



Norwegian Transparency Act

Nemko Group

June 30th, 2023



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 suppliers and partners.

Improvements in due diligence work:

Nemko has already begun making improvements in its due diligence work to meet the requirements of the Transparency Act, the UN Guiding Principles on Business and Human Rights, as well as the OECD Guidelines for Multinational Enterprises and the Guidance on Due Diligence.



Uncertainties regarding the scope of assessment for multinational companies:

The Transparency Act is a Norwegian requirement that applies to businesses in Norway. However, it is unclear in the law how extensive the assessment should be for multinational companies with parent companies in Norway. Nemko has consulted experts, but there is still some uncertainty. We have chosen to implement the measures broadly throughout the company by establishing clear guidelines for supplier assessment.

Regarding the improvement work, it encompasses the entire business, including our subsidiaries Nemko Scandinavia AS, System Sikkerhet AS, and Nemko Norlab AS. As a company providing Testing, Inspection, and Certification (TIC) services, Nemko also collaborates with partners who directly supply goods or services to us.

To ensure that our suppliers 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 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. Developing a supplier policy called Nemko Supplier Code of Conduct. This policy will guide the evaluation of our suppliers.
6. Implementing controls in the procurement process that will enable us to be more aware of the suppliers we choose.



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, www.nemko.com.

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 on compliance matters. This means that if suppliers 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 suppliers may already have established principles and guidelines they operate by.

However, we would like to emphasize that there are certain supplier categories that pose a higher risk of potential breaches of the Policy. For these categories, we expect suppliers 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 suppliers 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 categorization

We have categorized our suppliers 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)
- Building Inspection Germany
- Middle-men (in particular IA) & sales agents
- Local transport of goods services
- Air travel / Travel agencies
- Construction & Refurbishing
- Office supplies
- Waste Management
- Canteen + events
- Regular food and beverage services
- Sanitary & Cleaning services
- Security & Alarm services
- IT Support services not certified according to ISO/IEC 27001



- IT Equipment (Servers, monitors, keyboards, telephones and other devices)
- Lab equipment and instrumentation
- Laboratory consumables
- Lease of buildings
- Consultancy / Auditing services
- Energy
- SaaS, licensed software and digital tools providers

As part of the risk assessment, we have utilized the DFØ high-risk product list. (Høyrisikolisten | Anskaffelser.no) This comprehensive list encompasses product categories with a significant likelihood of fundamental human rights violations. When evaluating the risk, it is crucial to consider the risk level throughout the entire supply chain.

The risk assessment per supplier category can be found in the "Risk assessment supplier category" document attached to this document.

The assessment was carried out in a workshop with representatives from across the organization and from different functions. It is based on the participants' individual and collective experience in addition to available open sources of information.

The purpose of the Supplier Risk Assessment is to identify Critical Suppliers in the meaning of the Nemko Global Supplier Code of Conduct (the Code) Policy.

We have reviewed the suppliers from whom we have purchased goods and services since October 2022 in Nemko Group AS. The assessment is primarily based on supplier groups, and the risk assessments are conducted based on the areas involved. Most of our suppliers are reputable international companies with documented guidelines and policies on their websites.

To date, we have not encountered any instances of human rights violations. As part of our ongoing efforts, we will persist in conducting thorough assessments of our suppliers. This initiative holds significant importance and will be implemented consistently across all Nemko units, regardless of geographical location.

The following categories of Suppliers are categorized as Critical Suppliers globally:

A Critical Supplier refers to any category of suppliers or individual suppliers that, based on a risk assessment, pose a significant risk of non-compliance with the Supplier Code of Conduct. This assessment solely focuses on the risk of breaching the Code and does not take into account the potential consequences of such breaches for Nemko as a company or for third parties, including individuals. Specific consequences of potential breaches for Nemko, such as financial, commercial, accreditation, or reputational impacts, are not evaluated as part of this assessment.

Suppliers deemed critical require regular monitoring and follow-up to implement necessary preventive and mitigating measures as deemed necessary.



The Suppliers identified as Critical;

- Middle-men (in particular for IA) services and sales agent services
- Local transport of goods
- Construction and refurbishing
- Waste management
- Canteen and events
- Sanitary and cleaning services
- Security and alarm services
- Lab consumables
- Lease of buildings

The Suppliers identified as Critical, meet the following criteria:

- Suppliers in the category of critical suppliers concerned represent an increased risk of breach of the Supplier Code of Conduct; and
- Nemko has reasonable grounds to believe that Nemko can influence the Supplier's conduct of business or provision of services.

Preventive and mitigating actions will be covered through the Specific Measures (current supplier assessment and P2P process) we will implement and describe in this document.

The following supplier categories have increased risk, but Nemko is not in a position to influence the supplier's assessments:

- Air travel
- Regular food and beverage services
- IT Support services not certified according to ISO/IEC 27001
- IT equipment (servers, monitors, keyboards, monitors etc)
- Lab equipment and instrumentation
- Consultancy and auditing
- Energy suppliers
- Providers of SaaS

Regarding these suppliers, the risk assessment has identified a higher risk of non-compliance with the Supplier Code of Conduct. However, they have not been classified as critical suppliers. The reason for this classification is that Nemko lacks reasonable influence over the suppliers' 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. These suppliers have not been categorized as critical.

The identified risks to be handled in connection with the qualification and selection of new suppliers in P2P process. Follow-up of current suppliers will be assessed through initiatives described in Specific Measures described in the document below.

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, www.nemko.com.

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 suppliers 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

Review of Active Suppliers Action:



We will extract a list from NetSuite for active suppliers per Nemko company. These suppliers will be categorized according to the "risk assessment supplier category" matrix. For suppliers identified as "high-risk," we will check if there is sufficient information demonstrating their compliance with Nemko's Code of Conduct. If such information is lacking, the supplier 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 2023

Procure-to-Pay Process in Nemko Group Action:

Nemko Group has recently implemented NetSuite as the global financial management system. 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 suppliers and reduce potential risks in the procurement process.

Supplier Qualification: The P2P process involves comprehensive supplier qualification and evaluation. This includes assessing the supplier's financial stability, reputation, past delivery history, and compliance with laws and regulations. Through thorough assessment, we will identify and choose reliable suppliers 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 suppliers comply with relevant rules and regulations, such as ethical guidelines, environmental standards, or labor conditions. By collaborating with suppliers 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 suppliers. 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 2024