

Disclosure of Due Diligence Assessments 2022/2023

Promet AS

Due Diligence Assessments

This report is based on the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct.

The model consists of six steps describing how businesses can work towards more responsible and sustainable business practices. Being proficient in due diligence does not mean that a company does not have a negative impact on people, communities, and the environment, but rather that the company is open and honest about challenges and handles them in the best possible way in consultation with its stakeholders. The main elements of the model are described point by point below in the report.



Key Company Information

Promet AS is a part of the NTS Group, located in Tananger, Sola municipality, with customers throughout Norway and the rest of Europe. Additionally, Promet AS is the parent company of Steinsvik Production AS, located in Tysvær, with approximately 20 employees. The companies engage in CNC machining, production of various metal products, and related activities. Promet AS has around 40 employees and generates a revenue of approximately NOK 180 million.

Promet AS is ISO 9001 certified. As part of this certification, the company conducts an annual evaluation of its major suppliers based on given criteria.

Embedding Responsibility in Company Policies

During the initial reporting period, the company's main focus has been to gain an understanding of the regulations and establish a suitable underlying model for assessing due diligence for the group as a whole. Our main objective has been to ensure that we have a model that identifies where the likelihood of potential negative impacts/harm is greatest, so that we have the most targeted approach possible.

This process has involved the entire management and board of directors of the company, who have engaged in close dialogue to ensure that adequate resources are allocated and utilized as efficiently as possible. We have also had constructive dialogue with the rest of the management in the company (the group) to ensure a consistent approach, assessment, and understanding of what needs to be done.

Internal Due Diligence Assessments within the Group

The company and the group generally have only permanent employees. The activities take place at two locations in Norway, and the management is closely involved in the day-to-day production. Ownership and management are focused on safety and creating a secure workplace. We operate a complex production with large machinery and heavy equipment, including raw materials for production, which requires a high focus on safety. We have implemented our own deviation reporting system for reporting any undesirable incidents, ensuring that we can improve over time.

We monitor injuries and sick leave continuously and take necessary actions as needed. We also provide close follow-up for each employee and accommodate individual needs.

Third-Party Due Diligence Assessments

The company (group) has a significant number of suppliers, with a few accounting for a substantial portion of the total purchases. In the initial mapping phase, we have based our analysis on the total purchases for the group for the period from January 1, 2023, to November 30, 2023. From this population, we have filtered based on several underlying criteria:

Geography with reference to www.globalrightindex.org, purchase size, type of purchase (goods/services), description via website, inquiries to suppliers, and historical experience with each supplier.

Based on a comprehensive evaluation of these criteria, we have established assessment criteria for each supplier divided into three risk classes:

Low, Moderate, High

Low = based on a comprehensive evaluation, we have not identified any issues that require further follow-up.

Moderate = based on a comprehensive evaluation, we have identified issues that require follow-up/clarification but are not considered critical.

High = based on a comprehensive evaluation, we have identified issues that require follow-up/clarification and are considered critical.

Furthermore, we have grouped our suppliers into **Primary Suppliers** and **Secondary Suppliers**. In broad terms, primary suppliers are those included in the cost of goods sold, and secondary suppliers are included in other operating expenses.

Primary Suppliers

These are suppliers used in direct deliveries to end customers (purchase of goods).

Primary suppliers represent a relatively small number of suppliers compared to the total number of suppliers for the company (group), but the purchase per supplier is significant and constitutes the largest share of total purchases.

All our primary suppliers are large and reputable international suppliers, with most of them located in Europe. As part of our initial mapping, we have reviewed public information from these suppliers, including what they describe on their own websites. All our Norwegian suppliers in this group are subject to the Freedom of Information Act, and as part of our own mapping, we have reviewed and evaluated these reports against our own assessment.

Most of our suppliers in this group have had a long-standing customer relationship with us, and we are familiar with the company's underlying operations.

Before entering into new partnerships with new suppliers, we conduct an evaluation of them using various assessment criteria. We have a clear ambition to include criteria related to human rights in line with the Freedom of Information Act for future new suppliers as part of this evaluation.

Risk Assessment:

Based on our preliminary analysis of our largest primary suppliers, we have not identified any direct suppliers with elevated risk. Most of our primary suppliers are larger European companies, all of which have their own policies related to, among other things, HSE (Health, Safety, and Environment), and several of them are ISO certified.

On a general basis, some raw materials in steel alloys may potentially be extracted from countries with a high risk of human rights violations and low scores on the Corruption Perceptions Index (Transparency International), known as "conflict minerals." This means that further down the supplier chain to the mine level, the risk of corruption and human rights violations is assessed as moderate to high in some areas. We are aware of these issues and monitor industry developments, especially regarding documentation requirements that are emerging in our industry, such as origin guarantees, etc.

Secondary Suppliers

These are suppliers that are not directly related to the main product the company produces. Examples included in this group are insurance, rent, auditing, electricity, legal services, etc. In general, this group is associated with Norwegian companies.

Risk Assessment:

Based on the aforementioned criteria, we have not identified any suppliers with elevated risk.

Summary

We believe that the company has made significant progress in a relatively short period, and we have established a good method for identifying and assessing potential negative impacts/harm. So far, we have not identified any critical findings either internally in the group or regarding our suppliers. We will continue to develop our models and assessment criteria.


In the coming period, we will focus primarily on the following areas:

- Ensure appropriate and comprehensive reporting/evaluation related to due diligence assessments on par with other reporting.
- Provide further training internally within the organization.
- Foster an even closer dialogue with our key suppliers.
- Include human rights documentation requirements as evaluation criteria in the annual assessment of primary suppliers.

Tananger, February 19. 2024



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Chairman of the board



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