



Norwegian Transparency Act

Nemko Group

June 30th, 2024



Company Introduction

Nemko is a private, independent company owned by the NEMKO Foundation. The objective of the NEMKO Foundation is to promote product safety and work for sustainability and the environment. The company was founded in 1933 and is headquartered in Oslo, Norway.

Nemko Group is a global company that provides testing, certification, and approval services for electrical products, electronics, medical equipment, industrial machinery, and other equipment.

The company operates in various markets around the world, catering to sectors such as electronics, power supply, telecommunications, automotive, oil and gas, maritime, and medical equipment. With a global network of laboratories, testing facilities, and offices, we are well-equipped to serve our customers.

At Nemko Group, we offer a comprehensive range of products and services, including:

- International approval
- Product certification
- Product testing
- Cyber assurance
- Management System Certification
- Functional Safety
- Environmental and Sustainability services

As a trusted independent third-party organization, we collaborate with various national and international certification bodies and authorities to ensure compliance with the necessary requirements. Our team of technical experts and accredited laboratories uphold the highest standards in the industry.

For more information about the company visit;

[Electrical Product Testing & Certification | Nemko](#)

Understanding of the Transparency Act in Nemko Group

In Norway, we are present through Nemko Group AS, Nemko Scandinavia AS, System Sikkerhet AS and Nemko Norlab AS. Nemko Group aims to strengthen its due diligence work in accordance with the new Transparency Act that came into effect on July 1, 2022. The law aims to promote respect for fundamental human rights and decent working conditions in producing and delivering goods and services, both internally within the organization and among our suppliers and business partners, hereafter called vendors. This statement is for the period 1.1.2023 – 31.12.2023.



The scope of assessment for multinational companies:

The Transparency Act is a Norwegian requirement, measures implemented broadly throughout the company by establishing clear guidelines for vendor assessment.

Regarding the improvement work, it encompasses the entire business, [Ownership Structure of Business Entities \(nemko.com\)](https://nemko.com). Nemko also collaborates with vendors who directly supply goods or services to us.

To ensure that our vendors adhere to the desired conduct guidelines, which establish clear requirements, their approval is granted by the global management team. The responsibility for implementing defined initiatives lies with the local unit general manager and finance manager. The progress is monitored and evaluated through regular business performance reviews to ensure proper implementation.

Furthermore, we have an alerting system in place that allows our employees to report any deviations or instances of violence anonymously. This system serves as a mechanism to address and rectify any issues that may arise.

Concerning compliance with the transparency act, the initiatives required are approved by the global management team. On Friday, June 16, 2023, the Board of Nemko Group was briefed on the current status and planned efforts toward meeting the minimum requirements of the Transparency Act. The final report outlining the progress made will be sent to the board for their approval.

Implemented and ongoing measures

During the period from 2022 to the first half of 2023, Nemko has focused on the following improvements in its due diligence work:

1. Updating the management system and ensuring alignment with governing documents and leadership.
2. Adapting the roles and responsibilities and mapping internal expertise.
3. Adapting reporting procedures, including handling information requests.
4. Assessing potential and actual risks of violations of workers' rights and human rights, both within the organization and the supply chain.
5. Developed a supplier policy called Nemko Supplier Code of Conduct. This policy will guide the evaluation of our vendors.
6. Implementing controls in the procurement process (ERP- system) that will enable us to be more aware of the vendors (suppliers and partners) we choose.

In the fiscal year 2023, Nemko intensified its focus on improving due diligence by:

- Clearly distinguishing between suppliers and business partners through vendor differentiation.
- Establishing clear criteria for vendor categorization.
- Conducting comprehensive risk classification and assessment for all vendors (suppliers and business partners).
- Identifying and justifying risks and implementing appropriate mitigation measures.



- Ensuring that all necessary data fields are incorporated into vendor master data to facilitate effective risk management.
- Updating vendor qualification and assessment requirements to reflect evolving standards and best practices.
- Adapting reporting procedures to streamline information requests and ensure timely responses.
- Updating our management systems to ensure alignment with relevant regulatory documents and directives from company leadership.

Nemko Supplier Code of Conduct

Nemko Supplier Code of Conduct, hereinafter referred to as the "Policy," is an important document that expresses our general expectations for suppliers. In order to ensure accessibility and reflect our commitment to ethical business practices, the Policy will be available online on our website, [Nemko Global Supplier Code of Conduct](#).

The Policy is designed as a general guide, but our approach to its application is risk-based and depends on our ability to influence suppliers and business partners on compliance matters. This means that if vendors can demonstrate that they have already established and practice standards or guidelines that align with Nemko's own standards, they may not necessarily be required to sign a specific commitment to Nemko regarding compliance. We recognize that some vendors may already have established principles and guidelines they operate by.

However, we would like to emphasize that there are certain vendor categories that pose a higher risk of potential breaches of the Policy. For these categories, we expect vendors to undertake a specific commitment to Nemko to ensure compliance with the Policy or equivalent documents they have developed themselves. Our assessment of which suppliers fall under these categories and are influenceable takes into account risk analyses and our ability to influence their behavior.

We encourage all our vendors to thoroughly familiarize themselves with the Policy and consider whether they need to undertake a commitment to Nemko regarding compliance. We would like to maintain a collaboration with suppliers who share our commitment to ethical business practices and sustainable value chains.

Nemko is committed to maintaining and updating the Policy in line with the development of best practices and international standards. We will continue to collaborate with our suppliers to promote ethical standards and sustainable practices throughout our supply network.

Supplier & business partner

Supplier

A supply chain, as defined in the Norwegian Transparency Act § 3(1)(d), refers to all involved suppliers and subcontractors providing goods, services, or other inputs from the raw material stage to the finished product in a company's delivery of services or production of goods. To be considered part of a company's supply chain, the following four conditions must be met:



1. **Part of the supply chain:** The entity must be part of the supply chain, including suppliers and subcontractors.
2. **Delivers or produces:** The entity must deliver or produce goods, services, or other inputs to the company.
3. **Integral to the company's delivery:** What is delivered or produced must be integral to the company's delivery of services or production of goods.
4. **From raw material stage to finished product:** The delivery must be part of the process from the raw material stage to the finished product.

Important distinctions include that the supply chain does not encompass ordinary customer relationships after the delivery of services or production of goods.

Business partner

The Norwegian Transparency Act defines a "business partner" in § 3(1)(e) as "anyone who directly supplies goods or services to the enterprise but is not part of the supply chain."

To be considered a business partner of the enterprise, three conditions must be met:

1. **The business partner must supply a good or service to the enterprise.** The definition excludes entities that only receive goods or services from the enterprise. Subsequent parties, such as customers or borrowers, are therefore not covered by the definition of a business partner.
2. **The good or service must be supplied directly to the enterprise.** This means the entity that supplies a product or service to the enterprise, without passing through an intermediary, is considered a business partner. Any entity with a contractual relationship with the enterprise and meeting other criteria will be a business partner.
3. **The delivery is not part of the supply chain.** The definition of a business partner excludes the supply chain. The term "business partner" is intended to encompass some of the business connections the enterprise has that fall outside the definition of the supply chain (Examples include a consulting firm developing the enterprise's website, the company cleaning the enterprise's business premises, the company supplying office chairs and supplies to the enterprise, and advertising agencies)

We have categorized our suppliers and business partners as follows to conduct a risk assessment in accordance with the requirements outlined in the Nemko Supplier Code of Conduct:

- Subcontractors (exclusive of Middle-men and sales agents)
- Middle-men (in particular IA) & sales agents
- Building Inspection Germany
- Local Transport of Goods Services
- Air Travel & Travel Agencies



- Building Construction, Refurbishing & Maintenance
- Office Supplies
- Waste Management
- Canteen & Events
- Regular Food & Beverage Services
- Sanitary & Cleaning services
- Security & Alarm services
- IT Support services not certified according to ISO/IEC 27001
- IT Support services ISO/IEC 27001 certified
- IT Equipment (Servers, monitors, keyboards, telephones, and other devices)
- Lab Equipment & Instrumentation
- Laboratory Consumables
- Lease of Buildings
- Consultancy & Auditing services
- Energy
- Software & Digital Tool Providers
- Accreditation & Standards
- Marketing & Marketing Material
- Newspapers and Other Media
- Phone & Communication
- Bank, Insurance and Financial Services
- Transportation
- Education, Training and Related Material
- Employee Services & Benefits
- Hotel & Accommodation
- Calibration
- Other Maintenance
- Freight & Customs
- Tax Agency
- Other Government Agency
- Certificate Body

Risk Assessment

As part of Nemko Group's comprehensive risk assessment, we have utilized the DFØ high-risk product list (Høyrisikolisten | Anskaffelser.no) to identify vendors potentially at risk of breaching our Supplier Code of Conduct. Additionally, we conducted a workshop involving representatives from various organizational functions to assess the risk levels of our vendors. This workshop leveraged the



participants' individual and collective expertise, supplemented by open-source information, to evaluate the vendors from whom we have purchased goods and services since October 2022.

The risk assessment process focused on categorizing vendors based on their potential to breach the Supplier Code of Conduct and Nemko's ability to influence their business conduct. Vendors were classified into three main categories:

1. **Increased Risk with Influence:** Vendors with an increased risk of breaching the Supplier Code of Conduct, where Nemko has reasonable grounds to believe that we can influence their business conduct or provision of services.
2. **Increased Risk without Influence:** Vendors with an increased risk of breaching the Supplier Code of Conduct, where Nemko has reasonable grounds to believe that we cannot influence their business conduct or provision of services.

(The reason for this classification is that Nemko lacks reasonable influence over the vendors' business conduct and service provision. This could be due to factors such as their size, established professional business practices, or the nature of the purchasing situation. For example, in certain cases, Nemko may have a significant total purchase volume for a particular category of services. However, the procurement is conducted on a case-by-case basis without negotiation, such as for air travel or food and beverage services.)

3. **No Increased Risk:** Vendors not considered to have an increased risk of breaching the Supplier Code of Conduct.

These risk assessment activities enabled us to further categorize vendors with increased risk into three distinct risk levels:

- **Risk Level 1:** Vendor types that fall under the DFØ high-risk product list. These vendors are identified as having the highest potential for risk for human rights abuse due to the nature of their products and the inherent risks associated with their supply chains.
- **Risk Level 2:** Vendor types that represent an increased risk of breaching the Supplier Code of Conduct, where Nemko has reasonable grounds to believe we can influence their business conduct.
- **Risk Level 3:** Vendor types that represent an increased risk of breaching the Supplier Code of Conduct, where Nemko has reasonable grounds to believe we cannot influence their business conduct.

By implementing these structured risk assessment measures, Nemko Group is committed to ensuring compliance with the Transparency Act and upholding our dedication to ethical business practices and sustainability throughout our supply chain.

Vendor types categorized as Risk Level 1:

- Building Construction, Refurbishing & Maintenance



The supply chains for some building and construction materials are complex and fragmented worldwide. This leads to limited traceability and low transparency, which increases the level of risk of violations of human rights and environmental considerations. The risk is greatest down the supply chain, where raw materials are extracted and processed. The level of risk in building materials depends primarily on the region or country in which they are produced and where the raw material is sourced.

- Office Supplies

Include a wide range of products where raw material production and component manufacturing present the high risk. Especially for products such as batteries, paper products and pens/markers.

- Regular Food & Beverage Services

The most serious risks are the use of child labor and forced labor, slavery-like working conditions, very low wages, unreasonably long working hours, dangerous use of pesticides and other health and safety issues, as well as restrictions on workers' right to join trade unions.

- IT Equipment (Servers, monitors, keyboards, telephones, and other devices)

In the information technology sector, the production of products largely takes place in factories in China and other Asian countries. There are well-documented problems with workers' rights at factory level. Especially in the form of low wages, forced overtime, the misuse of students as labor and the dismissal of union leaders. Especially in raw material and manufacture stage of laptops and computers.

Vendor types categorized as Risk Level 2:

- Middle-men (in particular IA) & sales agents

The use of middle-men in our interaction with authorities and certification bodies globally imply a real risk of indirect involvement in payments of facilitation money, trading in influence and corruption. Also, a side towards money laundering and sanctions. Influenceable, as most of these suppliers are smaller legal entities

- Local Transport of Goods Services

This service sector is characterized by changes in business models, precarious labor and challenges to existing labor law, which can lead to deteriorated and indecent work conditions. Further, some transported items may represent a safety risk, which is not necessarily properly handled. These vendors are deemed Influenceable, as many of these are smaller local legal entities.

- Waste Management

This is a category of services which is at various levels of maturity worldwide, in particular for the disposal of electrical products, which is practical for Nemko's disposal of test samples. Vendors are deemed to be influenceable. General public waste management provided by or on behalf of



municipalities or other public sector, are deemed not to be influenceable, and this activity shall not be deemed to be a critical supply.

- Canteen & Events

This sector is reputed for use of precarious employment and non-compliance with applicable labor law. Vendors are deemed to be influenceable.

- Sanitary & Cleaning services

This sector is reputed for use of precarious employment and non-compliance with applicable labor law. Vendors are deemed to be influenceable.

- Security & Alarm services

This sector is reputed for use of precarious employment and non-compliance with applicable labor law. Vendors are deemed to be influenceable.

- Laboratory Consumables

Include a wide range of products where raw material production and component manufacturing present the high risk. Vendors are deemed to be influenceable as the vendors are directly involved in supply chain.

- Lease of Buildings

Lessors usually organize and handle maintenance and upgrades of the leased premises, including also exteriors. Even though Nemko's landlords also include some major property companies, the general risk of non-compliance is deemed to be close to the risks related to building and refurbishing. Vendors deemed to be influenceable.

- Certificate Body

There are structural deficits within the certification industry and its lacking or insufficient regulation and governance across all sectors, whether it is product safety, social (labor) standards, or environmental management. Auditing and certification providers have not effectively integrated human rights into their own policies and due diligence processes resulting in the use of deficient standards and methodologies based on an incomplete understanding of human rights.

Vendor types categorized as Risk Level 3:

- Air Travel & Travel Agencies

For Air travel, there are changes in business models and work conditions in the air travel industry, as well as frequent use of "flags of convenience". However, these vendors are not deemed to be influenceable, as purchases are made on a case-by-case basis, and do not allow negotiations

- IT Support services not certified according to ISO/IEC 27001



The absence of formal ISO 27001 certification implies an increased risk of non-compliance with respect to information handling. However, vendors are deemed not to be influenceable.

- Lab Equipment & Instrumentation

The manufacturers and suppliers of laboratory equipment and instrumentation represent a challenging supply chain, for instance regarding minerals and working conditions. However, vendors are deemed not to be influenceable.

- Consultancy & Auditing services

These are providers of professional services which available sources indicate may have unsound work conditions for juniors and mid management. However, these vendors are not deemed to be influenceable.

- Energy

These service providers represent some risk of breach of human rights. Especially the renewable energy sector is associated with various violations. However, they are not deemed to be influenceable.

- Software & Digital Tool Providers

These vendors represent some risk of breach of human rights. Especially in the sense of privacy and data governance. However, they are not deemed to be influenceable.

Justification and Preventive Actions to Mitigate Risk

As part of our compliance and dedication to the Transparency Act, Nemko Group requires all local units to obtain documented justification for the selection of vendors classified under Risk Level 1, 2 or 3 through our Vendor Selection Process Policy. Additionally, local units must take preventive actions to mitigate risks by conducting a thorough due diligence process or validating vendor documentation to ensure compliance with the Transparency Act and Nemko Supplier Code of Conduct standards. These actions are to be documented by attaching supporting DD-documentation directly on the vendor record in NetSuite.

Through our ERP system, we will standardize, automate, and tag vendor data with all the categorizations and risk assessments mentioned above. This will facilitate effective follow-up with our local units and their vendors, ensuring the highest standards of integrity and compliance with the Norwegian Transparency Act. By leveraging this technology, we aim to proactively manage and monitor vendor compliance, reinforcing our commitment to ethical and sustainable business practices.



Action Plan to Meet the Requirements of the Transparency Act for Nemko Group

1. **Purpose:** The purpose of this action plan is to ensure that all Nemko companies comply with the requirements of the Transparency Act through the establishment of a structured and transparent information management system. The goal is to ensure that relevant information is accessible to stakeholders and that Nemko operates in accordance with transparency laws and regulations.
2. **Understanding of the Transparency Act among Nemko employees:** It is important to have a thorough understanding of the minimum requirements of the Transparency Act and its demands. To ensure that all employees understand the requirements of the Transparency Act and their role in the transparency process, we will provide training and awareness programs. This will contribute to creating a culture that values transparency and compliance with the law.

Therefore, meetings will be held with the managing director and finance manager of each local unit with the aim of discussing the current requirements, which are anchored in the Nemko Supplier Code of Conduct.

3. **Responsibility:** The local managing director and finance manager will be responsible for implementing and complying with the requirements of the Transparency Act.
4. **Implementation and follow-up of local units:** To ensure that information is accessible and regularly updated, an effective internal information management system will be established. An updated Nemko Supplier Code of Conduct will always be available on Nemko's website, [Nemko Global Supplier Code of Conduct](#).

Ongoing work will be continuously updated, and agreed-upon measures will be followed up in monthly performance reviews. This is to ensure that we establish routines that comply with the requirements of the Transparency Act. The procure-to-pay process will also strengthen internal controls and ensure that goods and services are purchased from qualified vendors who adhere to the Nemko Supplier Code of Conduct.

5. **Periodic revision and evaluation:** To maintain compliance with the Transparency Act, periodic revisions and evaluations will be conducted in the local units. These revisions and evaluations will contribute to continuous improvement and maintenance of transparency standards.



Specific Measures to Meet the Requirements of the Transparency Act for Nemko Group

Central follow up of documentation (Risk Level 1):

Through our ERP system, we can now track and monitor all vendor types and their associated risk levels. Following substantial setup work, we are ready to commence centralized oversight of processes and documentation. For the remainder of the fiscal year, we will concentrate on vendors classified as risk level 1. We will collaborate with local units to ensure that all risk level 1 vendors have undergone the appropriate processes, have been properly justified, and that the necessary risk mitigation actions have been taken and documented.

Responsible: Finance Manager in the local unit & Global Finance

Deadline: By the end of 2024

Review of Active Suppliers Action:

We will extract a list from NetSuite for active vendors per Nemko company. These vendors will be categorized according to the "risk assessment supplier category" matrix. For vendors identified as "risk level" we will check if there is sufficient information demonstrating their compliance with Nemko's Code of Conduct. If such information is lacking, the vendor will be required to adhere to and sign the Nemko Supplier Code of Conduct.

Responsible: Finance Manager in the local unit

Deadline: By the end of 2024

Procure-to-Pay Process in Nemko Group Action:

Nemko Group implemented NetSuite as the global financial management system in Q4 2022. Furthermore, efforts are underway to optimize the system's functionality and capabilities. One of the key ongoing projects is the implementation of Purchase-to-Pay (P2P) in Nemko Group.

The P2P process is crucial for eliminating risks associated with suppliers. By establishing a thorough P2P process, we will implement measures that ensure the selection of low-risk vendors and reduce potential risks in the procurement process.

Vendor Qualification: The P2P process involves comprehensive vendor qualification and evaluation. This includes assessing the vendor's financial stability, reputation, past delivery history, and compliance with laws and regulations. Through thorough assessment of vendors, we will identify and choose reliable vendors with a low risk of delivery failure and who will meet the requirements of the Nemko Supplier Code of Conduct.



Compliance with Rules and Regulations: The P2P process can incorporate mechanisms to ensure that vendors comply with relevant rules and regulations, such as ethical guidelines, environmental standards, or labor conditions. By collaborating with vendors who meet these requirements, we will reduce the risk of negative impacts on reputation and hold the entire supply chain accountable.

Contract Management: The P2P process allows for the establishment of clear and detailed contracts with vendors. These contracts define expectations, quality standards, payment terms, and responsibilities for both parties. Through effective contract management, we will reduce the risk of discrepancies, disputes, or breaches of agreements.

Responsible to design and roll out the process: Group CFO

Implementation local unit: Finance Manager in the local unit

Deadline: By Q2 2025