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Author	Jørn K. Løvdal		



Starting July 1, 2022, the Transparency Act took effect in Norway. Its objective is to foster a culture of respect for fundamental human rights and appropriate working conditions within corporations, specifically regarding their business associates and supply chain operations.

The regulations originate from the OECD's guidelines, obligating companies to conduct assessments of human rights and adequate working conditions throughout their supply chains. The intention is to ascertain that ethical employment standards are upheld at every level.

In this report, we present a review of the due diligence efforts of Umoe Advanced Composites AS ('UAC') in the areas of human rights, respectable working conditions, and ethical trade, in accordance with the stipulations of the Transparency Act.

The document spans the timeframe from July 1, 2023, to June 30, 2024. The report will be updated and released yearly by June 30, in line with requirements beginning in 2023.

You can access the statement on our website at www.uac.no



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About UAC

UAC stands as a prominent global provider of large Type IV glass fiber pressure vessels and transportation modules for CNG, biogas, and hydrogen.

UAC Vision:

To be a leading company within lightweight pressure vessels intended for transport of energy products on road, railroad, ship, in addition to stationary storage of gases.

UAC Mission:

To improve our customers' competitive power and environmental profile by replacing traditional materials with product solutions based on low-cost composite materials.

Since 2016, we've supplied pressure vessels and transportation modules (in the form of 'ready-to-use' containerized solutions) to a wide array of customers across the globe. Most of these customers are energy providers involved in the transition from fossil fuels to renewable and sustainable energy gases, employed within the mobility, industrial, and maritime sectors.

Our headquarters, engineering, and production facilities are situated in rental premises at Vige Havnevei 64, 4633 Kristiansand, while our development and testing activities take place on Gismerøya in Mandal.

UAC is currently organized through three main sections: the Cylinder Production Department, the Assembly Department, and Administration (which encompasses Engineering, Sales, Purchasing & Logistics, Finance & Accounting, Quality Management, and HR).

In July 2021, Umoe Advanced Composites AS established the joint venture company 'Umoe Technology Jiaxing Co. Ltd. (UAC JV)' in collaboration with Yield Capital and Befar Group. This venture was set up in China's Zhejiang Province, with UAC being the majority shareholder. The factory is projected to be fully operational starting from the early third quarter of 2024.

UAC is controlled by the Umoe Group, an industrial investment company based in Oslo, Norway. The group is committed to the global sustainability targets and has been an early mover into investments in renewable energies and clean technology.. For more information regarding the Umoe Group, please refer to www.umoe.no.

As of June 30, 2024, UAC employs 66 persons, comprised of 7 females and 59 males.

In the UAC JV, there are currently 18 employees, of which 3 are females.

The UAC group has a total of 84 employees, including 74 males and 10 females, meaning 12% of our workforce is female.

The CEO of UAC is Øyvind Nikolay Hamre, while the Chairman of the Board is Jostein Eiesland.



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Risk assessment of UAC's own operations

Our company maintains an open and positive working environment. We insist upon treating all employees and other stakeholders influenced by our operations with respect and dignity.

We have identified various risks that warrant attention and proactive steps to minimize potential threats to our employees within the workplace and to guarantee safe and respectable working conditions. To address these risks, we have incorporated three primary practices:

- Conducting risk assessments twice a year
- Implementing a comprehensive Health, Safety, and Environment ('HSE') framework
- Carrying out safety walks minimum twice a year

Our Quality Management System features a Non-Conformity Report ('NCR') module. The NCR module is employed to document and resolve any deviations from established safety protocols or regulatory standards. This system also serves as a mechanism for internal whistleblowing in cases of harassment, discrimination, and the like. We are aware that we need a mechanism also for external whistleblowing, and we will work to establish such a mechanism to have a fully compliant whistleblowing system.

In relation to our production processes (specifically within the Cylinder Production Department), we have identified challenges associated with the emission of epoxy fumes during the winding process. If not effectively managed, these fumes could present health hazards to our employees.

To mitigate the risks associated with epoxy fumes, we have put several control measures into action. These include the provision of suitable personal protective equipment ('PPE') for our staff and the routine monitoring of their health through annual health and working environment assessments. Furthermore, we have invested in and installed a ventilation cap above the impregnation bath. Measurements of air quality will be performed to see if this ventilation system – in combination with increased production volume – has impact to the air quality and working environment.

We prioritize employee training and awareness initiatives to ensure our staff is fully aware of the potential dangers posed by epoxy fumes and adheres to the correct safety procedures.

Our commitment to routine risk evaluations, a comprehensive HSE policy and handbook, incident reporting mechanisms, and measures for epoxy fumes illustrates our dedication to preserving a safe and respectable work environment for our employees. We remain vigilant in monitoring and mitigating risks, striving for continual improvement, and safeguarding the health and well-being of our workforce.

Overall, we consider the risk of human rights violations and potential poor working conditions to be low to negligible within our organization and operations in Norway.

In the UAC JV organization and operations – which are currently being established – we are committed to maintaining the same standards as those in Norway. As such, we insist on upholding respect for human rights and maintaining proper working conditions within the UAC JV.



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Assessment of risks and limiting risks in our supply chain

The primary product of UAC is Type IV fiberglass composite pressure vessels. The manufacture of these pressure vessels makes up approximately 70% of the company's revenue, and the purchases associated with this production constitute roughly 70% of the company's procurement costs. Five key raw materials are involved in this production process:

- Fiber glass
- Epoxy
- Hardener
- Machined stainless steel parts
- Plastic liners

If we include the container chassis, into which nearly all our pressure vessels are assembled before delivery to our customers as finished, plug-and-play modules, these six key raw materials account for more than 90% of our purchasing costs.

Our suppliers for these raw materials are primarily located within Western Europe, though an increasing number of parts are sourced from sub-suppliers in China. We have established long-term relationships with these suppliers, performed multiple visits/audits and we are familiar with their practices, hence the risk of violations concerning human rights and decent working conditions is evaluated to be low. Through the last year, we have also visited some of their sub-suppliers and no material breaches to fundamental human rights and decent working conditions have been identified.

To further enhance our ability to identify and address any potential violations of human rights and acceptable working conditions within our supply chain, UAC has over the last 12 months implemented the following tools:

- Platform for Transparency Act surveys and follow-up (delivered by the external advisor, Factlines).
- Developed and implemented UAC Supplier Code of Conduct.
- Developed new General Terms & Conditions for Purchase – including requirements for suppliers to adhere to our Supplier Code of Conduct.
- These documents can now be found on our website.
- Performed the first Transparency Act survey.

We achieved a survey response rate of approximately 62% (of a total of 117 active suppliers/partners), of which 3 are defined in the category High risk and 15 are defined in the category Medium risk. All responding suppliers/entities are in Norway/Europe. 56 suppliers are defined in the category Low risk, while 44 suppliers/partners did not answer the survey and have not been evaluated this time (despite numerous reminders).

All strategic suppliers completed the survey, with one exception. Suppliers not responding to our survey – plus all proposed actions from this year's survey - will be followed up during the coming year. Our focus will be on the High and Medium risk groups.

Several of the suppliers in the High & Medium risk categories are small enterprises with limited human resources and limited policies, ethical guidelines, etc., in place – increasing the overall risk assessment. Several suppliers also answered “Don't Know” on several questions and were consequently categorized within the High or Medium risk groups. This could most likely have been avoided if the person completing the survey also included other disciplines in the survey. In that respect, the performed survey is considered to be somewhat misleading and has some



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weaknesses. Moving forward, we will focus on further enhancing the supplier's awareness with the goal to improve the data quality and survey response rate.

In addition to the tools described above, UAC has established the following guidelines, policies, and procedures to address actual and potential negative consequences for fundamental human rights and decent working conditions:

- We have established guidelines for ethical trading.
- We conduct due diligence assessments for our own business, supply chain, and partners. This is done on an annual basis (part of the Transparency Act Survey)
- We monitor suppliers based on their country and risk (also part of the Transparency Act Survey)
- During our annual review of suppliers our experience with them are discussed.
- For all new suppliers, the supplier declaration will be a standard requirement starting in autumn 2023.
- UAC provides information on the organization, scope of operations, guidelines, and procedures on our website.
- We also refer to the UAC annual sustainability report, which is available upon request.

Despite all our efforts to reduce our supply chain risk, should any breaches of human rights or fundamental standards for decent work be discovered - or if there's considered to be a real substantial risk of such breaches - UAC will address such issues through dialogue with the relevant supplier/sub-supplier and stakeholders. Failure to address breaches within a reasonable timeframe may result in the suspension or termination of contracts, and UAC may also have to abandon the supplier/sub-supplier if breaches continue or are repeated.

Currently, our supply chain risk concerning human rights, HSE, and decent working conditions is perceived to be highest at suppliers from Eastern Europe and China. Through audits and visits to our suppliers in Eastern Europe, we are aware that conditions generally fall below the standards of our Western European suppliers. The work environment is often dusty or dirty, facilities tend to be old and inadequately heated or insulated, use of protective equipment is not strictly enforced (or is not consistently adhered to), and the overall focus on HSE and decent working conditions is lessened. Consequently, UAC will maintain a continuous focus on HSE and the use of appropriate protective equipment at our supplier premises.

Another aspect of our operations that requires examination and assessment is the transportation involved in our raw materials supply chain. Many of these transportations are carried out by forwarders in Eastern Europe, and we cannot assume that their drivers enjoy the same conditions as their Norwegian or Western European counterparts.

Considering all the above factors, the current overall risk in our supply chain is deemed to be low to moderate.



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Contact

For questions about this statement and our work towards the aspects related to the Transparency Act, please contact our Quality Manager or Head of Procurement & Material Administration by e- mail (tda@uac.no or jkl@uac.no)

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