



## **Vard Group's focus on human rights and decent working conditions**

### **Description of VARD**

VARD is a major global shipbuilder, designing and constructing cruise, offshore and specialized vessels, owned by Fincantieri S.p.A.

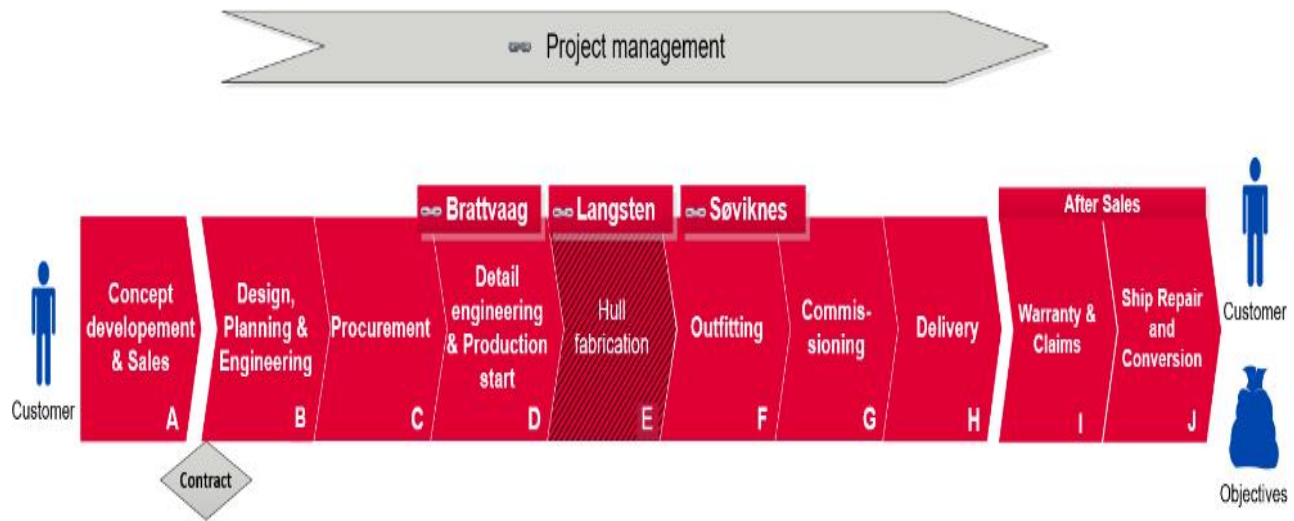
Our core business is innovative design and construction of complex and highly customized offshore support vessels, as well as specialized vessels such as cruise vessels, service operation vessels, battery powered ferries, naval and coast guard vessels, fishing vessels and non-offshore related icebreakers with customers-specific applications. VARD is committed to develop solutions to combat the effects of climate changes as an industry connected to the sea and is proud to have a significant role in enabling sustainable development.

VARD has seven shipbuilding facilities worldwide: Three in Norway, two in Romania, one in Brazil and one in Vietnam. The strategically located shipyards enable the company to meet every need of a diverse and sophisticated global customer base. The headquarters of Vard Group is in Ålesund on the west coast of Norway, and the operation in Norway comprises Concept Development, Design and Engineering, Procurement, the three Norwegian shipyards, Brattvaag, Langsten and Sjøviknes in addition to our specialized Business Units for, Electro & Automation, Piping and Accommodation & HVAC.

The yards in Norway are mainly outfitting hulls delivered from VARD's two shipyards in Tulcea and Braila in Romania. VARD also owns and operates one shipyard in Vung Tau in Vietnam and one shipyard in Pernambuco in Brazil. In addition to new building, we also have activities related to maintenance, repair, and conversion of vessels.

### **Vard Group's responsibilities under the Transparency Act**

Vard Group AS, Vard Electro AS, Vard Interiors AS and Seaonics AS are subject to the Transparency Act ("the Act"), further Vard Group AS has several wholly owned subsidiaries in other countries, and these are not subject to the Act. However, the policies/procedures relevant for the Act are also launched in these companies.



Throughout VARD supply chain, the activities include sales, design and development, procurement, production and warranty, as well as related supporting functions like Legal, HR, HSE, Quality, Finance, IT and Cybersecurity. Each of those processes includes activities related to the requirements from the Transparency Act.

During Concept Development and Sales, a check of the potential customer with regards to sanctions, as well of suppliers from main equipment, with whom delivery agreements might be entered into. During Procurement phase, the pre-qualification of suppliers and the approval of its subcontractors is a key activity to ensure compliance with the Transparency Act's requirements. During Production phase i.e., Outfitting, Commissioning and Delivery, a comprehensive check of subcontractors working at VARD's premises takes place, both prior to the commence of the activities and during the work, where both physical and contractual work conditions are audited. All VARD employees, as well as subcontractors, have access to channels for anonymous reporting of breaches in work environment conditions.

The Act shall promote businesses' respect for basic human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the public access to information about how businesses deal with negative consequences for basic human rights and decent working conditions. The law is based on international recognized frameworks and conventions.

The Act sets out requirements for companies to carry out due diligence assessments. The due diligence assessments must be risk-based and proportionate and focus on factors in the supply chain that may represent a high risk of violations of human rights and decent working conditions. A central part of the due diligence assessments is to identify high-risk suppliers or customers and ensure that adequate risk-reducing measures are implemented in relation to such.

## **Implementation of the Transparency Act and measures adopted in 2022-2024.**

In connection with the introduction of the Act, VARD has carried out a comprehensive review of existing procedures and guidelines. These have been adapted and updated with the intention of preventing and uncovering customer or supply chain risks, including negative impact on human rights and decent working conditions at suppliers and in own operations.

The Board of the Vard Group AS acknowledges the importance of working to ensure the respect of fundamental human rights and decent working conditions and has established this with a tone from the top in Board Resolution adopted 29 June 2022. The company has, as stated in the VARD Ethical Guidelines and Whistleblowing Policy and underlying procedures, undertaken to comply with all laws and regulations. Furthermore, the VARD Ethical Guidelines and Whistleblowing Policy clearly state that Vard Group AS and its subsidiaries distance themselves from modern slavery and all forms of human rights violations, including indecent working conditions in the supply chain and own operations. A more thorough description of the Vard Groups whistleblowing procedures will be available here:

<https://www.vard.com/our-commitment>.

Examples of concrete measures that the Vard Group has adopted, aimed at mitigating the risk of adverse impacts on human rights and decent working conditions are:

- Underlined the accountability through lifting VARD's obligations under the law to the board of directors of Vard Group AS and its Norwegian subsidiaries.
- Implemented revised HSEQ Manual in Vard Group AS including the basic procurement principles, which shall be applied to all suppliers used in VARD.
- Implemented revised VARD Ethical Guidelines and Whistleblowing Policy, which is also applied to all VARD subsidiaries.
- Updated the Supplier Declaration, where suppliers undertake to follow the regulations and accept that VARD can exercise sanctions such as termination and audit of the supplier.
- Revised templates for purchase contract conditions for both goods and personnel, including obligations for suppliers to carry on the same obligations further down the supply chain.
  - The obligations to carry out the due diligence assessments will lie with the individual company with support from Procurement/Legal/HSE if necessary.
- Supplier due diligence and qualification procedure with focus on human rights, decent working conditions, and other relevant compliance risks
- Increased controls regarding salaries and working conditions for all subcontracted personnel working at VARD's yards in Norway.
- Published information on websites and templates for answering inquiries from third parties have been prepared and are available in the Vard Management System.
- Implementing a Compliance Committee, consisting of representatives from HSE, Legal, Finance, HR which shall meet on a quarterly basis and report yearly to top management on the compliance with laws and regulations, this committee was established in 2023.



- Implementation of software solution (Adept) with the purpose to ensure compliance between laws and regulations and internal procedures, through an integrated business process.
- ISO-certificating VARD: Romanian yards are certified iht ISO 9001 ISO 14001 og ISO 45001. Vard Group AS and Vard Electro AS certified ISO 9001, ISO 14001 og ISO 45001. Vietnam SA 8000.

### **Vard Group's risk assessment**

As part of the due diligence assessment, the company has carried out a comprehensive survey of suppliers, with the aim of identifying potential risks. Work on carrying out due diligence assessments, such as the extended approval procedures and risk mapping is ongoing.

The company considers that it has greater influence on the suppliers who carry out work at the company's shipyard than on standard component suppliers and customers. The company also considers that the use of foreign labor in the industry is a high-risk area for breaches of the Act. There is therefore extra focus on ensuring decent working conditions for employees of suppliers and subcontractors who carry out work at VARD's shipyards.

The risk assessment in the supplier qualification and monitoring process is based on different criteria like country of origin, sustainability category (sector), purchase order value, type of activities, track history from eventual previous deliveries. Each criteria gives a score from 1 to 5, which each is combined with a separate indicator of probability and severity scale from 1 to 5. All suppliers with a total score of more than 20 are listed as a high-risk supplier. For 2023 the risk assessment shows that there are in total 33 first tier suppliers of the Norwegian VARD entities which are subject to a more in-depth due diligence process.

**Business risk:** Blue collar work causes increased risk of exploitation of foreign work force and non-compliance from the suppliers carrying out work at Norwegian yards with Norwegian laws and regulations, industrial safety risks such as exposure to hazardous substances, injuries, death.

**Product risk:** Shipbuilding projects involve a high number of components and complex products in every project and it is not uncommon for every project to include between 300-500 first-tier suppliers, and many more sub-suppliers. Most of the larger equipment suppliers are well established relations and operate from Western Europe. However, change in market conditions and new technologies means opening up to a newer supplier market, which requires increased focus on due diligence and pre-qualification processes.

Our subsidiaries in Romania who construct the hulls for the projects are large buyers of steel, which also requires focus on sourcing information and quality.

**Geographical risks:** VARD owns two shipyards where there are current building activities outside Norway, in Romania and Vietnam. The company considers there is no high risk for human rights violations at VARD locations taking into considerations the preventive measures implemented such as SA 8000 and ISO 45001 etc., however it is acknowledged that their geographical environment and



closeness to countries who are considered high risk requires regular assessments, as well as implementation of appropriate actions if applicable.

VARD has approximately 4 555 first tier suppliers, of which 50 countries and 6 product categories are represented. These product categories are the following:

#### **Suppliers by product category**

Turnkey	Suppliers of turnkey solutions are suppliers providing a complex product or system, including installation.
Supplies	Suppliers of supplies are suppliers providing material products (e.g. raw materials, components and complex components).
Contracts	Suppliers of contracts are suppliers providing labour-intensive works directly linked to production.
Services	Suppliers of services are suppliers providing labour or services not directly linked to production.
Investments	Suppliers of investments are suppliers who implement investment projects that are accounted for as assets.
Engineering	Suppliers of engineering are the suppliers offering a technical design activity or service.

Vard Group AS has contracted about 25 % of the suppliers, Vard Electro AS has contracted about 15 % of the suppliers, Seaonics AS has contracted about 5,5 % and Vard Interiors AS has contracted about 4 % of the suppliers.

After implementing risk mitigating measures, Vard has not identified significant risks of adverse impacts in VARD's own operations. Further, Vard has not identified significant risks of adverse impacts in our supply chain.

#### **Vard Group's work processes**

The company has created a cross-department work group who has been tasked with identifying the requirements of the Transparency Act and considering appropriate measures and actions to ensure compliance. The group consists of HSEQ, Procurement and Legal, with support from other functions on an ad-hoc basis. The focus of the group going forward is to:

- Follow up the pre-qualification process of suppliers
- Perform due diligence checks of business partners and new customers, and take further action if deemed required
- Updating and streamlining the procedure for the process of due diligence of business partners (in process). Software-solution for conducting relevant screenings is under review, with the aim to have a solution in place by end year.
- Carry out due diligence of the suppliers identified as high risk in the risk assessment.



VARD is committed to following up and addressing any violations of human rights and decent working conditions that it becomes aware of that it either caused or contributed toward, or that are directly linked its operations, products or services via the supply chain or its business partners.

The increased focus on risks related to violations of human rights and decent working conditions in particular in connection with the qualification and monitoring of suppliers allows the company to more accurately identify and target such risks as deemed necessary. It is also expected that the increased focus by the company will promote suppliers focus on the topic, also towards their own supply chain.

This statement is an account for Vard Group AS due diligence as per 19 June 2024 signed off in accordance with Section 5 paragraph 4 of the Transparency Act, referencing Section 3-5 of the Accounting Act. It will be updated at least one time a year, or in case of any substantial changes in the company's risk assessment.

\*\*\* Signature page below \*\*\*



Ålesund, 19 June 2024

CEO and Board of Directors of Vard Group AS

*Alberto Maestrini*

Alberto Maestrini  
Chairman

Cathrine Marti  
CEO

Giuseppe Coronella  
Director

Andrea Qualizza  
Director

Attilio Dapelo  
Director

Luigi Matarazzo  
Director

Henning Karleif Øye  
Director

Ravinthrakumar Suntharalingham  
Director

Arne Otto Rogne  
Director

Ålesund, 19 June 2024

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Ålesund, 19 June 2024

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Tennfjord, 27.06.2024

CEO and Board of Directors of Vard Electro AS

Andrea Qualizza  
CEO and Chairperson

Giovanni Peditto  
Director

Ronny Langset  
Director

Toralf Vik  
Director

Piero Grillo  
Director

Vigdis Bryne  
Director

Geir Ove Grønli  
Director

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Tennfjord, 27.06.2024

CEO and Board of Directors of Vard Interiors AS

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Birgit Aarseth  
CEO and Chairperson



Giovanni Peditto  
Director



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Director

**Vegard  
Nykrem**

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