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# DUE DILIGENCE REPORT



by Sotra Gruppen and its subsidiary companies;

- Sotra Contracting AS
- SOCON Norheimsund Sveis AS
- Sotra Anchor & Chain AS



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## 0 Introduction

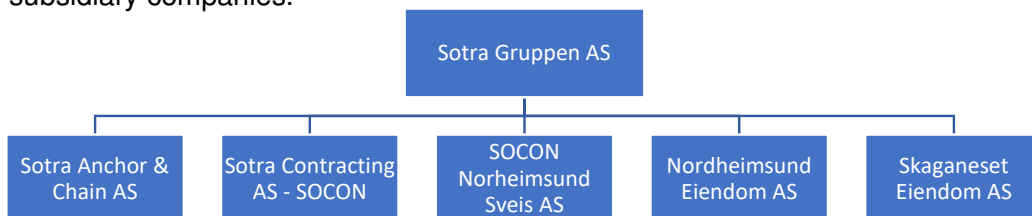
In this document, we have identified and assessed Sotra Gruppen's impact on society based on own operations as well as those of our suppliers and collaboration partners. The report covers the period March 2023 – March 2024.

Responsibility for the due diligence process and report, and for compliance with the Transparency Act, rests with the QA/HSE manager.

## 1 Description of Sotra Gruppen

### 1.1 Sotra Gruppen's operations

Sotra Gruppen is comprised of the parent company Sotra Gruppen AS and subsidiary companies.



Sotra Gruppen AS' area of business is the provision of ancillary services to its subsidiary companies in form of finance, quality assurance and HSE, HR services, and management. Sotra Gruppen AS provides services to its subsidiary companies, and has few external suppliers. Typical suppliers to Sotra Gruppen AS are banks, insurance companies, auditors, building maintenance providers, and IT services.

The SOCON workshops (Sotra Contracting AS – SOCON and SOCON Norheimsund Sveis AS) operate in the mechanical industry, predominantly in Western Norway. Core services offered by the companies are engineering expertise, project management, 3D scanning, sheet metal work, welding, and piping and mechanical work. Their customers are primarily local companies with offices / headquarters in Western Norway. Typical suppliers to the SOCON workshops are providers of goods/services such as steel, gas, NDT, surface treatment, and transport.



Sotra Anchor & Chain AS is a supplier of mooring and deck equipment products to enterprises all over the world. The company has its own sales offices and warehouse facilities in Norway, the Netherlands, and China. Typical suppliers are manufacturers of new mooring and deck equipment, anchors and chains, and carriers.

The real estate company Nordheimsund Eiendom AS owns the property where SOCON Norheimsund AS operates, whereas Skaganeset Eiendom AS owns the property where Sotra Anchor & Chain has its main warehouse in Norway. These companies exclusively engage in the leasing and management of properties as their area of business, and typical suppliers are municipal services and building maintenance. The real estate companies have no employees, and are operated by Sotra Gruppen AS.

## 1.2 Sotra Gruppen's values

Sotra Gruppen commits to:

- Respect human rights
- Protect workers' rights
- Preserve the external environment
- Avoid corruption and bribery

## 1.3 Sotra Gruppen's compliance with laws and regulations

Sotra Gruppen is a corporate group whose business activities in Norway is regulated by Norwegian law. In addition, the group adheres to the principles of the UN Declaration of Human Rights and follows guidelines for ensuring decent work conditions.

Sotra Gruppen has in place company regulations, procedures, and guidelines to ensure compliance with the above-mentioned requirements. These include:

- Procedures to ensure a safe and secure work environment.
- Procedures to prevent / minimise discharges and emissions to the external environment.
- Code of conduct for all employees.



- Procedures for full compliance with the General Data Protection Regulation (GDPR).
- Procedures for assessment and approval of suppliers.
- Code of Conduct (ethical guidelines for suppliers).
- Guidelines for full compliance with sanctions against certain countries.
- Whistleblowing procedures for notification of misconduct, impropriety, or malpractice that is in contravention of rules and regulations.

Sotra Gruppen offers its employees the opportunity to form or join trade unions, and encourages active involvement in such organisations during working hours.

Sotra Gruppen pays remuneration to its employees in line with collective wage agreements for the industry. All employees (including apprentices and relief staff) have signed employment contracts in accordance with industry standards.

The group's companies have met the following certification standards:

- ISO 9001:2015 Quality management system
- ISO 14001:2015 Environmental environment
- ISO 45001:2018 Occupational health and safety
- ISO 3834-2: Quality requirements for fusion welding
- NS-EN 1090-1: CE marking of structural metalwork
- NS-EN 15085-2:2020: Welding of railway vehicles and components
- NYTEK23: Technical requirements for aquaculture installations

## **2. Assessment methods**

### **2.1 Assessment methods**

Due diligence has been conducted in line with the Transparency Act and OECD's guidelines for responsible business conduct. The group has identified adverse impacts based on own operations, taking into consideration the processes in which the group is involved. Its assessments form part of the operational risk identification process.



The group's essential suppliers have also been identified. Essential suppliers are defined as suppliers providing products that have direct impact on our end-product to customers.

The criteria on which assessments are based are the group's values:

- Respect for and observance of human rights
- Observance of workers' rights
- Preservation of the environment / prevention of discharges/emissions to the external environment
- Position on corruption and observance of codes of conduct

## 2.2 Quantitative risk analysis

In its analysis of risk exposure, the group has used the recognised calculation method; risk = impact x probability.

Impact	Probability
1 – Low	1 – Rare
2 – Minor	2 – Unlikely
3 – Moderate	3 – Possible
4 – Major	4 – Likely
5 – Severe	5 – Almost certain

Outcomes are shown in the following matrix:

Probability	Impact				
Almost certain (5)					
Likely (4)					
Possible (3)					
Unlikely (2)					
Rare (1)					
	Low (1)	Minor (2)	Moderate (3)	Major (4)	Severe (5)

Risks assessed as green require no further action.

Risks assessed as yellow require further evaluation of the supplier prior to any action.



Risks assessed as orange and red require immediate action.

### **2.3 Selection of suppliers**

The supply chain comprises every link in the chain of suppliers and subcontractors that supply or manufacture goods, services, or other production factors forming part of the group's goods and services offerings.

In its audits, the group primarily looks at the first tier of the supply chain. There is one exception for SOCON where the second tier of the supply chain has been audited.

Details about suppliers are obtained from:

- Self-declaration form
- External audits
- Information submitted by the supplier
- Previous experience with the supplier

Assessment of suppliers is also based on external sources such as:

- Media coverage / Google search
- Global Rights Index
- Global Slavery Index
- CLB – China Labour Bulletin

A supplier audit is usually conducted every two years. If a supplier is a category yellow, the audit is performed annually. For suppliers in category orange or red, the audit is conducted on a regular basis.

### **2.4 Assessment criteria**

The screening of suppliers takes into consideration a number of aspects related to the supplier and the country in which the supplier is located.

Suppliers to the group have been assessed based on the following:

- How essential the supplier is to the group's operation
- Opportunity to influence the supplier





- Alternative options (customers require a specific product, monopoly)
- Previously identified risks
- Findings from media coverage searches
- Findings from Global Slavery Index, Global Rights Index, and China Labour Bulletin

An analysis is made of the impact of possible violations of human rights and workers' rights, as well as the likelihood of such violations.

The supplier's management system certification level according to ISO 9001, ISO 14001 and ISO 45001 is also taken into consideration.

All suppliers are expected to complete a self-declaration form in which details on corporate social responsibility, ethical guidelines, sustainable development goals, and environmental impacts are provided. Suppliers also have to specify measures taken to ensure decent working conditions in own operations, and the procedures in place for approval of subcontractors.

### **3. Risk assessment**

#### **3.1 Assessment of the group's adverse impacts based on own operations**

The parent company and the SOCON workshops operate in Norway, predominantly in Western Norway. Projects have been completed at locations outside of Western Norway, but mostly within Norway's borders.

Operations in Norway and most other Northern European countries are subject to stringent restrictions in terms of performance of work and observance of human rights and workers' rights. The workshop industry adheres to strict customer requirements that on occasion surpass those of the Working Environment Act. These are requirements that the group, as a supplier, has to consider in its provision of services to its customers.

The impact of a possible violation of human rights and workers' rights for our operations in Norway is assessed as low. Combined with low probability, the



risk of violation is low for Sotra Gruppen's operations in Norway and its branch in the Netherlands.

Our branch in China adheres to the same procedures as in Norway, and the group therefore assesses the probability of violation as low, even though there is a higher probability of violation in the country in general.

There is not a strong culture of bribery in connection with trade between companies in Norway and Northern Europe in general. The group has not been exposed to and has not itself experienced incidents related to bribery.

Workshop operations will have some emissions to air and there will be some risk of discharge of oil and other pollutants from vessels alongside, but only to an extent that has minor impact on the environment and surrounding community.

The group has identified own emissions and discharges, and has introduced environmental reporting to show accidental emissions/discharges.

Approval criteria	Risk
Respect for and observance of human rights	Low
Observance of workers' rights	Low
Discharges/emissions to the external environment	Low +
Position on corruption and violation of code of conduct	Low

### 3.2 Risk areas associated with workshop operations:

For the SOCON workshops, 32 suppliers in the areas of steel, consumables, surface treatment, and NDT services have been assessed.

Three supplier audits were conducted in 2023-2024, of which one was a Czech subcontractor to our supplier. These are physical audits conducted at the suppliers' premises.

No actual negative findings associated with our suppliers have been identified in Global Rights Index and Global Slavery Index searches.



Use of these suppliers has not been identified as a risk previously. SOCON has a well-established and good collaboration with most of the suppliers, and has regular and close contact with these. Therefore, the group assesses the likelihood of violation of its criteria as low, and further measures will thus not be implemented.

Approval criteria	Risk
Respect for and observance of human rights	Low
Observance of workers' rights	Low
Discharges/emissions to the external environment	Low +
Position on corruption and violation of code of conduct	Low

### 3.3 Risk areas associated with Sotra Anchor & Chain:

A total of 26 suppliers of anchors, chains, and deck equipment have been assessed. Following the due diligence report in 2023, a medium risk of significant violation of human rights and employment rights by suppliers in China was identified. As a result, physical audits of five suppliers in China were conducted in autumn 2023. No findings indicating violation of neither human rights nor employment rights were made. Some minor non-conformances relating to HSE were identified at the premises of one of the suppliers.

China's score on the Global Rights Index indicates a high level of human rights violations. There is no evidence in the Global Right Index that this is the case in the areas where our suppliers are based. Searches have been made using the China Labour Bulletin, which reports on violation of workers' rights. China Labour Bulletin also shows where there are strikes or serious accidents associated with Chinese companies. None of our suppliers feature in these searches. Search of the Global Slavery Index has also been carried out. China scores 40 out of 100 in terms of modern slavery. There are no findings indicating that any form of slavery is associated with the suppliers used by the group.

For companies in Northern Europe, the score for respect and observance of human rights and workers' rights is generally higher. There are no findings in the above-mentioned indices for our suppliers associated with Europe.



Approval criteria	Risk
Respect for and observance of human rights	Low +
Observance of workers' rights	Low +
Discharges/emissions to the external environment	Low +
Position on corruption and violation of code of conduct	Low +

#### 4. Sotra Gruppen's adverse impacts overall

Following an overall assessment, Sotra Gruppen's own activities and the activities of its suppliers carry a low risk of human rights violations. This is based on no such violations having been identified for the group or its suppliers. Furthermore, no findings have been made through digital searches.

The risk of violation of generally accepted and recognised workers' rights is also assessed as low. The group has introduced separate procedures to ensure that the rights of its employees are well protected. Working conditions differ between Norway, countries in Europe and countries in Asia, but we have not made any findings that indicate the undermining of workers' rights.

The risk of discharges/emissions to the external environment from the group's operations is reduced, and is primarily linked to the workshop activities.

There is a risk of discharges/emissions to the external environment at the premises of several of the group's suppliers. Requirements differ between countries and between continents, and there will therefore be differences in discharges/emissions to the external environment. A positive focus has been identified among several of our suppliers in Southern Europe and Asia, especially in relation to waste handling and discharges/emissions to air, ground, and sea.



## **5. Prevention and mitigation of adverse impacts**

### **5.1 Implemented measures and their impacts**

Following the previous due diligence report, a number of measures were introduced:

- Physical audits were conducted of five Chinese and one Czech supplier.
- Extended digital searches of our suppliers were conducted.
- Several desktop audits were carried out.

#### **Implementation of further measures as a result of the above-mentioned risks being identified:**

- More audits to be conducted (both desktop and physical)
- Membership in Future Proof (Bergen Chamber of Commerce and the Rafto Foundation)

### **5.2 Established procedures:**

General measures have been implemented to reduce the risk of violation of our criteria:

#### **5.2.1 Code of Conduct / Supplier Approval**

All suppliers to Sotra Gruppen requires the approval of our QA/HSE manager. Suppliers are expected to complete a self-declaration form to show compliance with the qualifying criteria.

All the group's suppliers are obliged to sign our Code of Conduct.

#### **5.2.2 Doing business with suppliers trading with sanctioned countries**

Sotra Gruppen has in place specific procedures to prevent the company and its subsidiaries to trade with sanctioned countries. Up-to-date information on sanctions introduced by authorities against certain countries, is obtained through the news media. The group follows guidelines issued by the Norwegian authorities, even if this is at the expense of a delivery / business transaction.



### 5.2.3 Social dumping

From time to time, our companies have to hire labour from other enterprises. This carries the risk that our suppliers do not pay their employees in line with the collective agreement in Norway. In the event of hired-in labour, we ask for confirmation that the agency complies with the principle of equal pay for work of equal value and that remuneration is paid in line with the Norwegian wage agreement, for work in Norway. The use of hired-in foreign labour in 2023 has been minimal.

## 6. About the due diligence process

The due diligence process has been completed by Sotra Gruppen's QA/HSE department.

This diligence report has been approved by the boards of directors for Sotra Gruppen AS, Sotra Contracting AS, SOCON Norheimsund Sveis AS, and Sotra Anchor & Chain AS.

The report will be made public on the group's website and the websites of its subsidiary companies on in June 2024.

A revised version will be issued in the event of significant changes in the premises for assessment. Otherwise, due diligence will be conducted annually.

For more information about the report or the due diligence process, please contact Assistant General Manager, Anita Vindenes, on e-mail [anita@sotragruppen.no](mailto:anita@sotragruppen.no).

Vindenes, 03/05/2024

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