



Vard Group's focus on Human Rights and decent working conditions in the supply chain

Description of Vard Group

Vard Group is a major global shipbuilder, designing and constructing cruise, offshore and specialized vessels, owned by Fincantieri S.p.A.

Our core business is innovative design and construction of complex and highly customized offshore support vessels, as well as specialized vessels such as cruise vessels, service operation vessels, battery-powered ferries, naval and coast guard vessels, fishing vessels and non-offshore related icebreakers with customers-specific applications. VARD is committed to develop solutions to combat the effects of climate changes as an industry connected to the sea and is proud to have a significant role in enabling sustainable development.

VARD has seven shipbuilding facilities worldwide: Three in Norway, two in Romania, one in Brazil and one in Vietnam. The strategically located shipyards enable the company to meet every need of a diverse and sophisticated global customer base. The headquarters of Vard Group is in Ålesund on the west coast of Norway, and the operation in Norway comprises Concept Development, Design and Engineering, Procurement, the three Norwegian shipyards, Brattvaag, Langsten and Søviknes in addition to our specialized Business Units for, Electro & Automation, Piping and Accommodation & HVAC.

The yards in Norway are mainly outfitting hulls delivered from Vard Group's two shipyards in Tulcea and Braila in Romania. VARD also owns and operates one shipyard in Vung Tau in Vietnam and one shipyard in Pernambuco in Brazil. In addition to new building, we also have activities related to maintenance, repair, and conversion of vessels.

This statement also applies to subsidiaries to Vard Group AS which is subject to the Transparency act.

Vard Group's responsibilities under the Transparency Act

Vard Group AS is subject to the Transparency Act ("the Act"). The Act shall promote businesses' respect for basic human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the public access to information about how businesses deal with negative consequences for basic human rights and decent working conditions. The law is based on international recognized frameworks and conventions.

The Act sets out requirements for companies to carry out due diligence assessments. The due diligence assessments must be risk-based and proportionate and focus on factors in the supply chain that may represent a high risk of violations of human rights and decent working conditions. A central part of the due diligence assessments is to identify high-risk suppliers and ensure that adequate risk-reducing measures are implemented in relation to such.

Implementation of the Transparency Act and measures adopted in 2022-2023

In connection with the introduction of the Act, the company has carried out a comprehensive review of existing procedures and guidelines. These have been adapted and updated with the intention of preventing and uncovering supply chain risks, including negative impact on human rights and decent working conditions at suppliers and in own operations.

The Board of the Vard Group acknowledges the importance of working to ensure the respect of fundamental human rights and decent working conditions and has established this with a tone from the top in Board Resolution adopted 29.06.2022. The company has, as stated in the VARD Ethical Guidelines and Whistleblowing Policy and underlying procedures, undertaken to comply with all laws and regulations. Furthermore, the VARD Ethical Guidelines and Whistleblowing Policy clearly states that Vard Group AS and its subsidiaries distance themselves from modern slavery and all forms of human rights violations, including indecent working conditions in the supply chain and own operations.

Examples of concrete measures that the Vard Group has adopted, aimed at mitigating the risk of adverse impacts on human rights and decent working conditions are:

- Underlined the accountability through lifting VARD's obligations under the law to the board of directors of Vard Group AS and its Norwegian subsidiaries.
- Implemented revised HSEQ Manual in Vard Group AS including the basic procurement principles, which shall be applied to all suppliers used in VARD.
- Implemented revised VARD Ethical Guidelines and Whistleblowing Policy, which is also applied to all VARD subsidiaries.
- Updated the Supplier Declaration, where suppliers undertake to follow the regulations and accept that VARD can exercise sanctions such as termination and investigation of the supplier.
- Revised templates for purchase contract conditions for both goods and personnel, including obligations for suppliers to carry on the same obligations further down the supply chain.
- Mapping and risk assessment of suppliers in accordance with OECD guidelines. Due diligence assessment of suppliers assessed in the risk zone is underway. The obligations to carry out the due diligence assessments will lie with the individual company with support from Procurement/Legal/HSE if necessary.
- Updated and extended approval procedure for suppliers implemented.
- Increased controls regarding salaries and working conditions for all subcontracted personnel working at VARD's yards in Norway.
- Published information on websites and templates for answering inquiries from third parties have been prepared and are available in the Vard Management System.

Vard Group's risk assessment



As part of the due diligence assessment, the company has carried out a comprehensive survey of suppliers, with the aim of identifying potential risks. Work on carrying out due diligence assessments, such as the extended approval procedures and risk mapping has begun.

The company considers that it has greater influence on the suppliers who carry out work at the company's shipyard than on standard component suppliers. The company also considers that the use of foreign labor in the industry is a high-risk area for breaches of the Act. There is therefore extra focus on ensuring decent working conditions for employees of suppliers and subcontractors who carry out work at the shipyards.

The risk assessment is based on different criteria like country of origin, sustainability category (sector), purchase order value, type of activities, track history from eventual previous deliveries. Suppliers identified as high risk shall be subject to a detailed due diligence (DD).

VARD have approximately 6 600 different suppliers, and approximately 130 of the suppliers are classified as high risk. Geographically, most of those suppliers are located in Romania, followed by Vietnam, China, Turkey, Hong Kong and Greece. Regarding the sustainability category, in addition to turnkey contracts, the ones including labour-intensive work, directly linked or not to VARD's operations, are considered high risk. Suppliers identified as high risk have been re-qualified or are in such processes after new criteria of the Transparency Act.

Vard Group has not identified any actual violations of human rights or decent working conditions in the company's supply chain in the period from 1st July 2022. If the company identifies human rights violations in the supply chain, the company will take measures, such as obtaining information from the relevant supplier about the situation and information about the supplier's remedial measures. If the supplier's remedial measures are not considered adequate and proportionate, the company will consider temporarily suspending or terminating cooperation with the supplier.

This statement is an account for Vard Group's due diligence as per June 2023 signed off in accordance with Section 3-5 of the Accounting Act. It will be updated at least one time a year, or in case of any substantial changes in the company's risk assessment.

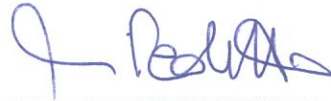
This Transparency Act report was included in the Annual Report for Vard Group AS and Vard Electro AS, approved and signed by the BOD respectively on 3 March 2023 and 2 March 2023.

Ålesund, 30.06.2023

Board of Directors of Vard Accommodation AS



Attilio Dapelo 11/7/2023
Chairperson



Giovanni Peditto
Director



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Vegard Nykrem
Director