

Account of due diligence in accordance with the OECD Guidelines for Multinational Enterprises pursuant to the requirements of Section 4 of the Norwegian Transparency Act.



This account covers Nessco Holding AS and its subsidiaries Tamrotor Marine Compressors AS and Nessco AS for the 2022 reporting year.



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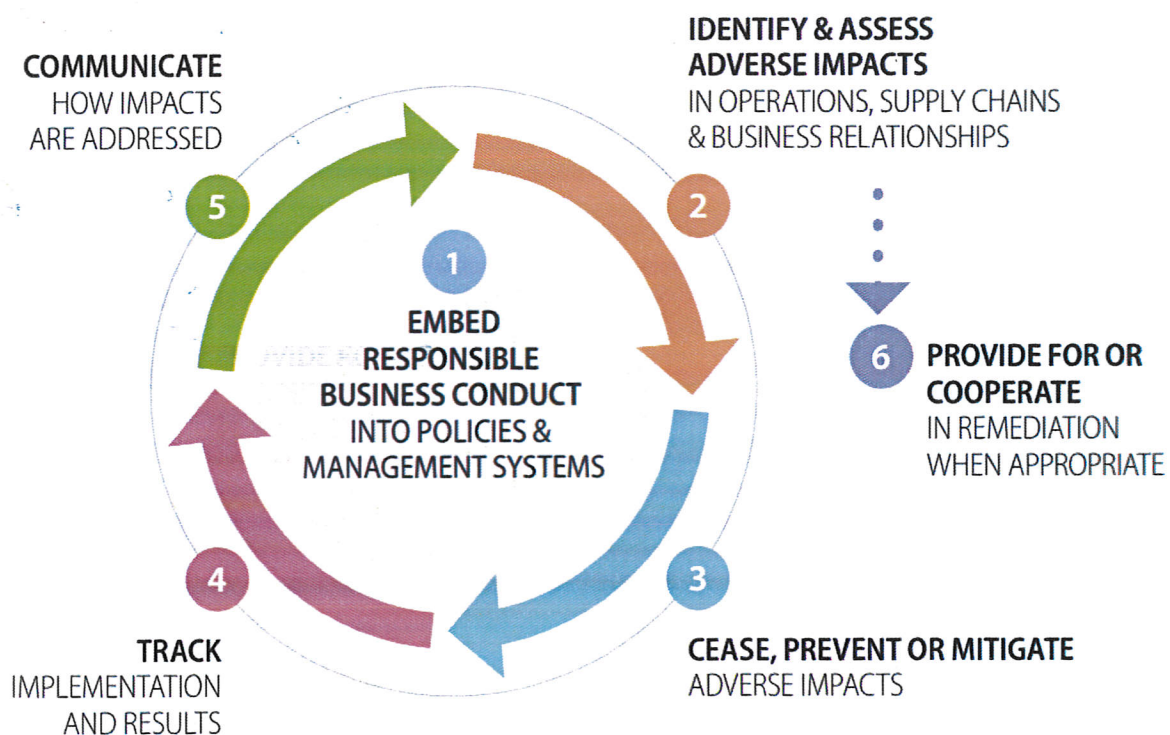
Due diligence – OECD Guidelines

The business community and public sector have a major impact on people, society and the environment, and can make a positive contribution to progress, but they can also have a negative impact and cause harm. Enterprises therefore have a key role to play in contributing to attainment of the UN Sustainable Development Goals.

This report is used as an account under the Norwegian Transparency Act (*åpenhetsloven*), which requires enterprises to carry out due diligence and annually publish an account of due diligence concerning this work.

The OECD's term "Responsible Business Conduct" (RBC) is what is often referred to as "sustainable business practice". It is the systematic process that enterprises carry out in order to identify, prevent, mitigate and account for the way in which they address the risk of adverse impacts, and remediate adverse impacts for people, society and the environment, known as due diligence. The Norwegian authorities expect all enterprises, regardless of their size, to carry out due diligence and comply with the UN Guiding Principles on Business & Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. This applies to the business community, public sector and organisations.

The model has six outline measures which describe how enterprises can work to promote more responsible and sustainable business conduct. Being good at due diligence does not mean that an enterprise does not have any adverse impacts on people, society and the environment, but rather that the enterprise is open and honest with regard to challenges and addresses them in the best possible way in consultation with its stakeholders.



General information

Key information about the enterprise, products, services and markets

Name of the enterprises:

Nessco Holding AS
Tamrotor Marine Compressors AS, and
Nessco AS

Address of head office:

Professor Birkelandsvei 24 D, 1001 Oslo

Description of the company's structure and organisation:

Nessco Holding AS is wholly owned by Lifco AB (through Sorb AB). The company consists of two associated companies with a joint location at Furuset in Oslo: Tamrotor Marine Compressors AS (TMC) and Nessco AS. This account covers both of these associated companies, as well as their parent company, Nessco Holding AS.

Nessco was founded in 1989 and, since then, has supplied Norwegian onshore industry with compressed air equipment from recognised European suppliers. In 1996, Tamrotor Marine Compressors AS was established to supply the international shipping and offshore markets with equipment from the same suppliers, tailored to the conditions and requirements of this industry. Since then, the companies have served their respective markets, with separate sales organisations, but with a joint administration and warehousing operation.

Nessco has nationwide sales and service coverage, with its head office in Oslo and local offices and workshops in Trondheim, Porsgrunn, Brumunddal and Isdalstø. In 2022, Nessco AS had a turnover of MNOK 112, with 28.3 full-time equivalents.

TMC is the market leader within compressed air solutions tailored for challenging conditions in the international shipping and offshore market. In addition to the head office in Oslo, TMC has independent offices and associated warehouses in Singapore, China and South Korea, as well as certified agents in regions/countries in which local representation is appropriate. In 2022, TMC Norge had a turnover of MNOK 653, with 66 full-time equivalents.

The two companies have been certified in accordance with ISO 9001, ISO 14001 and ISO 45001 since 1993 and 2011 respectively. The companies have therefore had a structured approach to continuous improvement relating to operation, environmental impact and health/safety for many years. In this work, the focus on sustainable operation and environmentally friendly product solutions has been pivotal. We have sought to be a leading player within these areas in our industry, and to contribute to the green transition and deliver the best solutions.

Key brands, products and services

The companies import and sell compressed air equipment and systems. The product range largely originates from recognised European suppliers. The companies sell compressors in the pressure range 3-13 bar, in addition to associated after-treatment equipment such as refrigerated dryers, adsorption dryers and filtration systems. Other associated equipment for compressed air systems are control and monitoring systems and pressurised tanks. Nessco also offers vacuum pumps.

The equipment can be installed as standalone equipment in a compressed air system, but both companies often act as a system supplier of complete compressed air systems.

Services also form an important part of our offer, covering maintenance agreements, installation, commissioning and repairs.

Consultancy services for energy-efficient solutions within compressed air systems are pivotal to the portfolio of services that we offer.

Embedding of the work relating to human rights and decent work in internal guidelines and procedures

Responsible business conduct is an important part of our core values, mindset and strategy. This is embedded in the companies' overarching strategies. Nessco and TMC have been ISO 9001-certified since 1993 and 1996 respectively, as well as ISO 14001- and ISO 45001-certified since 2011. Our policies regarding quality, environment and HSE are embedded in the management and evaluated annually through the management's review. For many years, we have been developing and complying with our Code of Conduct (CoC). This is consistent with our owners' CoC and has been approved by the management, board of directors and owners. Among other things, this policy covers human rights, the right to union organisation, corruption, etc.

All the certifications are accompanied by a policy. We set annual goals aimed at quality, external environment, working environment and safety. We draw up annual action plans to achieve the goals we have set. Activities and goals are both short- and long-term in nature. Activities and goals must be followed up by the management in monthly meetings, as well as annually in the management's review. The CEO reports to the board of directors. Plans and strategies are revised as and when necessary in the event of changes which indicate that a change in strategy, goals and plans is appropriate.

To help us on the road to a sustainable future, we have adopted three of the UN Sustainable Development Goals (SDG) as focus areas:

8 – Decent work and economic growth

13 – Climate action

14 – Life below water

Goals and activities relating to the sustainable development goals have been incorporated into our action plans.

A review of all our policies forms part of our on-boarding programme for new employees. These are published and readily available in our quality management system, and are also published on our websites.

Our suppliers and business partners are required to undergo an evaluation and approval process, where acceptance of our CoC is one of the criteria. These are regularly re-evaluated, with renewed acceptance of the CoC being part of the requirement for continuing approval.

How is the work relating to due diligence organised within the enterprise, and why?

Overarching responsibility for due diligence rests with the board of directors and the corporate management, which has delegated this responsibility to the management group with the QA-HSE Director and CFO as responsible for the project group that has implemented due diligence and for ensuring conformity with the Transparency Act by the relevant deadline.

The work relating to individual tasks within due diligence is spread across the enterprise, depending on tasks and responsibilities. The management, including QA-HSE, has overarching responsibility for the preparation of policies, follow-up and control. As regards executive activities such as risk evaluations and the implementation of measures, these are allocated between persons who are responsible for a relevant area, such as suppliers, products, services and the marketing department in relation to communication.

Within the day-to-day operation, our Procurement managers work on due diligence with respect to our procurement products and supplier evaluations. Our Product managers work closely with products in relation to suppliers.

How is the importance of the enterprise's due diligence specified and clarified to employees through job descriptions and duties?

Through its ISO certifications, TMC/Nessco has worked systematically on continuous improvement within the areas of operation, environment and HSE for many years. During this period, we have systematically informed and educated/trained our employees in order to establish the right attitude and conduct in connection with responsible business conduct. The work relating to responsible business practice is specified and clarified in every employee's job description, as well as in more specified operational requirements in certain employees' job descriptions.

We have various procedures which describe different parts of the due diligence, including tasks and responsible position/function.

We have a routine for training all new employees, where the training and information is tailored to the individual position and the actual need for the position.

Through our competence review and planning process, we have routines to determine which persons and departments are in need of expanded training, as well as a routine for the implementation of training concerning identified needs.

We also use open meetings and kick-offs to inform the whole or certain parts of the organisation. Information is made available on the intranet and our website, and via our quality management system.

Whistleblowing channels and complaint mechanisms

Whistleblowing channels and complaint mechanisms which help to identify adverse impacts

TMC and Nessco have published information about the Transparency Act on their respective websites. This account is also published on these websites, along with a reply form to contact the respective companies for questions, alerts or complaints.

The companies also have a joint web-based whistleblowing channel, TMC/Nessco whistleblower gate via a third-party whistleblowing system. Links are published on our websites and are available for anyone to submit alerts/complaints to the companies.

MitVarsel:

<https://portal.mitvarsel.no/skjema/ekstern-portal-tmc--nessco/pzG9UxmjiLDfIXMV.2804?lang=no>

We also have a corresponding internal whistleblowing channel which is only available to employees, via the same third-party whistleblowing system, where the whistleblower can choose to disclose their name or remain anonymous. The link for this is published on our intranet pages, as well as in our quality management system.

TMC and Nessco have established internal instructions for whistleblowing concerning unacceptable circumstances at the workplace, which describes the procedure for whistleblowing and how such cases are followed up.

Employees can also register complaints via our non-conformity system in our quality management system.

Adverse impacts and risk

Completed due diligence

How does the enterprise clarify the importance of responsibility and sustainability in its interaction with business contacts, particularly in the supply chain?

TMC/Nessco has an evaluation and approval process which suppliers are required to undergo. We have categorised our suppliers with regard to strategic importance, product-dependency, delivery importance and volume – type A, B and C. The evaluation method differs depending on the category concerned. We also evaluate contractors and important service providers.

Most supplier categories must at least accept our Code of Conduct in order to be approved. Most are also required to complete a self-evaluation form, which are approvers then use as a basis in their evaluation. In the case of some suppliers, an audit is also conducted, with the results being used in the evaluation. We also use repetitive re-evaluation of certain categories of supplier.

We communicate our CoC to our suppliers in connection with the evaluation process and on our websites.

In the case of our strategic A-suppliers, we have a close dialogue and collaboration concerning responsible business conduct. In this regard, we work together particularly closely as regards the development of more environmentally friendly products, and also as regards individual projects in the form of environmental initiatives within operation. These are long-term strategic partners.

All the suppliers that are required to accept our CoC have done so.

Proportion of the enterprise's suppliers that have accepted guidelines for suppliers.

2023	2022
■ Percentage accepted ■ Not accepted	■ Percentage accepted ■ Not accepted



General description of the enterprise's procurement model and supply chain

TMC and Nessco supply compressed air equipment from recognised European suppliers. These companies use the same main suppliers, with a number of specific additions in each company.

The strategy for our key product suppliers is long-term, sustainable collaboration. The lifespan of our products can be up to 25 years, and our customers are dependent on Nessco/TMC's delivery reliability in a long-term horizon. We still use most of the suppliers we recruited in the beginning in 1989, with a few additions as the product range has been expanded. The companies have few main suppliers of machinery and associated parts, as well as a selection of suppliers of additional equipment and services.

All suppliers are regularly evaluated in accordance with our evaluation and approval process, depending on the category to which the supplier belongs.

Risk assessment of suppliers

TMC and Nessco primarily purchase machines from suppliers within Europe. We have a limited number of suppliers and, in this initial risk analysis in accordance with the OECD's guidelines and the requirements stipulated in the Transparency Act, we have therefore decided to carry out risk assessments of all our active A, B and C suppliers during 2022. This covers a total of 66 suppliers, broken down between countries as follows:

Denmark	3
Finland	1
Germany	5
Italy	2
Netherlands	1
Norway	51
Sweden	1
Switzerland	1
Belgium	1
Czechia	1

On this occasion, we have carried out risk assessments of suppliers based on the country in which their factories are located. These were assessed against risk area covered by the following sources within human rights:

Ituc Global Index
ILABS - Compliance and Accountability
Human Freedom Index

Corruption Perceptions Index

Actual adverse impacts and risk

Prioritised adverse impact/harm	Related topic	Geography
Breach of human rights	Union organisation and collective negotiations Right to strike	Belgium Czechia Switzerland
Corruption	Corruption	Czechia Italy

No high risks were identified in the countries in which our suppliers are based, but there was a slightly elevated metric as regards violation of human rights and corruption.

As regards human rights, Belgium, Czechia and Switzerland had an elevated metric with a score of 2 on the Ituc Global Index, which indicates: "Repeated violations of rights". This is the second lowest score on the scale, which extends from 1 to 5. In practice, this means that repeated violations of rights occur. All other countries resulted in a score of 1, which indicates "Sporadic violation of rights".

As regards corruption, Czechia and Italy produced elevated metrics on the Corruption Perceptions Index. In this case, the scale goes from 0 to 100, where 0 is highly corrupt and 100 is very clean. Italy is continuing a positive trend with an improved score, while Czechia has stagnated.

Information on significant risk of adverse impacts which the enterprise has identified

Despite the slightly elevated metrics for violation of human rights and corruption, it is these findings that TMC and Nessco are prioritising for follow-up by implementing measures to bring about a closer dialogue with the suppliers in these countries. See the section entitled "Measures" below.

Measures

Implemented measures or future measures to stop or limit adverse impacts

As a follow-up to the risks that were identified, we have initiated a dialogue with the suppliers concerned and asked them to provide an account of how they are addressing and minimising their risks. All suppliers have responded with satisfactory feedback and provided a description of their measures.

For TMC and Nessco, we will continue the due diligence work and expand our risk analyses on the next occasion to include more suppliers, as well as raw materials. We are aware that raw materials used in our machines may have a different country of origin than the country of assembly. This issue will therefore be incorporated into future risk evaluations.

We can see a sharp increase in the focus on responsible business customers among our customers in their evaluations of us as a supplier. They are requesting more information about the products they are buying from us and about our business practices.

In connection with this, we have begun a process of evaluating how this is being done today and how we can do it better. At present, a lot is done manually, which is time-consuming. We want to pave the way for a simpler system which makes supplier follow-up clearer. We are also receiving an increasing number of enquiries regarding individual products, with regard to both responsible business conduct and the environment. Many are requesting detailed information about tracing, product composition, CO₂ emissions, proportion of recycled material, etc. These experiences have led us to explore what the current system is capable of handling, the type of information that our suppliers hold, and what future requests could contain in order to avoid having to obtain information on a number of occasions.

This, along with the requirement for due diligence, has led to changes in our evaluation routine for suppliers, with further clarifications regarding their processes and policies concerning human rights and decent work, as well as other aspects such as climate, corruption, etc., in addition to their work relating to due diligence within their own supply chain. This process will continue.

TMC/Nessco has established both short- and long-term action plans for the further development of our work relating to responsible business conduct, including due diligence and risk assessments, collaboration with suppliers, etc.

Remediation

There have been no cases of remediation with adverse impacts for people, society and the environment. We have a clear goal of contributing to remediation where necessary, and we will take responsibility as and when appropriate.

In our policy, we have clarified a desire for our stakeholders to be notified in the event of breaches of this policy being identified. We have established channels for complaints, which are available on our websites with a reply form and a whistleblowing portal. In the event of a risk being identified, TMC/Nessco will initiate a dialogue with relevant stakeholders. Dialogue, feedback and follow-up of measures will be initiated with relevant parties.

Any further questions concerning TMC and Nessco's due diligence can be addressed to QA-HSE Director Henriete Breilo. More information can also be found on our websites.

Board of directors' signature

Pursuant to Section 5 of the Transparency Act, enterprises are required to publish an account of their due diligence in line with the OECD Guidelines for Multinational Enterprises.

The board of directors of Nessco Holding AS, Nessco AS and Tamrotor Marine Compressors AS hereby confirms that it has received and read the contents of this document, which form the basis for our account.

Account of due diligence for the 2022 reporting year

Nessco Holding AS
Nessco AS
Tamrotor Marine Compressors AS

Oslo, 27.06.2023

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