



Human rights risk assessment

Appendix to:
OKEA ESG report 2023

OKEA Transparency Act Report 2023

This report has been prepared in accordance with the Norwegian Transparency Act (the “Transparency Act”) section 5 regarding safeguarding human rights and decent working conditions. It provides information on the implementation and results of OKEA’s due diligence. Other information regarding human rights can be found in OKEA’s ESG report 2023, section “Social—Respecting human rights.”

OKEA has used PwC’s digital tool “Transparency Chain” to map OKEA’s supply chain according to The Norwegian Transparency Act. The information gathering process uses a standardised questionnaire, where OKEA has decided which suppliers and business partners that will receive the questionnaire and decides the response if the suppliers have questions.

The questionnaire asks for company information, key personnel, ultimate beneficial owners, Political Exposed Persons (PEP)/Close Relative or Associate (CRA), labour and human rights, QHSE, business integrity, environment, supplier management and whistleblowing channels.

The process and mapping

OKEA Suppliers registered in Magnet JQS were not a part of this process, as OKEA considers this to be sufficiently assessed and followed up by Magnet JQS. Magnet JQS is the portal for supplier qualification used by contractors and all operators in Norway’s energy industry. All suppliers complete a capability assessment related to their operating management system, where risk management related to human rights is an element. Magnet JQS also supplies an audit service for supplier operational management systems. By collecting and sharing supplier data, operators on the Norwegian Continental Shelf (NCS) can manage risk better in the supply chain and streamline procurement processes effectively.

OKEA has included suppliers who do not have to comply with reporting requirements in the Transparency Act.

In 2023, OKEA assessed a list of 396 companies, of which 251 were tier 1 suppliers and 145 were business partners. Nine tier 1 suppliers were forwarded to 21 tier 2 suppliers—none of the tier 2 suppliers forwarded to their own sub-suppliers. Tier 1 suppliers deliver parts and services that go directly into OKEA’s products. Tier 2 suppliers deliver other items and services related to our business but not used directly in our products. In total, 471 companies received the questionnaire. 176 companies have completed the questionnaire, including 110 tier 1 suppliers, 8 tier 2 suppliers and 58 business partners.

The mapping contains information from third parties who have submitted questionnaires in the Transparency Chain tool, which flags companies based on their questionnaire responses.

Any incorrect or incomplete information submitted in the questionnaire falls under third parties’ responsibility.

Due diligence process/5-steps model

This mapping is only one element in the more extensive due diligence process concerning suppliers and business partners, as section 4 of the Norwegian Transparency Act requires. The Act also recommends using inherent risk assessments, such as industry and country risks.

The 396 companies in the mapping have been identified against NACE-codes and accompanying industry risk, as well as country risk indices (Corruptions Perception Index, Global Rights Index and Labour Rights Index).

OKEA has also considered our spending information related to suppliers and will use this information to evaluate OKEA's possible influence on different suppliers and business partners regarding identified flags.

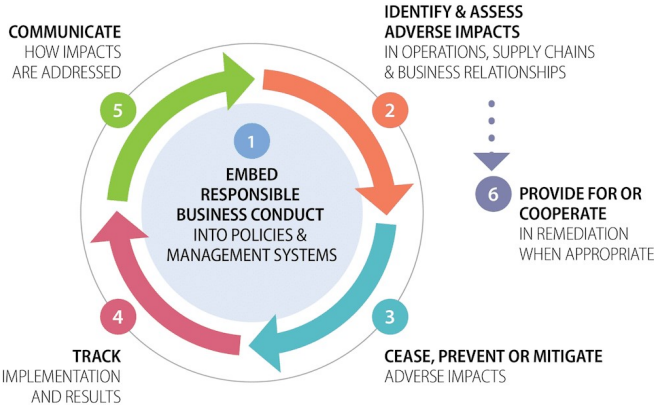
OKEA's responsibility depends on its relationship with the potential or actual impacts, i.e., whether OKEA causes, contributes to, or is only linked to such effects through its enterprise operations, products, or services through a business relationship.

All our 396 companies, suppliers and business partners have been analysed. The analysed data provides information about the inherent risk regarding human rights and decent working conditions, categorised by product or service provided.

A mapping tool is used to categorise the different entities.

The mapping is based on OKEA's input, publicly available company information, open sources of information on inherent risk and PwC's knowledge of best practices and compliance.

The Transparency Act is based on the OECD guidelines, which provide an extensive structure and guidance for due diligence processes. A due diligence process by the Transparency Act is a process of continuous improvement, as illustrated in the figure to the right.



In the following, we provide a short summary of the analysis's results, showing what types of suppliers and business partners, in general, would be characterised as having an inherent high risk and the most common risk factors.

High-risk suppliers

In the summary of OKEA's suppliers and business partners, these are examples of supplier categories that could have an inherently high risk connected to human rights or decent working conditions.

When analysing risk to align with the Transparency Act, OKEA considers the entire value chain from upstream to downstream, including all the raw materials, production and services.

- **Advisory:** Advisory services do not have HSE risks in themselves, though there are some risks related to overtime work and healthy work-life balance. Advisory services on-site in the oil and gas industry would also include a high HSE risk.
- **Construction:** There is a risk of breaching labour rights and HSE risks for construction workers. Local communities and workers in the supply chain are at risk due to the sourcing and processing of raw materials (such as stone, wood, and metal) used in construction equipment and building materials.
- **Software & IT services:** Software and hardware risks include labour rights breaches and HSE risks. Local communities are at risk due to the sourcing and processing of raw materials. Producers: This depends on the labour conditions of the programmers, i.e., the country risk of the country in which they are based.
- **Machinery & Equipment:** HSE risk (heavy lifting and transportation). Machines may consist of metals and electronics with a high risk of violating human rights and decent working conditions in the value chain. This includes the risk of low wages, child labour, forced labour, illegal use of land, financing of armed conflicts, as well as a lack of right to organise.
- **Store purchase of off-the-shelf products:** The actual sales activities do not have any significant risks. The risk here will depend on the product being sold and where these products are being produced.
- **Transport services (goods and passenger transport):** Risk of breaching labour rights and HSE risk for drivers. The use of sub-suppliers for drivers heightens the risk further. Local communities and workers in the supply chain are at risk due to the sourcing and processing of raw materials (such as stone, wood, and metal) used in the production of transport vehicles and fuel.

High-risk business partners

In the summary of OKEA's suppliers and business partners, these are examples of business partner categories that could have an inherently high risk connected to human rights or decent working conditions. When analysing third parties categorised as business partners, the Transparency Act limits the obligations to perform due diligence to the tier-1 and direct contract party. Sub-suppliers to the business partners are not within the scope of the required due diligence.

- **Transport Services (goods and passenger transport):** Potential supervisory duty (Norway), risk of breaching labour rights and HSE risk for drivers.
- **Restaurant/canteen/catering:** Potential supervisory duty (Norway), risk of breaching labour rights and HSE risk.
- **Hotel and accommodation:** Depending on the place, establishment, and country, employees in the hotel and service industry may be exposed to non-decent working conditions such as poor wages and abnormal working hours.
- **Cleaning:** OKEA has not categorised any of the business partners in the cleaning category. However, cleaning is often part of the office rent or maybe part of another supplier's service. It is essential to be aware of the risk sectors: potential supervisory duty (Norway), risk of breaching labour rights, and HSE risk.

OKEA has information and supervisory duty (“Påseplikt” in Norwegian) for certain services related to cleaning, canteen, transport, etc., in connection with our operations.

Overview of the responses




Company overview

-  **417 companies** received the questionnaire
-  **251 tier 1-suppliers** received the questionnaire
-  **21 tier 2-suppliers** received the questionnaire from nine tier 1-suppliers
-  **145 business partners** received the questionnaire

Response rate

-  **42% overall response rate**
176 companies
-  **44% of tier 1 suppliers**
110 companies
-  **38% of tier 2-suppliers**
8 companies
-  **40% of business partners**
58 companies

Flagged companies

-  **89 % of the companies were flagged**
157 companies
-  **1223 flags** across the 157 companies*
-  **Business Integrity**
144 companies and 333 flags
-  **Labour and Human Rights**
119 companies and 248 flags
-  **Supplier Management**
93 companies and 356 flags
-  **Environmental Management**
86 companies and 129 flags
-  **Health and Safety**
72 companies and 157 flags

*54 business partners, 95 tier 1-suppliers and 8 tier 2-suppliers

Summary and conclusion

OKEA has categorised the risks into categories, and the main reasons for flagged companies are summarised as follows:

Risk category	Main reasons for flags
Business Integrity	Lacking compliance procedures Lacking dedicated personnel
Labour and Human Rights	Lacking compliance procedures Lacking dedicated personnel
Supplier Management	Lacking compliances procedures
Environmental Management	Lacking dedicated personnel Lacking compliance procedures
Health and Safety	Lacking compliance procedures Lacking dedicated personnel

Results in detail:

- Disclosed breaches:**
 - 11 companies disclosed 22 unique breaches
 - Business Integrity represented 45% of all flags
 - Environmental Management represented 23% of all flags
 - Equal distribution of flagged companies across the risk topics
- Supplier Management**
 - 3rd most companies flagged: 93 companies
 - The risk category with most flags: 356 flags
 - The only category is lacking compliance procedures
- Business Integrity**
 - The most companies flagged: 144 companies & 333 flags
 - Lacking compliance procedures: 133 companies & 256 flags
 - Lacking dedicated personnel: 48 companies
- Environmental Management**
 - 4th most flagged 86 companies & 129 flags
 - Lacking dedicated personnel: 76 companies
 - Lacking compliance procedures: 46 companies with 46 flags
- Labour and Human Rights**
 - 2nd most companies flagged: 119 companies & 248 flags
 - Lacking compliance procedures: 100 companies & 159 flags
 - Lacking dedicated personnel: 80 companies
- Health and Safety**
 - 5th most flagged companies: 72 companies & 157 flags
 - Lacking compliance procedures: 43 companies & 100 flags
 - Lacking dedicated personnel: 53 companies

Focus on 2023 and plans for 2024

The trend OKEA can see from the responses and flags is that the mapped companies primarily lack formal procedures for compliance within the relevant risk categories. The lack of formal procedures is not a significant concern; however, OKEA would need to assess the actual risk of compliance breaches.

In 2023, OKEA initiated 12 supplier audits through Magnet JQS, and audit results are followed according to OKEA's business processes and systems.

Further, OKEA has also 2023 initiated training and awareness in the supply chain organisation related to human rights and decent working conditions.

Going forward, based on the mapping results and Magnet JQS audits, OKEA will decide which companies to follow up and how, including any need to revise OKEA's internal governance structure and procedures.

OKEA will prioritise companies categorised with activities in the "high-risk suppliers"/ "business partners" in combination with OKEA's actual impact based on spending, relationship, and number of transactions.

OKEA will consider joining the cross-industry collaboration initiative on human rights in 2024. Offshore Norge, the professional body and employer's association for oil and supplier companies manages the initiative. Offshore Qualific coordinates the Human Rights Audit Service.

This initiative aims to assist participating companies in improving worker welfare in line with the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the fundamental conventions of the International Labour Organisation (ILO).