

Sumitomo Corporation Europe Ltd. Norway Branch
The Norwegian Transparency Act
Due Diligence Report 2022 on
Fundamental Human Rights and Decent Working Conditions

1. Introduction

The Norwegian Transparency Act (the Act) came into effect on the 1st of July 2022. We in Sumitomo Corporation Europe Ltd Norway Branch, org.nr. 980 729 923 (hereafter “SCEU Norway Branch”) have since that time, worked to implement this new legislation into the way we are doing business and to be transparent in the way we monitor that all aspects of our business ensure respect for fundamental human rights and decent working conditions.

This report describes how SCEU Norway Branch is organized, the due diligence assessment we have performed of our organization internally, as well as for our suppliers and business partners, and how we have ensured, and will continue to ensure, that fundamental human rights and decent working conditions are respected throughout all facets of our operations.

The Act has required us to carry out a due diligence assessment in accordance with the OECD's guidelines for responsible business conduct, to account for the due diligence that has been carried out to the public, and to disclose information to anyone who requests it, within the boundaries of the Act. The report has been prepared based on the work done by our management group and information collected from our supply chain, as instructed by the Board of Sumitomo Corporation Europe Ltd (“SCEU”).

2. Our organization and supply chain

SCEU Norway Branch is the Norwegian registered branch company of SCEU. As a Norwegian branch company of SCEU, SCEU Norway Branch works closely with the main office in London, utilizing its resources and knowledge in order to support the efficiency of operations.

SCEU is a part of Sumitomo Corporation (“SC”), a leading Fortune 500 company with 129 locations across the world. SC Group consists of approximately 900 companies, and more than 78 000 employees.

The business of SCEU Norway Branch is mainly focused on the supply of Oil Country Tubular Goods (OCTG) and line pipe, along with associated OCTG Tubular Management Services related to the Norway Continental Shelf Oil & Gas sector. Our deliveries within the tubular sector include quality corrosion-resistant alloys, high strength pipes for deep-well applications, and carbon steel tubing and casings.

Our largest foreign business partner is SC in Japan, where there is comprehensive legislation covering labor rights, gender equality, rights for persons with disabilities, and legislation granting employees protection against harassment. We also have European suppliers in Great Britain, The Netherlands and Norway. These countries are also highly regulated and under strict control by their individual governments.

As a part of SC, we have a close relationship with the other companies within our group, including those from the Asia region, and several of those are included in our supply chain. These companies all adhere to the key values of SC (including the UN Global Compact Principles), follow the HSSE (Health, Safety, Security and Environmental) requirements of our company, and are subject to internal audits on a routine basis.

3. Our governance structure

SCEU Norway Branch adheres to the Corporate Governance Principles of SC, where discrimination is prohibited, and efficient channels for whistleblowing are made available to all employees. We utilize the corporate governance processes as established by SC, as well as the compliance policies and systems of SCEU, to meet the requirements of local laws and regulations, while maintaining the highest ethical standards. The Sumitomo Corporation Group Compliance Policy is available on our websites.¹

4. Alignment with global standards

SCEU Norway Branch, as a part of SC, has been committed to the UN Global Compact since March 2009, and actively follows and supports the UN's ten principles for human and workers' rights, protecting the environment and ensuring anti-corruption. You can find more information regarding this topic in ESG Communication Book of SC Group.²

The UN's Global Compact is implemented in all aspects of how SC operates, and as the SC Corporate Message of "Enriching lives and the world" states, we aim to further enrich the world, society, and people's lives. We are practicing new value creation based on Sumitomo's Business Philosophy of "Benefit for self and others, private and public interests are one and the same", a philosophy which has been passed down over many years.

5. Risk Management of our value chain

SCEU Norway Branch has used the methodology set out in the OECD Guidelines when carrying out the due diligence of our supply chain and business partners.

In the following paragraphs of this section 5 we will present the different key systems for Risk Management, as utilized by SCEU Norway Branch. As previously described, the tubular business is the primary part of our operations in Norway, and the following requirements are aimed at operations connected to the tubular business.

Please note that similar requirements are in place for our other operations, and the audit procedures are relevant to all business dealings of SCEU Norway Branch.

HSSE Requirements for Contracts

In order to become a supplier or business partner of SCEU Norway Branch, suppliers must be able to demonstrate that they can meet the Quality, Health, Safety, Security and Environment ("QHSSE") requirements of Sumitomo Corporation Tubular Products Division ("SCTPD").

The above is performed through our supplier prequalification process which is described in our internal document of 'Supplier and Contractor Management Standard'.

HSSE Requirements for Purchase or Service Orders

Before any contract, purchase or service order is awarded by SCTPD, contract specific quality and HSSE requirements are defined and are accepted as part of the contract award. This, as a minimum, requires the supplier to ensure they are compliant with all applicable HSSE laws and regulations in the locations that they work in, and that they have a formal and systematic HSSE Management program which is suitable for the work being performed. Within our contracts we also include the right to audit, and we request that all incidents during the performance of our work, whether it be a personal injury accident, unsafe condition, environmental incident, security incident or property damage incident is reported to relevant personnel in SCTPD within 24 or 48 hours, depending upon its significance/risk rating.

We request an incident investigation report be completed within 10 days, highlighting the initial and root causes of the incident along with the corrective and preventative actions the supplier shall take, to

¹ <https://www.sumitomocorp.com/en/europe/about/governance/compliance/policy>

² <https://www.sumitomocorp.com/en/jp/sustainability/report>

avoid any future incidents. Where personal injury incidents involve more than first aid treatment or other incidents have a high potential for loss, we request our suppliers to provide, in addition to their incident investigation report, a 'Lessons Learned' report which we can share across our organization and with other suppliers.

Before a purchase- or service order from a supplier/contractor is entered into, the relevant party must accept, understand, and confirm their compliance with the following human rights principles:

- Support and respect the protection of internationally proclaimed human rights and not to be complicit in human rights abuses.
- Prevent forced labor, child labor and the payment of unfairly low wages.
- Not engage in discriminatory employment practices.
- Respect the rights of employees to associate freely to ensure open and fair negotiations between labor and management.
- Provide a work environment where risks to the employees' health and safety are properly controlled.
- Protect the global environment and give due consideration to biodiversity.
- Undertake initiatives to promote greater environmental responsibility.
- Encourage the development and diffusion of environmentally friendly technologies.
- Ensure fair business transactions, to abide by all applicable laws, rules, and regulations, and prevent extortion, bribery, and all other forms of corrupt business practices.
- Ensure appropriate information security.
- Cooperate with members of local host communities and contribute to sustainable regional development.

Audits of Supply Chain

SCEU follows the principle of "Giving First Priority to Compliance", ensuring that compliance takes priority above all other activities. In the case of a compliance issue, SCEU Norway Branch will take the necessary steps to gain insight into the incident. This is done through our auditing system.

SCEU Norway Branch continuously assesses and monitors its supply chain and conducts audits of how the suppliers' management system is structured and the suppliers' procedures for handling risks related to health, safety, and decent working conditions. Active, critical suppliers are audited before SCEU Norway Branch engages in a contract with them and are subsequently audited based on the criteria set out below. Passive and non-critical suppliers are audited intermittently.

All audits adhere to the procedures of SCTPD and are conducted using competent auditors.

The regional HSSE manager and regional Quality Manager, together with SCEU Norway Branch established an annual regional audit program and this is based on:

1. Critical to business processes
2. Changes in organization
3. Experience from customer feedback
4. Trends in non-conformities
5. Supplier performance / New suppliers

If SCEU Norway Branch is notified of or suspects any non-conformity with our requirements or the person in charge of supplier management is noticing any discrepancies, SCEU Norway Branch will immediately take action and conduct an audit if necessary.

The auditing process will indicate whether or not a supplier is compliant with our requirements. Different degrees of non-conformity are categorized as a 'major non-conformance', 'minor non-conformance', 'an observation', a 'recommendation' or as 'noteworthy', and are presented to the supplier.

Following receipt of the proposed actions from the supplier these are reviewed by the audit team to ensure the proposed actions adequately address the findings. Sufficient verification evidence shall be

obtained by the audit team to ensure findings have been satisfactorily addressed before being 'closed'.

6. Due Diligence of our Supply Chain – Human Rights

6.1 The methodology of our Due Diligence

SCEU Norway Branch’s work in terms of adhering to the Transparency Act’s due diligence requirements was conducted from January to May 2023 by our Human Resources team in Norway, alongside personnel of our Compliance, HSSE and other relevant Corporate departments in London. The work was based on the OECD’s due diligence model, as described in the Guidelines for Multinational Enterprises.

(1) We have carried out a high-level risk assessment, based on factors related to geography, different sectors, raw materials, and publicly available information related to our prioritized suppliers. The suppliers were further scored on several global country-specific risk factors.

- Global Slavery Index
- Global Rights Index
- Human Rights Guidance Tool
- Human Freedom Index
- Corruption Perception Index
- The World Bank’s Strength of Legal Rights Index
- Global Waste Index
- Worldwide Governance Indicators

(2) To be able to reasonably and efficiently carry out the assessment, only the most significant suppliers have been assessed in depth. This is based on transactions in USD. When significant tier 1 suppliers are data-analyzed based on the mentioned risk factors, the most significant suppliers were assessed by answering the following questions for each supplier:

Due Diligence questions for all significant 1 st tier vendors		Vendor X
Executed supplier control?	Yes?	
	Verified completion by:	
Recorded or possible incidents according to OECD guidelines?	Yes?	
	Verified completion by:	
The likelihood of adverse impacts?	(1-5) 1 is very low, 5 is very high	
The consequence of adverse impacts?	(1-5) 1 is very low, 5 is very high	
Description of possible incident	Description	
	Verified completion by:	
Actions to remedy, mitigate or prevent incidents	Description	
	Verified completion by:	
Likelihood for incidents in supply chain beyond Tier 1	(1-5) 1 is very low, 5 is very high	
Consequences if incidents in supply chain beyond Tier 1	(1-5) 1 is very low, 5 is very high	

(3) The OECD Guidelines refer to the likelihood of adverse impacts on people, the environment and society that enterprises cause, contribute to, or to which they are directly linked. In other words, it is an outward-facing approach to risk. Aligning with this guideline, we have identified and prioritized the suppliers based on severity and likelihood of potential negative impacts.

These risk areas are:

- Working hours, wages, and benefits
- Health and safety (including injuries and fatalities)
- Raw materials sourced via our supply chain
- Discrimination based on sex, gender, or religion.
- Privacy
- The rights of ethnic minorities

(4) In order to efficiently assess the likelihood of any negative impacts in Sumitomo's value chain pertaining to fundamental human rights or decent working conditions, SCEU Norway Branch constructed a risk matrix. The risk matrix scores our supply chain in terms of how likely a negative impact could occur, as well as how significant the consequence of an incident would be, on a risk score from 1 – 5, where 1 is a very low risk, and 5 being an unacceptable risk.

The two results are then multiplied with each other, giving the supplier a final risk score of between 1-25. A final risk score of 1-4 is considered a 'low risk', a score of 5-12 is a 'medium risk', and a score of 12-25 is a 'high risk'. Each supplier may end up with a low, medium, or high risk score.

The supplier's risk score is also based on whether they have agreed to UN Global Compact Principles, the quality of documentation presented by the supplier in our initial QHSSE prequalification for suppliers, and if we have additional information obtained through monitoring visits to the supplier.

In total, our analysis of suppliers and business relations combine objective risk assessment based on global risk indicators, and a subjective risk assessment based on our experience and knowledge about each individual supplier.

6.2 Due Diligence results and findings

The findings from our due diligence indicate that we generally operate within a low-risk environment regarding negative impacts on fundamental human rights and decent working conditions.

We have conducted a risk assessment for our suppliers and business partners and have found two tier 1 suppliers which meet the requirements for a 'medium risk', as well as one tier 2 supplier being 'high risk'.

We confirm that there are no recorded or registered incidents in the medium risk cases. As for the high-risk tier 2 supplier, no major findings have been identified during the investigation with relevant stakeholders and experts immediately after an initial issue last year (see below), and during our assessments this year.

As a supplement note for the 'high-risk' supplier, in 2022, we recognized an allegation that a crew member of a marine vessel delivering OCTG to a port in Florø, Norway, had raised a claim on salary payment. We immediately entered into a close dialogue with the relevant parties, including an International Transport Workers' Federation (ITF) inspector to confirm that the crew had been properly paid in line with the vessels ITF agreement. Following this initial issue, we have continued to work closely with our stakeholders and experts to ensure that no actual violations of human rights or decent working conditions have occurred.

6.3 Actions going forward to prevent and mitigate adverse impacts

With the now established process for carrying out due diligence in accordance with the Transparency Act, we will continue to build and improve upon managing and minimizing the risk for any negative impacts to fundamental human rights and decent working conditions in our own company, as well as throughout our business supply chains. Our work with the Transparency Act has been a learning experience, giving us better insight into how we can optimize our processes for the coming years.

During 2023, we will continue conducting the due diligence process of our value chain, focusing more on our business partners' subcontractors. We will also be looking into how we can implement more comprehensive human rights requirements for our tier 1 suppliers and include human rights into our audit procedures.

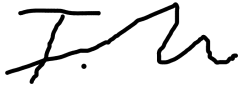
Other possible improvements to our processes include sending a comprehensive questionnaire related to fundamental human rights and decent working conditions to our suppliers that are identified as significant, as well as performing subsequent actions as required, based on findings from these questionnaires.

Contact

A key component of the Transparency Act is the right for anyone to request information about how we handle actual and potential negative consequences in relation to fundamental human rights and decent working conditions. To ensure a clear communication channel, we have established a separate e-mail address that will answer any questions related to the Act: transparencyact.norway@sumitomocorp.com.

Inquiries will be responded to within the deadline of three weeks. In the case of a comprehensive request, we may request an extended deadline.

27th June, 2023

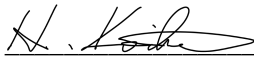


Tadahisa Matsuda

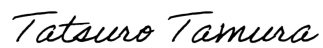
General Manager for Norway Branch, SCEU

Signature – Board of Directors, Sumitomo Corporation Europe Ltd.

The signature of the Board of Directors of Sumitomo Corporation Europe Ltd. indicates its acknowledgement of this report in accordance with Sections 3 to 5 of the Transparency Act.



Hiroyuki Koike



Tatsuro Tamura



Graham Holman