



Board of Director's Statement: Due Diligence Assessments

Transparency Act 2023

Good environmental, social and governance (ESG) principles, are key to all activities undertaken by ScaleAQ, and we adhere and base our approach to the UN's Sustainable Development Goals.

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 the operations, supply chain and other business relationships.

This document states how ScaleAQ Group has worked to implement the required due diligence of our supply chain handled by suppliers and other partners to our business as well as activities conducted and controlled internally. The statement provides insight of the key findings from the assessments, the measures that have been implemented and outlines key improvement areas for 2024.

The ScaleAQ Group consist of the divisions shown to the right.

ScaleAQ is a strategic partner to the fish farming industry worldwide and delivers a wide range of products and services.

We strive to manage our business according to OECD Due Diligence Guidelines for Responsible Business Conduct. The accountability is anchored in our Board of Directors and CEO, which has established a support structure including functions like ESG, Supply chain, Procurement, HR and Communication.

This statement for 2023 will focus on the Seabased and Software divisions, which involves the largest number of suppliers and spend volume. Moen Marin will present a separate statement based on the same method and tools. Consequently, Moen Marin is not covered by this statement.

Findings

Own business

ScaleAQ Group conducts business in several countries and we have formalised our hiring of employees in contracts according to relevant local laws. We perform checks and audits of employees' working conditions, employment agreements, safety on construction sites and the use of established HSEQ routines. We did not uncover any violations of human rights or adverse impacts of decent working conditions within our own business throughout the world. We also conducted an employee survey this winter, with satisfactory results.

Supply chain

Our supplier base is quite large and located in several countries in Europe, Asia and North America, as shown

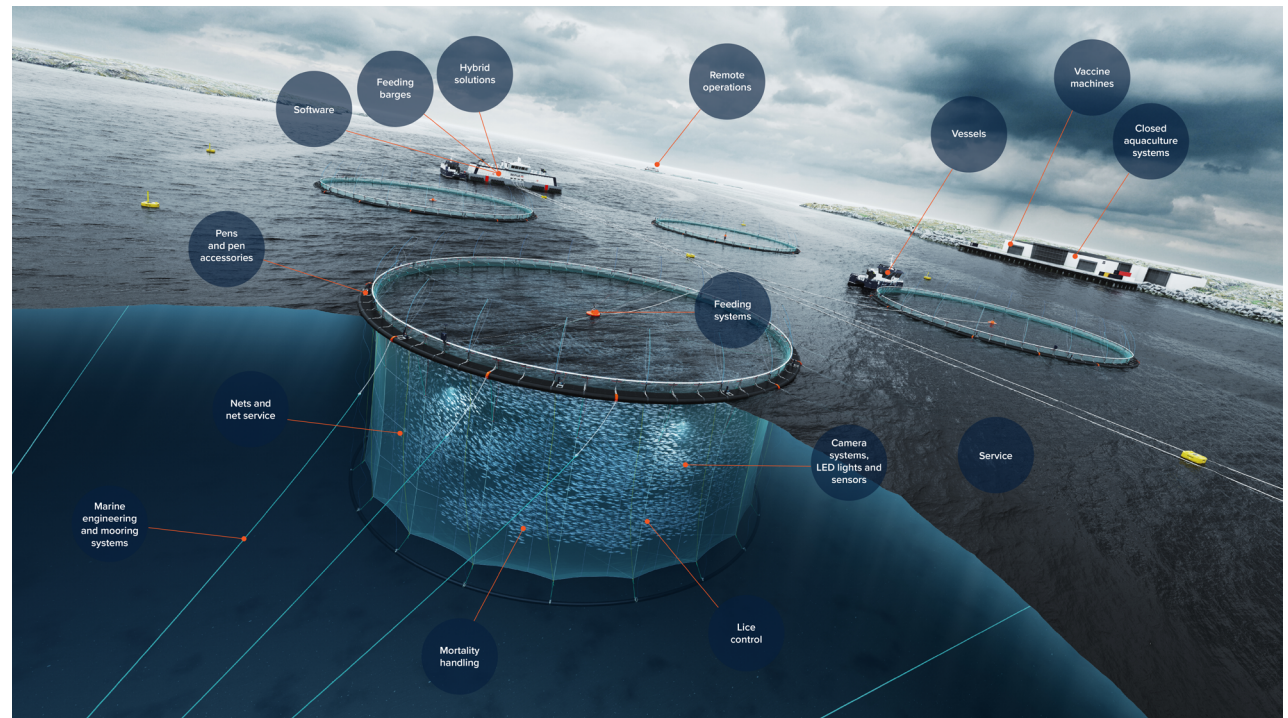


Figure: Overview of our product segments

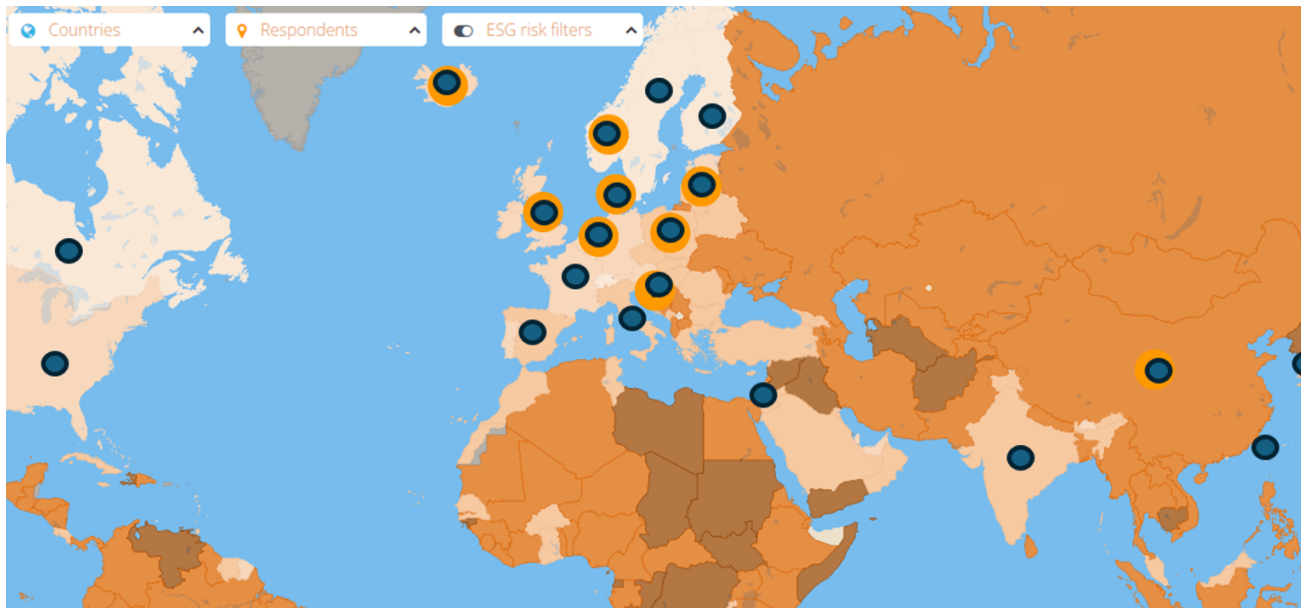


Figure: Supplier locations – Corruption Perception Index

in the ESG risk map above. We can present map filters related to corruption, worker’s rights, climate performance, physical climate and water – all based on international accepted indexes. The map grades each country based on their Corruption Perception Index score from Transparency International. A darker colour signifies a greater risk.

In 2022, based on the feedback we received from several international suppliers on our questionnaire, we registered that many suppliers did not have policies or structures in place to monitor risk related to human rights and corruption in own organization or suppliers. Given

the geographic location of some of our suppliers, we are aware of the risk especially related to child labour or forced labour. As a response to this risk we planned and performed supplier audits and follow-ups during autumn of 2023, continuing into the first half of 2024.

Based on the investigations carried out and the feedback from our extensive questionnaire related to the Transparency Act, combined with the audits, we have no findings in 2023 indicating any adverse impacts on human rights or decent working conditions in our value chain.

The questions in the Transparency survey were related to the following topics:

- ▶ Company information
- ▶ Policies and Procedures
- ▶ Fundamental Human Rights and Labour Rights
- ▶ Health and Safety
- ▶ Anticorruption and Bribery
- ▶ Third Party inspections
- ▶ Suppliers
- ▶ Environment
- ▶ Environmental Metrics

As part of our due diligence related to the Transparency Act, we have prioritized our top hundred suppliers which include most of our spend base and international suppliers. Naturally, they will also tick off the categories we have given priority, which are purchase value, geography, delivery risk and priority product areas.

The overall assessment for our suppliers, based on the extended questionnaire, is satisfactory. We acknowledge that the response rate is low, currently at 47%. The risk for the remaining suppliers is considered relatively low, as our most strategic suppliers have been working with us for several years and are familiar with our focus and requirements within these areas. Thus, many have been audited and followed up on a regular basis by internal stakeholders or by 3rd 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. Other suppliers, that are not prioritized in our survey (not the top 100 suppliers) deliver low-risk products and services related to the Transparency Act and are located in lower risk geographical areas.

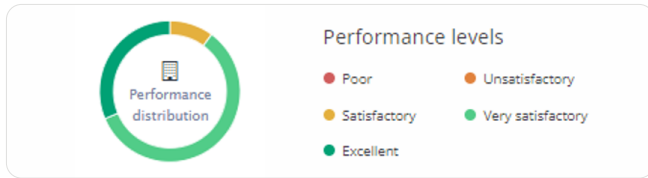


Figure: Overall performance from respondents

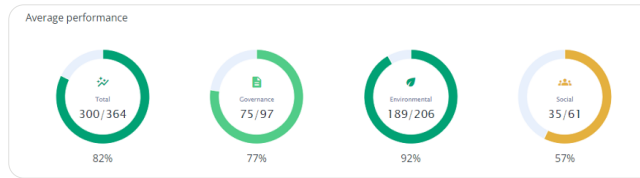


Figure: Average performance from respondents in different categories

Based on the feedback for 2023 and reports from supplier audits and meetings, we see that focus on human rights and decent working conditions, are a focus area among suppliers and that measures have been implemented.

In the following we will give some examples of performance and responses related to *working conditions* and *corruption*.

We find that most suppliers score relatively high (confirmed self-assessment that this is in place) on having relevant policies/ guidelines related to human rights, including child labour, forced labour and the right to organize in their own company. *The overall impression is still that social aspects are most challenging.* Examples of such findings are that many companies do not have an effective system for verifying the age of all workers, several have not conducted due diligence on child labour in its operations and in some incidents, we find it unclear if migrant workers policies are implemented and applied.

Further, most companies are still more focused on their own internal control than monitoring and reporting on their own value chain.

Overall, we find that most suppliers have good working conditions for their employees. This is reflected in feedback both from the questionnaire and during on-site audits.

As part of supplier management, we have in-depths discussions/ documentation request regarding topics covered by the Transparency Act.

To the right is an example to illustrate the structure and content of such in-depth interviews.

The feedback regarding corruption has also improved since our last survey - one of the largest risks identified in the 2022 investigation / survey. Last year 50% of international respondents did not report or monitor their suppliers related to corruption. In 2023 over 80% of the respondents have implemented measures to reduce the risk of corruption and bribery in their own organization. Almost 70% have implemented similar measures with suppliers, including 40% that have done so for 90% of their supplier base. Our audits indicate that company policies, guidelines and training provided to (key) workers should limit the risk of large scale/organized bribery and corruption.

In depth – Social/Governance – xx Plant

Total number of employees	All topics documented, but removed due to NDAs
Percentage of contract workers	
Percentage of apprentices/trainees	
Average salary of industrial/factory worker	
Average salary of contract workers	
Average salary of engineers/admin personnel	
Overtime	
Duration of work	
Time off / vacation	
Whistleblowing / Suggestion box	
Are worker unions represented at the plant? If yes, how many workers (%) are in the unions	
Percentage of female workers	
On-site (or in connection of) living quarters for workers?	
Sponsoring of local communities / outreach programs?	
Anti-corruption and bribery	
Child labor	
Third party suppliers, i.e. transport company	

Comments:

- Comments deleted due to NDAs
- Topics like Minimum wages, annual adjustment, rotation/shift schedule limits each worker to a x-day work week. On-site facilities in terms of restrooms/changing rooms (divided by gender) and lunchroom/breakroom, HSEQ and more

Figure: Example of content in-depth interviews

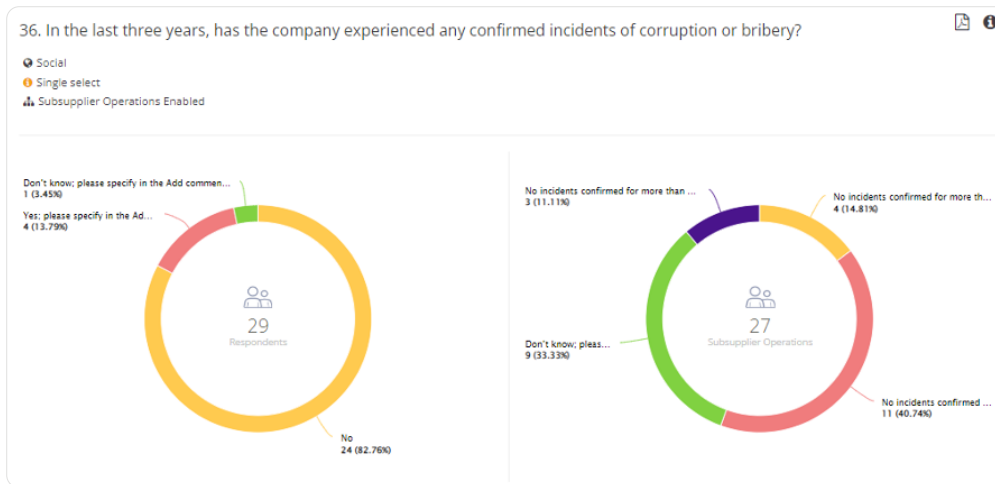


Figure: Overview of responses on specific question regarding anti-corruption and bribery

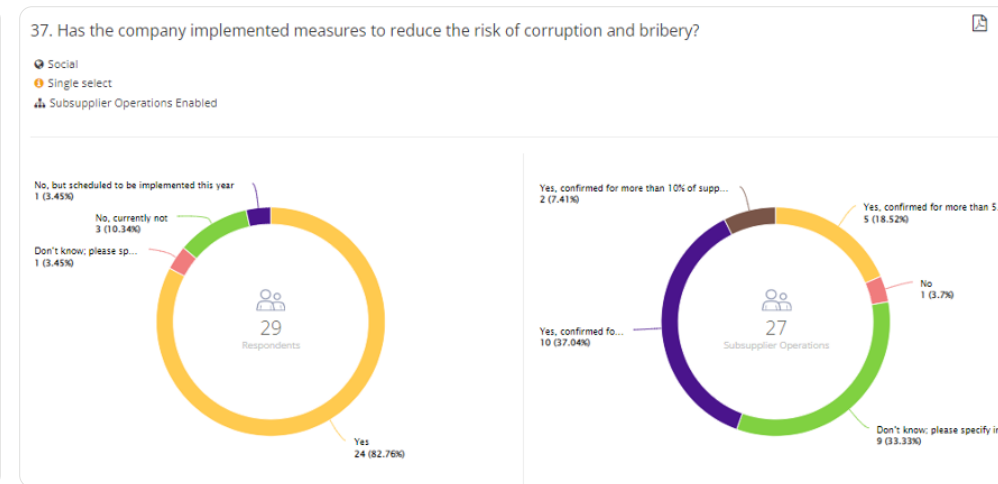


Figure: Overview of responses related to implementation of measures against corruption and bribery

For all figures: Additional information from suppliers not responding in the software used, has been gathered through other channels, such as shared policies and other relevant documentation.

Measures

To reduce manual follow-up and dependency on individuals ScaleAQ Group implemented a software solution to increase control and monitoring of important and strategic suppliers.

However, we have found it challenging to get detailed feedback from all suppliers on the format we prefer. There are several reasons for this. The most frequent comment is that it is quite time-consuming to gather and structure the requested information across several internal departments. Several companies have prepared standardized

documents, referring to policies or web sites for the requested information – leaving us with more administration in order to puzzle it all together.

Based on the findings last year, several important suppliers have been visited by different ScaleAQ representatives and relevant topics from the Questionnaire and findings have been discussed and documented.

The one incident reported last year, related to potential human rights violations by a sub-supplier, resulted in delisting of a product and its supplier. Following the status during the year and re-assessing the situation, we have decided to continue the delisting.

Requirements for compliance with human rights and decent working conditions. have always been part of our

procurement process and the Code of Conduct (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 CoC 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.

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.

We have learnt that sending out self-assessment questionnaires and having contracts and Code of Conduct to address these topics are not enough. We will therefore make some necessary improvements next year:

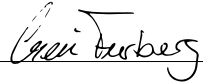
- ▶ A closer collaboration with our suppliers and clear requirements with potential loss of business is necessary. This will improve the attention on these matters and ensure continuous improvement in the value chain.
- ▶ More detailed risk assessment and specific measures will be important to verify the different areas, such as the social aspect.
- ▶ We will improve internal routines and responsibilities to drive the Group performance.
- ▶ We will continue to monitor and observe these requirements of the Transparency Act during inspections and audits and further implement this in our policies.

Kverva, 22nd of June 2024


The Board of Directors and CEO of Scale Aquaculture Group AS



Torgeir Johan Svae
Chair of the Board



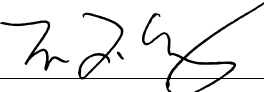
Geir Furberg
Member of the Board



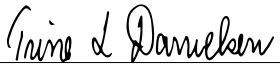
Mads Andersen
Member of the Board




Morten Kristoffer Nordstad
Member of the Board



Tor Jakob Ramsøy
Member of the Board



Trine Lotherington Danielsen
Member of the Board



Kjerstin Kleyne Braaten
Member of the Board



Svein Vestermo
Interim CEO