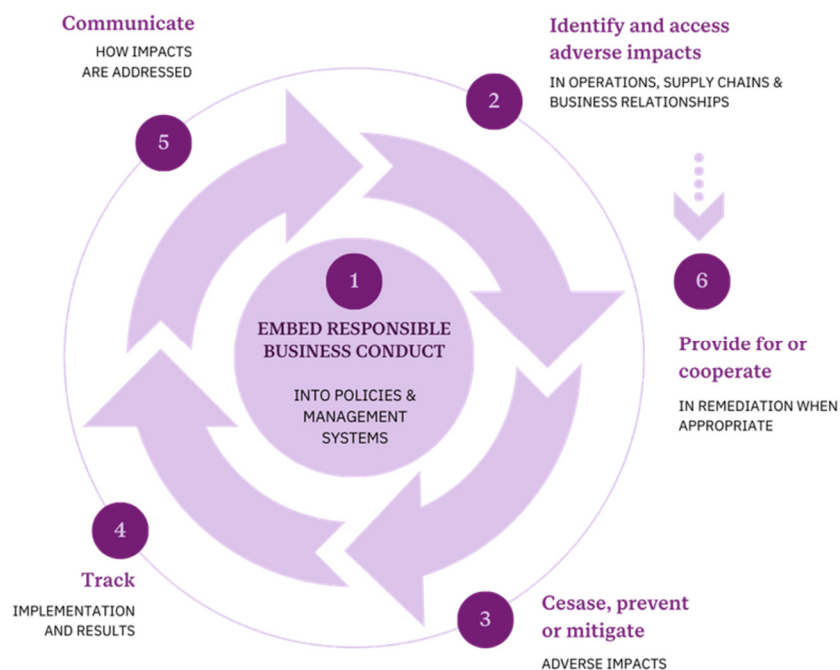


Figure 2 – OECD's guide for due diligence assessments for responsible business

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1. ESTABLISH/COMMIT ACCOUNTABILITY IN GUIDELINES AND MANAGEMENT SYSTEMS

Voith Hydro AS fully supports and respects fundamental human rights and decent labour conditions in its own operations, and expects its suppliers and business partners to do the same.

The work on the Transparency Act is committed in the management team and the board of Voith Hydro AS. The management team has the executive responsibility and shall follow up the work. The Board of Directors has the overall and final responsibility. The report has been considered by the Board.

Voith Hydro AS has established responsibility in guidelines and management systems. Procedures, questionnaires and checklists have been drawn up for the selection of suppliers, where human rights and decent working conditions are assessed. When entering into agreements with business partners and suppliers, a number of requirements are set, and partners undertake to comply with Voith Hydro AS's *Code of Conduct*. Violation of this by a partner may lead to the termination of the business relationship.

Guidelines and documents for Compliance:

- Code of Conduct
- *How to... Supply chain act* - Guidelines
- *Procedure - Selection of suppliers*
- *Questionnaire in connection with the Transparency Act*
- *Foreign labor checklist*

Voith Hydro AS checks offers from its suppliers in a fair and impartial manner. Contracts are awarded on the basis of objective criteria and are verifiable.

When selecting a supplier, the purchasing manager must administer and prepare an overview of suppliers approved for use. The purchasing manager is also responsible for ensuring that this overview is made known to relevant users.

Tomas Aruani
Chairman of the Board



Christian Bender
Board Member

Hilde Larsen Digre
Board Member

Arild Brovold
Board Member

Geir Småøien
Board Member

Leif Thomas Holter
Managing Director

2. MAP AND ASSESS NEGATIVE IMPACT/DAMAGE

Voith Hydro AS has an extensive supply chain with more than 700 direct partners, each with their own subcontractors. Assessing due diligence is a continuous process that requires ongoing prioritization. A new approach to this year's report involves data collection through a proprietary questionnaire, where a selection of suppliers were asked to respond.

Invitations were sent based on total order volume, with priority based on the highest accumulated volume from the previous year's due diligence. Of the 100 invited suppliers, 55 responded to the questionnaire. In the long term and in the years to come, we aim for all our partners to answer and have a relationship with our questionnaire. This creates awareness and accountability for the focus areas that are important to Voith Hydro.

This new approach provides a more detailed picture of suppliers, including their subcontractors, as opposed to only looking at external analyses and reports. All responses were reviewed by the procurement department to identify and assess potential negative impact or harm.

The questionnaire has also been sent to all employees in Voith Hydro and required to familiarize themselves with the content. This is in order to orientate and commit what we focus on towards our partners.

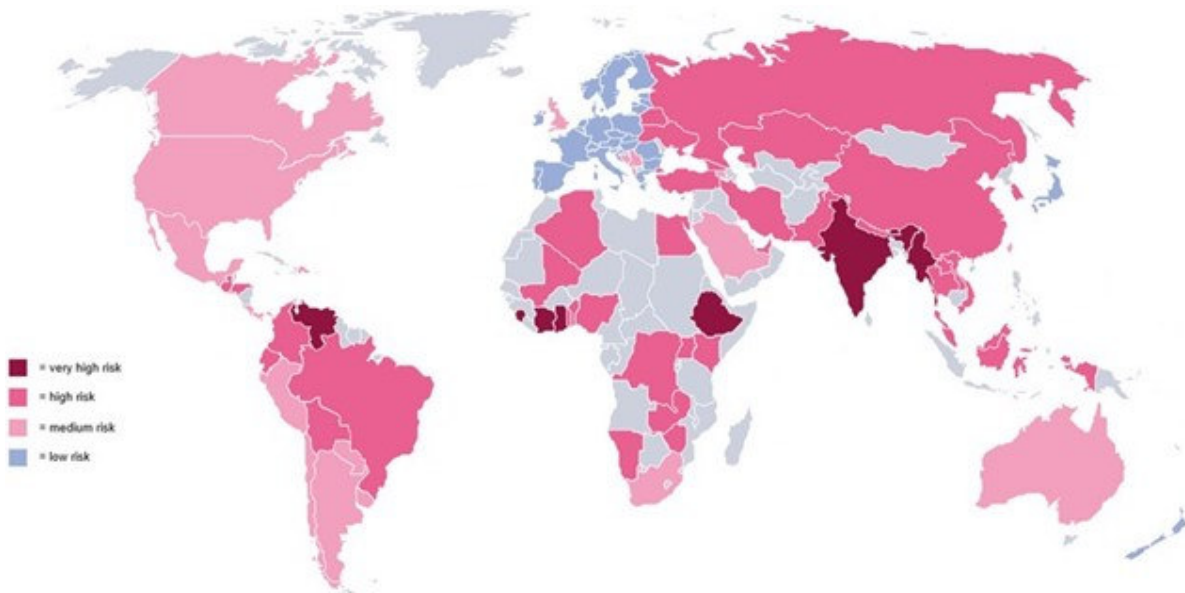
The questionnaire is also available on our website, in Norwegian and English, and is mandatory for all new suppliers as part of the qualification process.

The questionnaire covers topics such as:

- Control system
- Compliance (e.g. anti-corruption, anti-trust legislation and money laundering)
- Child labour, forced labour, human trafficking, (modern) slavery or unlawful discrimination
- Taxes
- Trade union organization and the right to strike in line with applicable national legislation
- That the above points are complied with by any third party that is/will be appointed as a supplier, distribution partner or other business partner in connection with our business relationships
- Harmful impact on the environment, environmental policies dealing with energy consumption and greenhouse gases, water, local pollutants, chemicals or waste, occupational health and safety measures dealing with personal protective equipment (PPE) health, safety, risk analysis and specific procedures for handling chemical/hazardous materials

- Salaries, benefits and working hours that at least comply with national laws
- Various ISO certifications
- Formal guidelines on information security
- Relationships with one of the countries we define as high and very high risk, with regard to the purchase of individual components, production or assembly, with justification as to why.

The classification of countries is given by the parent company, in Germany (countries with grey colour have not been risk assessed):



Some varying answers were revealed, either in relation to Voith's standards or other comparable suppliers. Discrepancies could, for example, be explained in light of the supplier's size, the relevance of the question to the supplier's delivery or other discrepancies that were considered unavoidable. The latter applied to collaborations in/with countries where individual components are only produced in the country we had classified as high to very high risk.

Examples of topics where there were 10-15% deviations from Voith's standards or other comparable suppliers:

- Are your employees trained and instructed in compliance topics such as anti-corruption, anti-trust legislation, money laundering, etc.
- Does your company have formalized environmental policies covering energy consumption and greenhouse gases, water, local pollutants, chemicals or waste?
- Does your organization have a formal policy on information security?
- Does your company have any relations with one of these countries, in terms of purchase of individual components, production or assembly (very high risk)?

Ivory Coast - Ethiopia - Ghana - India - Venezuela

India was the country that came out on top.

- Does your company have any connections with one of these countries, in terms of purchasing individual components, production or assembly (high risk)?

Brazil - Colombia - China - Ecuador - Egypt - Guatemala - Hong Kong - Belarus - Indonesia - Iran - Kazakhstan - Kenya - Laos - Lebanon - Malaysia - Mali - Nepal - Nigeria - North Korea - Pakistan - Russia - Thailand - Togo - Turkey - Uganda - Ukraine - United Arab Emirates - Vietnam - Zimbabwe

The majority were China, but there were also elements of Vietnam, Turkey, Brazil and Colombia.

The risk assessments did not reveal any significant risks or deviations that require the termination of the collaboration or immediate action.

3. PREVENT, REDUCE OR STOP NEGATIVE IMPACT/DAMAGE

Reduce risk

To minimise risk in the overall procurement process, we require all our new suppliers and those who have not responded to the questionnaire already sent out, to complete our own questionnaire.

The questionnaire also forms the basis for the *Sustainability Review* and serves as a practical questionnaire with guidelines for assessment during supplier visits.

Another measure is to check timesheets from suppliers. One of the reasons for this is to ensure that they stay within the agreed working hours and the overtime provisions of the Working Environment Act.

A third measure is the use of a checklist when purchasing labour that is not of Norwegian origin. This checklist ensures that those working in connection with Voith Hydro have decent working conditions, approved labour agreements with a minimum minimum-wage, etc., cf. §6 of the Norwegian Labour Inspection Authority's "Regulations on the duty of information and inspection and the right of access to information", and general regulations. Use of the checklist will significantly reduce the risk of workers in the closest links to us being exploited in the form of poor working conditions, breaches of working time regulations and underpayment.

Control 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 verify the financial situation and to determine whether there have been compliance incidents in the past.



4. MONITORING OF IMPLEMENTATION AND RESULTS

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

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

Voith Hydro AS shall be open about the assessments and measures taken in our supply chain and our own organisation. In line with the Norwegian Transparency Act, we shall publish annual information on how we work with the topic and the results of our work. In line with the OECD Guidelines, we will demonstrate accountability, follow up and contribute to transparency and development.

Information and openness to the public are important for building trust, including being open about challenges. At the same time, it's important to have good communication internally and with business partners.

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

- External communication takes place via our website and in the annual report.
- Internal communication takes place via internal channels and information meetings.
- Communication with affected stakeholders shall 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 shall be communicated if relevant.

6. FIX NEGATIVE IMPACT

If there are indications that suppliers are violating applicable laws or ethical guidelines, our purchasing organisation will conduct thorough investigations.

Voith has developed an escalation process to be followed in case of indications of non-compliance, resulting in an individual action plan with specific responsibilities. Possible actions range from requesting a declaration, establishing regular communication on the implementation of important and significant actions, to investigating contractual assurances. If communication and actions do not lead to the desired result, the business relationship is terminated and the supplier is marked as closed/blocked. The closure procedure is then carried out by Voith's central Master Data Governance department, which has had organisational representation in all Voith regions since 2019.

7. FUTURE WORK

Conducting due diligence is a continuous endeavour. Procedures for follow-up have been implemented, and further work will largely involve risk analyses of a larger proportion of our suppliers and the collection of data from suppliers.



REPORT A BREACH

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