

## STATEMENT: DUE DILIGENCE ASSESSMENTS

### Transparency Act, June 2023

#### INTRODUCTION

The Transparency Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions came into effect on July 1, 2022. Scale Aquaculture AS ("ScaleAQ") and its subsidiary companies are subject to the scope of the Act.

The Act requires us to identify and assess potential risk for negative impact in own business, business partners and our supply chain. By conducting due diligence assessments under the Transparency Act we investigate whether there are any actual, or risks of, adverse impacts on human rights or decent working conditions in their own operations, their supply chain and other business relationships. The assessment shall be in proportion to the size and the nature of the enterprise.

This document provides a statement on how ScaleAQ has worked to implement the requirements. The purpose of this statement is to provide insight into the key findings from the assessments and the measures that have been implemented.

The statement includes a description of the organisation, products and services, as well as the allocation of responsibilities under the Transparency Act. Further our approach to methodology and various risk assessments and measures are commented upon.

Our value chain is rather complex. We manufacture and assemble our products in various countries and have suppliers on several continents in 30 different countries. Our main factories are in China and Vietnam where we produce products and components to our pens, nets, mooring, cameras and feeding systems.

#### ORGANISATION

Since the implementation of the Transparency Act in 2022 and the initial work on mapping potential negative impacts on fundamental human rights and decent working conditions, our organization has undergone structural changes. We would like to briefly describe these changes below.

## SCALEAQ GROUP

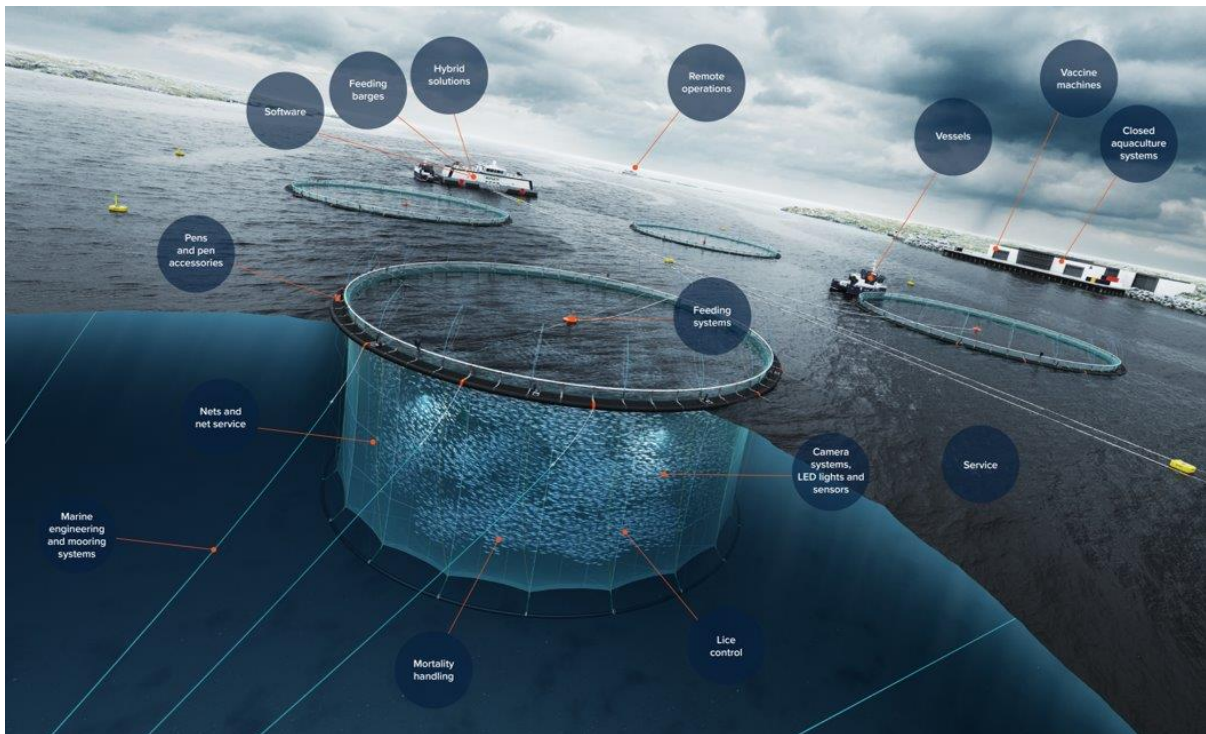


On February 13, 2023, the Competition Authorities approved ScaleAQ's acquisition of Maskon AS, but the company will not be part of this statement as they were not part of the group last year.

Our Seabased and Software divisions, along with our offices in Chile and Vietnam will be part of the statement, but for 2022 our focus have been with the Norwegian organisation and supply chain. Moen Marin will present their own statement.

## PRODUCTS AND SERVICES

Scale AQ is a strategic supplier to the fish farming industry worldwide and delivers a wide range of products and services. We have suppliers in thirty different countries. See picture below an overview of our technology and products.



We embrace the intention of the Transparency Act (TTA) to promote respect for fundamental human rights and decent working conditions in connection with the production of our goods and services.

## APPROACH & RESPONSIBILITIES

Our overall approach has been according to OECD Due Diligence Guidelines for Responsible Business Conduct and shown in the figure below and described in the following.



The accountability is anchored in our Board and the structure of responsibility is reflected in our organization. The operational responsibility lies with top management and is delegated to relevant departments.

Area	Responsible
1. <b>Responsible business conduct</b>	Board, CEO
2. <b>Identify and assess adverse impact</b> 3. <b>Cease, prevent or mitigate</b> 4. <b>Track</b>	ESG Department, Procurement, Sustainability, HSEQ
5. <b>Communicate</b>	Procurement, Sustainability, HSEQ, Communication

In the following we will describe the status of our work related to the different phases.

## EMBED RESPONSIBLE BUSINESS CONDUCT

During 2022 we have established an updated Code of Conduct, both for internal use but also related to our suppliers.

Internally, we maintain the highest ethical standards in our business, where integrity is paramount. The purpose of these guidelines is to clarify our expectations in terms of personal conduct, so that employees carry out their work in an ethically responsible manner.

The CoC for suppliers is always part of our contracts and outlines our requirements and expectations to our suppliers. [You can find the document here.](#)

The basic principles of this Code of Conduct are based on important conventions and documents from the UN and the International Labour Organization (ILO). The CoC highlights our basic expectations of suppliers and how we expect our suppliers to conduct themselves. It also covers regulations and requirements for personal behaviour/conduct, equality, conflicts of interest and integrity, compliance with applicable laws, rules and guidelines, health and safety, and working/ external environment.

In the event that anyone needs to report any suspicion related to these areas we have a common set up and everyone is expected to report critical incidents at [incident@scaleaq.com](mailto:incident@scaleaq.com). In this way, we ensure that we can act quickly and consistently if anything arises and give these incidents the attention they deserve and the necessary support in relation to follow-up and processing, both internally and externally.

## IDENTIFY AND ASSESS ADVERSE IMPACT

### What are we doing in practice?

A requirement for compliance with human rights and decent working conditions has always been part of our procurement processes, and this work has been boosted even more in 2022.

Given our large supplier base, we carry out risk assessments on an ongoing basis to help us prioritize which companies we should focus on. We have therefore established a structured supplier follow-up program. All of our suppliers will be assessed at an overall level against four criteria:

- Purchase value – Geography - Delivery risk - Priority product areas

Based on this assessment, selected suppliers will receive a comprehensive self-evaluation form on which they must document key areas such as their governance principles, HSEQ, sustainability work, and which processes they use in their own supply chain, in addition to areas under the Transparency Act - human rights and decent working conditions.

Their responses will be evaluated, and each individual supplier is assigned a risk profile. They will be subject to customized follow-up and monitoring, and this may require the submission of further documentation or the implementation of specific measures and more detailed monitoring.

## CEASE, PREVENT OR MITIGATE

Our primary objective of the process is to improve our understanding of the risk, mainly in our supply chain related to human rights and working conditions, and hereby assess the impact to prepare relevant actions.

The first mapping of selected suppliers has been performed. The next phase will be to develop a toolbox for mitigating actions. The toolbox will naturally include actions to

- prevent - before the damage occur,
- mitigate - to limit the extent of damage,
- cease - stop the activity/ terminate agreements.

Our most strategic suppliers have been working with us for several years. Thus, many have been audited and followed up on a regular basis by internal stakeholders or by 3<sup>rd</sup> parties conducting services on our behalf, as part of our supplier management. This structure is an important part of our mitigating actions to limit risk.

In addition to the ongoing information gathering we also have a project updating all active contracts with our new Code of Conduct for suppliers and General terms and conditions addressing these topics. Our CoC for suppliers describes what we expect from our suppliers related to these topics.

Another process that has been updated and improved is "Register new supplier". The aim is to highlight risk as early as possible and avoid suppliers that do not meet our standards. In a standard procurement process we do this during our market analysis.

As a separate tool for monitoring our value chain, we track different watch-lists to avoid entering into contract with parties that do not correspond with our values and requirements.

Further, an overall action plan is pending updated information from suppliers and toolbox for mitigating actions. In an ever-changing world there might be certain challenges to make changes happen in the short run due to cultural differences in other parts of the world, long distances and market maturity.

## TRACK

The structure of which we have developed to get more insights from our suppliers and to monitor defined criteria over time is an important tool for us. This will enable us to score and map individual companies on a relative detailed level over time. The overview will indicate which areas that need attention and improvement, which will enable us to take appropriate action.

The actions taken will need to be defined, implemented, monitored, reported, measured and changed according to objectives. The management structure for this will also need to be improved over time.

## COMMUNICATE

ScaleAQ is concerned with being as open as possible when it comes to incidents in our value chain that is of interest to any of our stakeholders.

## COOPERATE

We aim to assist and cooperate in restoring whatever adverse impact we find in our due diligence assessments. Our actions related to this will reflect our intentions to influence and impact the situation. Policies and procedures need to be developed based on the findings.

## OVERALL FINDINGS

### Own business

Scale Aquaculture AS conducts business in several countries and all activities are covered by agreements in Norway and according to local laws. We perform checks and audits of employees' working conditions, employment agreements, safety on construction sites and the use of established HSEQ routines. Based on the investigations carried out in 2022, we did not uncover any violations of human rights or risks of indecent working conditions within our own business though out the world.

## Supply Chain

Our priority so far has been according to the criteria for supplier selection mentioned above and related to the four areas covered in the Questionnaire. The focus in the TTA is related to parts of our overall supplier monitoring, handling actual and potential adverse impacts on fundamental human rights and decent working conditions. As a relatively big customer with many of our suppliers we recognize that our purchasing practises can correlate and impact worker's conditions and wages. In order to limit the risk of overtime and health and safety issues we are continuously trying to improve our planning towards our supply chain. A process that is directly linked to these challenges is our sales and operations planning (S&OP). The process enables an updated flow of information from sales to production planning, involving important suppliers and factories in the process. We are continuously monitoring the changes and try to involve more suppliers as we go. Our objective beside our own planning is to improve working conditions in our supply chain.

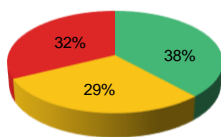
We find that most suppliers score relatively high on having relevant policies/ guidelines related to human rights, including child labour, forced labour and the right to organize in their own company. This finding is across geographical regions and industries, but least documented in Asia.

However, there are differences related to compliance with international conventions and policies related to human rights, child labour, anti-corruption and discrimination in various parts of the world. As expected, suppliers closer to Norway are more advanced and focused on these topics, even though there are differences depending on the size and professionalism of the supplier. One of the findings is that most companies are more focused on their own internal control than monitoring and reporting on their own value chain, which require even more attention on our part. This finding is valid across all countries.

Most suppliers are also very focused on ensuring ethical or lawful behaviour, but there are findings that indicate less focus and maturity related to reporting of unethical or unlawful behaviour and lack of organisational integrity in countries outside western Europe.

The average score related to monitoring suppliers related to human rights and corruption is also a major risk. Given the geographic location of some of our suppliers we are aware of the risk especially of child labour or forced or compulsory labour. So far, we have not mapped all suppliers, but we recognize the challenges dealing with China, Vietnam, other Asian countries and eastern Europe.

The suppliers that ScaleAQ has chosen to map according to selected risk elements have all received the questionnaire. In the next reporting period, we will prioritize which suppliers require further follow-up and closer monitoring, as well as assess the need for any necessary measures. We also aim to map a larger portion of the supplier base.



The pie indicates risk factors related to human rights questions for suppliers responding to a self-assessment questionnaire in 2022. The scoring definition range from Non-Compliant (0) to Fully compliant (4).

Green colour represents the portion of suppliers that respond compliant with our requirements and given a score accordingly.

Yellow indicates that suppliers have some documentation or processes related to addressing the questions, but are not fully compliant.

The red colour is considered higher risk and are not compliant or have not documented sufficient compliance according to this initial mapping and will be followed up.

The findings are the basis for further in-depth clarifications and always part of an audit. We aim to limit the number of suppliers in the 'red' zone.

Related to the Transparency Act we have had one incident resulting in delisting of a product and addressing the matter to our supplier regarding one of their sub-suppliers. The matter was communicated through the incident@ e-mail to top management and further to relevant parts of the organization in our regular status meetings. Appropriate action was taken to limit any potential damage to our company, as well as implicated parties.



## SOURCES & TOOLS

There are a lot of tools and web sites monitoring various markets related to human rights. The complexity in finding correct and relevant information is a challenge.

Examples of sources that might be useful:

Tool	Web site
<b>OECD Sectoral Guidance</b>	<a href="#">Link OECD</a>
<b>The Norwegian Agency for Public and Financial Management – high risk list</b>	<a href="#">Link DFØ</a>
<b>ITUC’s Global rights index</b>	<a href="#">Link Global rights index</a>
<b>Transparency International sin Corruption Perception Index, 2021</b>	<a href="#">Link transparency international</a>
<b>Norges Kontaktpunkt For Ansvarlig Næringsvirksomhet sitt ansvarlighetskompass</b>	<a href="#">Link RBC Compass</a>
<b>The Authority On Physical Security Technology</b>	<a href="#">Link IPVM</a>
<b>MVO Nederland CSR Risk Check</b>	<a href="#">Link CRS Risk Check</a>
<b>UNICEF - Global Child Forum Atlas</b>	<a href="#">Link UNICEF</a>
<b>Business &amp; Human Rights Resource Centre</b>	<a href="#">Link Business Human rights</a>
<b>Ethical Consumer</b>	<a href="#">Link Ethical consumer</a>
<b>Germanwatch</b>	<a href="#">Link Germanwatch</a>

Kverva, 22<sup>nd</sup> of June 2023  
 The Board of Directors  
 and CEO of Scale Aquaculture Group AS

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 Chair of the Board

**Tor Jakob Ramsøy**  
 Director

**Morten Grongstad**  
 Director

**Trine Lotherington Danielsen**  
 Director

**Gunnhild Ødegård Thorsen**  
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**Geir Furberg**  
 Director

**Geir Myklebust**  
 CEO