

A high-speed photograph of a water splash against a light teal background. The splash originates from the bottom left and moves towards the center. Numerous bubbles of various sizes are scattered throughout the water, with a prominent, large, clear bubble in the center of the splash. The overall aesthetic is clean and fresh.

Transparency Act Report **2022**

Hydrogen pro

1. General information

1.1 About HydrogenPro

HydrogenPro was founded in 2013 with a mission to design and deliver green hydrogen technology & systems. Our team consists of more than 200 highly skilled and experienced employees, including key personnel with leading global hydrogen expertise. HydrogenPro is a Norwegian company listed on Oslo Stock Exchange. Our global presence has grown the last two years, and as of June 2023 we operate on three continents:

■ Europe:

- Herøya, Norway: Headquarters and test facility
- Oslo, Norway: Administration office
- Aarhus, Denmark: R&D and electrode manufacturing
- Duisburg: Germany: Sales office

■ Asia:

- Tianjin, China: Electrolyser manufacturing, 500 MW capacity

■ North America:

- Boston, US: Sales office
- Texas, US: Planned electrolyser manufacturing, 500 MW capacity

HydrogenPro is an original equipment manufacturer of large-scale green hydrogen technologies and systems. Our core technology consists of electrolyzers comprising cell stacks, gas separator including controls hereof. The electrolyser system delivered by HydrogenPro is energy efficient, flexible, and well proven. Our technology is referred to as high-pressure alkaline system which delivers the hydrogen and oxygen gas with a pressure directly from the cell stack. The high-pressure alkaline technology is suitable for renewable energy input, and the electrolyser size we deliver is a perfect match for large-scale industrial applications such as power-to-gas, ammonia, and steel production.

HydrogenPro's large-scale electrolyzers and cost-effective technology have the potential to both enable and strengthen other segments in the energy transition, whether it be wind, solar and other renewable power sources. Through its unique properties as an energy carrier, green hydrogen will be key in facilitating the green energy transition. We are committed to be at the forefront of the green hydrogen industry and are confident that our technology and expertise will help to drive the world towards a more sustainable future.

1.2 Sustainable and local manufacturing and supply chains

In the annual report for 2022, an updated materiality assessment was presented. Sustainable and local manufacturing and supply chains was identified as one of the four most material ESG topics for HydrogenPro. Our main business activity, the manufacturing of our electrolyser systems, has significant social and environmental impact on our surroundings, such as energy and water consumption, waste disposal, emissions, and supply chain management, including human rights and working conditions along the product value chain.

The HydrogenPro electrolysers are today manufactured in Tianjin, outside of Beijing in China. After upgrades made in the second quarter of 2023, we have a manufacturing capacity at this site of 500 megawatt per year. The manufacturing activities in Tianjin was established through the second half of 2022. The manufacturing process is now ongoing to deliver on awarded purchase orders. The next step for HydrogenPro is the announced establishment of additional 500 MW of manufacturing capacity in Texas, USA.

HydrogenPro strive to create a strong and resilient network of suppliers that match our quality requirements, delivery schedules, and capacity needs. As an industrial company with advanced technology, we highly depend on suppliers that meet our technical specifications and standards. Therefore, the process of sourcing from a new supplier requires a thorough assessment that involves close communication with the supplier management and visits to their manufacturing sites. When we approach new suppliers, environmental and social sustainability are topics we address. We are committed to driving positive change not only in our own operations, but also through collaboration with our suppliers.

1.3 Human Rights and Labour Practices

HydrogenPro places great emphasis on respecting human rights and promoting decent working conditions, both in our own operations and in our value chain. Respecting human rights is deeply embedded in HydrogenPro's operations and a part of our risk management processes.

Following HydrogenPro's governance model, the Board of Directors is responsible for the company's operations, including human rights and working conditions. The Board of Directors has delegated the day-to-day management of these duties to the CEO, who is responsible for reporting back to the board. For further information on corporate governance in HydrogenPro, please see our NUES Corporate Governance Report for 2022, published on our web page.

1.3.1 Corporate commitments

As an international company with global operations, HydrogenPro is committed to respect and promote human rights across our value chain and in dialogue with our stakeholders. HydrogenPro is working proactively to mitigate potential adverse impacts to human rights or decent working conditions caused by our own operations and operations in our supply chain. We have made a commitment to comply with key international policies and principles and have implemented the following into our internal guidelines and policies:

- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- International Bill of Human Rights
- ILO Convention

1.3.2 *Code of Conduct*

Our Code of Conduct sets out the expectations, commitments, and requirements for ethical conduct for HydrogenPro's business operations. The Code of Conduct applies to HydrogenPro ASA and all its subsidiaries, including all employees, the Board of Directors, consultants and hired contracts. The Code of Conduct is publicly available on our web page.

The Code of Conduct states that HydrogenPro works to systematically support and promote human rights through our business operations, as well as in our relations to suppliers, customers, business partners, and other stakeholders. HydrogenPro is committed to preserve and safeguard the human rights of anyone affected by the Company's business operations. This should be done by commencing risk-based due diligence assessments of HydrogenPro's operations, including supply chain and business partners. This report is the result of such a due diligence assessment.

1.3.3 *Code of Conduct for Suppliers and Third-Party Intermediaries*

Our Supplier Code of Conduct is based on internationally recognised standards and covers a wide range of issues, including legal compliance, human rights, labor standards, health and safety, environmental protection, business ethics, and responsible sourcing. By adhering to this Code, we expect our suppliers to demonstrate a commitment to ethical and sustainable business practices. The Code of Conduct for Suppliers and Third-Party Intermediaries sets out our expectations for non-discrimination and fair treatment, working hours and wages, child labour and forced labour, and health and safety. The Supplier Code of Conduct is publicly available at our web page.

1.3.4 *Stakeholder dialogue*

As a fast-growing company in a major industry, HydrogenPro strives to meet the rising expectations from our stakeholders and to be transparent across our value chain. As a part of the materiality assessment prepared for the Integrated report 2022, representatives from the Board of Directors, executive management and key personnel worked together to conduct a thorough stakeholder analysis. Further details can be found on page 18-19 in the Integrated report.

1.3.5 Whistleblower mechanisms

HydrogenPro has a whistle blower policy providing instructions on how employees shall address and report critical concerns to the executive level and board level. All employees are encouraged to report incidents of concern. Issues can be reported anonymously, and the matter will be handled by relevant channels. There has not been established an external whistleblower channel available for third parties. This is due to be done in the second half of 2023 and will be available at our webpage.

2 Due diligence assessment of adverse impact on human rights and decent working conditions

2.1 Screening of suppliers

As described in our annual report, the initial supply chain management process was established in September 2021. It is focused on quality, certifications, capacity, company reputation, and transparent communication. Suppliers were screened using a questionnaire focusing on commercial, financial, and ISO information. After HydrogenPro uplisted to the main list on Oslo Stock Exchange in the beginning of October 2022, the supplier screening process was updated and is now involving more robust qualification procedures. These are used both to prequalify and to re-approve suppliers and includes factory visits and audits. The supplier screening process is based on a Supplier Code of Conduct, which describes mandatory requirements we expect all suppliers and business partners to honor.

2.2 Due diligence assessment of human rights and decent working conditions

Following the Norwegian Transparency Act's entry into force 1 July 2022, HydrogenPro has conducted due diligence assessments of our own business, our business partners, and our supply chain, to identify and mitigate actual and potential negative impacts on human rights or decent working conditions. Our own business and business partners were assessed in the winter of 2022 as a part of the yearly risk management and internal control reporting. No violation of human rights or decent working conditions were identified. Further information can be found in our annual report.

We have also conducted a due diligence assessment of our supply chain in line with the requirements set out in the Transparency Act. The due diligence assessment investigated whether there were any actual or potential adverse impact on human rights or decent working conditions in our supply chain. HydrogenPro currently has more than 150 active suppliers providing products and/or services to the company. Following the risk-based approach, a selection of the suppliers was chosen based on the following criteria:

- Recurring purchases vs. transactional purchases: Focus on suppliers where we have recurring business and a growing spend in 2023.
- Key suppliers: The importance of the supplier for our operations – either single source or technology critical.
- Products vs. services: Prioritising suppliers providing products and suppliers providing services with direct impact on project execution.
- Total spend: Suppliers with a spend above RMB 1.5M or NOK 1.5M.
- Some of HydrogenPro's operations are in geographical areas that have traditionally had a higher risk of human and labour rights violations. To mitigate the increased risk of human and labour rights violations, additional attention has been placed on the due diligence assessment in these areas.

Based on the above list, 39 suppliers were included in this year's due diligence assessment. 15 of these were handled from our Chinese offices, and 24 from our Norwegian offices. It was necessary to split the execution of the assessment, due to the need for local language capabilities when coordinating with our Chinese suppliers. For the due diligence assessment, we used a questionnaire developed by a Norwegian law firm to meet the Transparency Act requirements. The questionnaire was sent to the chosen suppliers, asking for feedback and supporting documentation. The questionnaire contained 19 questions on the topics human and labour rights, supply chain compliance, and health & safety. For suppliers delivering to our Chinese operations, nine additional questions related to how suppliers mitigate adverse impact on human rights and decent working conditions in their own supply chain were included.

For the suppliers handled from Norway, the questionnaire was created in our supply chain management system, Ignite Procurement, and the selected suppliers entered information and uploaded supporting documentation directly into the online system. Out of the 24 suppliers chosen for the assessment, 20 responded (79%). Based on the information provided, we assessed if there were any actual or potential adverse impact on human rights or decent working conditions discovered. After the due diligence assessment was concluded, mitigating efforts were identified.

For suppliers in China, the data from the questionnaire was collected manually due to language limitations in the software. All 15 suppliers chosen answered the questionnaire with supporting documentation, although the completeness and validity of the supporting documents were varying. The data was shared with a third party, Dun & Bradstreet. Dun & Bradstreet analysed the answers and the supporting documents provided by the selected suppliers in local language and produced a report in English. The report assessed actual and potential adverse impact on human rights or decent working conditions. Mitigating efforts and suggestions for improvements were also included.

2.3 Actual and potential adverse impact on human rights and decent working conditions in our supply chain

The due diligence assessment conducted did not identify any indicator of actual or potential adverse impact on human rights in our supply chain, nor any actual adverse impact on decent working conditions. However, the due diligence assessment did identify potential adverse impact on labour rights, as well as potential adverse impact on violation of supply chain compliance. The risks of adverse impact on both labour rights and supply chain compliance were material. However, the potential adverse impact was mainly related to the assessed suppliers' supply chain, not their own operations. The majority of the identified risks were related to supplier's delivering to our Chinese operations. Our due diligence assessment uncovered that at a policy level, most of our suppliers do not have sufficient human rights requirements for their own supply chain, and at a process level, a majority of our suppliers do not have the appropriate systems to address ESG or human rights issues within their supply chain.

27 out of the assessed 34 suppliers claim to carry out human rights due diligence assessments in their own operations and value chains, though the documentation provided to support these claims were varied and in some cases absent. Lack of supporting documents may indicate that further assessment of the relevant supplier is required.

Only 3 out of the 34 suppliers assessed had a social accountability management system, such as ISO 26000 or SA8000, while two thirds of the suppliers assessed claimed to have a health & safety management system, such as ISO 45001. Almost 85% of the assessed suppliers claimed that they have a policy or action plan related to remediate adverse impact on ESG-related issues in their supply chain, though also here the supporting documentation was of varied quality.

In addition to the discoveries following the due diligence assessment, HydrogenPro has uncovered two cases of adverse impact on decent working conditions. Both cases are related to the same supplier. One case is related to an incident that took place in December 2022, when hydrochloric acid leaked into a production area due to a technical issue. The leak was controlled by a secondary leak protection layer, and no human direct exposure to the solution occurred. The following clean-up was done in accordance with safety regulations. The other case relates to the day-to-day working environment at the same supplier's facility, where the production line is manually controlled. This leads to a challenging and hot working environment for the production personnel that works directly on the line, particularly during the hot summer months.

3 Mitigating efforts

In accordance with the Transparency Act, HydrogenPro has identified and implemented mitigating efforts to cease actual and potential adverse impacts on human rights and decent working conditions in the supply chain. While some of the mitigating efforts identified must be incorporated by our suppliers, we also acknowledge that there are areas of improvement within our company as well to ensure sufficient attention on and knowledge about human rights. This involves how we address human rights in our value chain, as well as how we work on the topic internally. Consequently, we have already implemented the following measures to mitigate adverse impacts on human rights and decent working conditions in our supply chain:

- Additional staff has been hired to increase competence and awareness on human rights and decent working conditions: Head of IR and ESG located in Norway, and HSE Manager located in Tianjin, China.
- Our internal code of Conduct was updated spring 2023 to better reflect the company's position on human rights, including updated corporate commitments (see above).
- The Supplier Code of Conduct was updated in the winter 2022/2023 and published online. The Supplier Code of Conduct was later translated to Chinese. The Supplier Code of Conduct has been sent to relevant suppliers, and will be included when onboarding new suppliers.
- Updated our General Terms and Conditions to include human rights and social sustainability.
- The updated supplier qualification process is implemented across the whole group including in-depth review of topics such as management systems, compliance, corporate responsibility and supply chain management. The updated supplier qualifications process will be run on relevant existing suppliers in addition to all new suppliers.
- Additional scrutiny included in due diligence assessment of suppliers located in areas where risk of human rights violation is traditionally higher. We included nine additional questions in the Transparency Act due diligence questionnaire for suppliers delivering to our Chinese operations. These questions concentrated on how the selected suppliers handled risk of human rights and labour rights violations in their own supply chain, and as such, provided us with further knowledge of our subsuppliers.

The mitigating efforts implemented are expected to contribute to reduced risk of adverse impact on human rights and decent working conditions through increased knowledge and competence on the topic. Through updated policies, processes, and documents, the necessary governance structure and day-to-day management of human rights topics have been presented to all relevant parties, and relevant information has become more accessible for employees and suppliers. Having implemented the same supplier screening process across the whole group, this will make it easier to uphold the high standards we expect from our suppliers.

In addition to this, several mitigating efforts will be implemented through 2023:

- Establishing an external whistleblowing channel where relevant parties can report concerns anonymously.
- Establishing a sustainable procurement policy where ESG factors are taken into consideration.
- Prepare a detailed action plan for how to act if human rights violations in the supply chain are discovered.
- Establish a process for conducting regular human rights assessments for existing suppliers, including determining criteria for which suppliers to prioritise from a risk-based approach.

We also plan to implement the following steps in our supplier screening process through 2023:

- In addition to sharing the Supplier Code of Conduct with relevant suppliers, a formal request of confirmation of understanding and acceptance of the Code will be required. This states the importance of higher standards in terms of social accountability, human rights, and health and safety performance for HydrogenPro partners and their supply chain.
- Suppliers will be recommended to pursue certifications to enhance their credibility and signal their adherence to international labor rights standards.
- Conduct additional audits with low-performing suppliers to assess compliance with labor rights policies. These audits shall be conducted by internal audit teams supported by professionals specialised in labour rights. If any irregularities and non-compliances are identified, a corrective action plan shall be put in place by the supplier. If measures are not considered effective and risks are considered too high, the supplier may be excluded from the list of suppliers. All 15 suppliers included in the due diligence assessment that deliver to our Chinese operations will be audited during fall/winter 2023.

With respect to the adverse impact on decent working conditions discovered at one supplier's facilities, we acknowledge that this is a challenging situation. After considering possible mitigating efforts, it has been concluded to transfer our business to a new supplier with a higher degree of automation in the production line. We have already reduced our business with the original supplier to about 1/3 of the initial volume and will terminate the relationship within the end of the year. In the meantime, HydrogenPro will encourage our existing supplier to implement measures to promote a better working environment, such as ensuring sufficient breaks and access to hydration for employees working directly on the line, especially during the hot months of summer.

The mitigating efforts listed above are expected to further increase the internal processes for supply chain management in HydrogenPro as well as our insight into our suppliers and their potential adverse impacts on human rights and decent working conditions.

Oslo, 30 June 2023

(Electronically signed)

Ellen M. Hanetho

Chair

Jarle Tautra

Board member

Terje Mikalsen

Board member

Richard Espeseth

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