



The Norwegian Transparency Act Implementation Policy

Hempel Norway AS

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I. The Norwegian Transparency Act

The Norwegian Transparency Act (hereinafter referred to as “the Act”) entered into force on 1 July 2022. The Act promotes enterprises’ respect to fundamental human rights and decent working conditions, and ensures that the general public has full transparency over information about how enterprises address adverse impacts on human rights and working conditions.

The Act applies three main obligations to companies within its scope:

1. Due diligence: Carry out a due diligence process to identify and assess actual and potential adverse impacts on human rights and decent working conditions in the company’s supply chain.
2. Report on the conducted due diligence: Publish an annual account of the due diligence process by 30 June each year.
3. Right to information: Respond to requests from the public on how the company addresses actual and potential adverse impacts on human rights and decent working conditions.

Based on the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises to respect fundamental human rights and decent working conditions, all enterprises, including Hempel Norway AS (hereinafter referred to as “the Company”), should:

1. Respect the right of workers employed by the multinational enterprise to establish or join trade unions and representative organisations of their own choosing.
2. Respect the right of workers employed by the multinational enterprise to have trade unions and representative organisations of their own choosing, recognised for the purpose of collective bargaining, and engage in constructive negotiations, either individually or through employers’ associations, with such representatives with a view to reaching agreements on terms and conditions of employment.
3. Contribute to the effective abolition of child labour and take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour as a matter of urgency.
4. Contribute to the elimination of all forms of forced or compulsory labour and take adequate steps to ensure that forced or compulsory labour does not exist in their operations.
5. Be guided throughout their operations by the principle of equality of opportunity and treatment in employment and not discriminate against their workers with respect to employment or occupation on such grounds as race, colour, sex, religion, political opinion, national extraction or social origin, or other status, unless selectivity concerning worker characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of a job.
6. Provide such facilities to workers’ representatives as may be necessary to assist in the development of effective collective agreements.
7. Provide information to workers’ representatives which is needed for meaningful negotiations on conditions of employment.
8. Provide information to workers and their representatives which enables them to obtain a true and fair view of the performance of the entity or, where appropriate, the enterprise as a whole.
9. Promote consultation and co-operation between employers and workers and their representatives on matters of mutual concern.
10. Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country.
11. When multinational enterprises operate in developing countries, where comparable employers may not exist, provide the best possible wages, benefits and conditions of work, within the framework of government policies. These should be related to the economic position of the enterprise, but should be at least adequate to satisfy the basic needs of the workers and their families.
12. Take adequate steps to ensure occupational health and safety in their operations.
13. In their operations, to the greatest extent practicable, employ local workers and provide training with a view to improving skill levels, in co-operation with worker representatives and, where appropriate, relevant governmental authorities.
14. In considering changes in their operations which would have major employment effects, in particular in the case of the closure of an entity involving collective lay-offs or dismissals,

provide reasonable notice of such changes to representatives of the workers in their employment and their organisations, and, where appropriate, to the relevant governmental authorities, and co-operate with the worker representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects. In light of the specific circumstances of each case, it would be appropriate if management were able to give such notice prior to the final decision being taken. Other means may also be employed to provide meaningful co-operation to mitigate the effects of such decisions.

15. In the context of bona fide negotiations with workers' representatives on conditions of employment, or while workers are exercising a right to organise, not threaten to transfer the whole or part of an operating unit from the country concerned nor transfer workers from the enterprises' component entities in other countries in order to influence unfairly those negotiations or to hinder the exercise of a right to organise.
16. Enable authorised representatives of the workers in their employment to negotiate on collective bargaining or labour-management relations issues and allow the parties to consult on matters of mutual concern with representatives of management who are authorised to take decisions on these matters.

II. Hempel Group

Hempel Norway AS was established in 1989 and functions today as a sales office for Hempel products for resale in the professional market. It is important for the Company to maintain good customer relationships and have a product range that is in demand in the local market.

Hempel Norway AS is part of the Hempel Group. As a world-leading supplier of trusted coating solutions, Hempel is a global company with strong values, working with customers in the decorative, marine, infrastructure and energy industries. Hempel factories, R&D centres and stock points are established in every region.

Across the globe, Hempel's paints and coatings can be found in almost every country of the world. They protect and beautify buildings, infrastructure and other assets, and play an essential role in customers' businesses. They help minimise maintenance costs, improve aesthetics and increase energy efficiency.

Hempel's purpose is to shape a brighter future with sustainable coating solutions. It firmly believes that it will succeed as a business only if it places sustainability at its heart. Not only is this the right thing to do, it will strengthen Hempel's competitive position, make it more resilient and reduce its risk.

Hempel was founded in Copenhagen, Denmark in 1915. It is proudly owned by the Hempel Foundation, which ensures a solid economic base for the Hempel Group and supports cultural, social, humanitarian and scientific purposes around the world.

As a global company renowned for delivering trusted solutions, it is essential that Hempel's business partners operate in accordance with the same principles as the Hempel Group and thereby contribute to the same ethical standards and with the same integrity as the Hempel Group.

The Hempel Group's Employee Code of Conduct and Business Partner Code of Conduct are guidelines for doing business the right way at Hempel (link: <https://www.hempel.com/about/ethics-and-compliance>). The Employee Code of Conduct describes how employees should behave in their daily work, including how they should conduct themselves when dealing with colleagues, customers, business partners, suppliers and other stakeholders. The Hempel Business Partner Code of Conduct sets out Hempel's expectations to its business partners, taking into account the UN Global Compact's Ten Principles within the areas of human rights, labour rights, the environment and anti-corruption. Hempel's business partners are expected to adhere to the standards laid out in the code within their own business and should require the same from their own business partners. Founded on strong values, the Hempel Group's codes of conduct confirm its commitment to comply with all applicable national and/or international legislation and act in a compliant, ethical, sustainable and socially responsible manner.

III. Our approach to the due diligence assessment

The Company cooperates with:

- a) Suppliers: Companies that provide goods for manufacturing needs (i.e.: materials for production or packaging).
- b) Vendors: Companies that provide finished goods or services.
Suppliers and Vendors are together hereinafter referred to as “providers”.

The Company works actively with a focus on both fundamental human rights and upholding decent working conditions in accordance with OECD principles. This is anchored, among other things, in the Company’s procedures and guidelines.

In connection with the integration of the Norwegian Transparency Act, the Company has:

- I. Introduced a policy concerning the assessment of providers and the recurring assessment of providers that the Company cooperates with.
- II. Performed mapping and risk assessment of all its providers.

The due diligence assessments are an ongoing process throughout the Company’s operations. Through the process, the Company identifies, avoids/prevents, reduces and accounts for negative effects on human rights and decent working conditions that potentially occur in its supply chain or within its partners’ supply chains.

IV. Mapping and risk assessment

The Company has incorporated procedures for mapping and risk assessments of potential human rights violations. These include:

- a) Due diligence procedures.
- b) An annual review of active providers.

Due diligence process of providers

The Company performs a simplified ‘red flag’ due diligence procedure, in which basic circumstantial factors are checked. Among other things, this procedure assesses:

- If the provider is located in a country in which human rights are not respected (named countries reported in category five [5] and higher, as published in the latest ITUC Global Rights Index Report).
- If the provider is included on the list of companies violating workers’ rights (based on the latest ITUC Global Rights Index Report).
- If the provider is subject to the EU Sanction and Export control list in respect to human rights violations.
- If there are any already known risk factors.

If none of the above-mentioned circumstantial factors are present in the evaluation of the provider, the provider is categorised as a low-risk provider and cleared for business. If one of the above-mentioned factors is confirmed to be positive, the Company will perform an extended due diligence process, as described below.

The decision to perform an extended due diligence procedure is based on the type of provider.

If the provider is categorised as a **Vendor**, multiple factors are checked:

- The country category according to latest ITUC Global Rights Index Report.
- The average working salary.
- The industrial risks.
- Other factors (i.e. business relationship, general conditions of contract).

The above-mentioned factors are not exhaustive.

Related risk factors are assessed individually and a risk grade is assigned (low/moderate/high), except adjustments for known mitigation factors.

If the provider is categorised as a **Supplier**:

- The Company requests the supplier to fill in a 'supplier questionnaire' to perform an EcoVadis audit. During an EcoVadis audit, human rights factors are assessed as a separate category, which can be elevated for an extended due diligence assessment.

Based on specific factors, an overall assessment is performed, and the provider is assigned to one of the risk groups: low risk / moderate risk / high risk.

Annual review of active providers

The Company performs annual reviews of all its providers. The first step in an annual assessment is a threshold significant assessment, which is based on a monetary threshold.

All providers with a yearly turnover below the threshold are initially categorised as non-significant providers; providers with a yearly turnover above the threshold are initially categorised as significant providers.

The threshold is set at 5% of the yearly operating expenses, excluding payroll cost and depreciation. In some cases, the threshold might be calculated differently. (For example, in a company that is not operating because its assets are still under construction, a more applicable threshold is 5% of the value of its fixed assets.) The threshold is calculated based on a trial balance prepared under the Hempel Group's accounting framework and in the currency of the analysed legal entity.

For non-significant providers, the Company performs the simplified due diligence ('red flag') procedure as described above.

For significant providers, as well as providers that are initially assessed as non-significant but are not assessed as low risk during the 'red flag' procedure, an extended due diligence is performed (as described above).

The main purpose of the Norwegian Transparency Act is to conduct an analysis of the potential risks of human rights breaches across the whole supply chain. Therefore, additional procedures are conducted for significant providers.

The Company performs a similar full due diligence procedure for companies that provide significant goods or services to its providers (hereinafter referred to as "sub-providers"). For significant sub-providers, a threshold significance assessment is performed. Full due diligence is performed for sub-providers that are assessed as a significant sub-provider.

Based on the outcome of the conducted assessment, a risk level (low/moderate/high risk) is assigned to each provider and significant sub-provider.

V. Conclusion on risk assessment and further work

The work of mapping and performing risk assessments of the Company's providers is a continuous and important task. The Company has therefore introduced routines for mapping and risk assessments of all existing and new providers.

All legal entities assessed as moderate risk providers are assigned to the moderate risk watchlist.

The Company contacts the companies placed on the moderate risk watchlist to discuss an action plan with the specific aim of improving human rights within the area of concern. After six months, a second evaluation is performed. If a significant improvement is observed, no further steps are taken and the provider is deemed to be a low risk provider.

If an improvement is observed but is not deemed sufficient, the provider will remain on the moderate risk watchlist and the entire evaluation and due diligence cycle is performed again. If no improvements are observed, the provider is re-assessed as a high risk provider.

Entities assessed and deemed as high risk providers are assigned to the high risk watchlist. Each high risk entity is evaluated by the Group Procurement Team. They decide which appropriate further steps should be taken, depending on different circumstantial factors. Cooperation with high risk providers might be terminated or continued under specific circumstances. Further, the Group Procurement Team holds monthly meetings in which all high risk entities are discussed and a potential change of approach is evaluated.

The procedures and measures taken towards providers where negative impacts on human rights and/or decent working conditions have been identified, or where a risk of negative impact has been discovered, differ depending on the extent to which the Company has contributed to the negative impact.

The Company distinguishes between negative impacts that are caused by its operations, negative impacts that its operations have contributed to and negative impacts that are directly connected to its operations. The aim is that the Company's measures and follow-up procedures should be in line with the extent to which the Company has contributed to the negative impact.

Based on its internal procedures, the Company has identified low and moderate risk providers. It has not identified any high risk providers. For moderate risk providers, the steps described in the paragraphs above have been taken.

VI. Information

If you would like further information about how Hempel Norway AS handles actual and potential negative consequences of violations of basic human rights or decent working conditions in accordance with Section 6 of the Norwegian Transparency Act, you are welcome to e-mail: ccn@hempel.com.