

Accountability in Hydroscand Supplier Code of Conduct



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Corporate governance – international, decentralised, customer-oriented organisation

Hydroscand has activities in more than 20 countries. Hydroscands' principles for corporate governance, principles and frameworks for a decentralized, customer-oriented organisation shall lay a good foundation for sustainable value creation and good results. Customers are the most important factor in Hydroscands' business. The principles of corporate governance facilitate local entrepreneurship together with strong support from several levels of a global company. This gives the company the ability to react quickly, creates credibility and trust among customers, employees, partners, other societal interests locally and in general.

Hydroscand was founded in Stockholm as a family-owned company in 1969. The basic idea was a customer-oriented and decentralised organisation. The Norway operations were established on 19. May 1978. The company is still family owned and the basic idea of a customer-oriented and decentralised organisation is still strong. The way responsibility and authority are exercised between the owner, the board, the company's management, and the local dealers is described in Hydroscands corporate governance with instructions for the board and CEO, area managers and down to the department managers.

Hydroscand will be the market leader and the customers' first choice as a supplier of hoses and belonging components. The values in Hydroscand shall help create a basic identity of a stable work force with a common understanding of what is right and acceptable behaviour in meetings with colleagues, managers, competitors, suppliers and, of course, customers. We have chosen to highlight the values as follows:

Customer focus: We consider the customer in everything we do and strive to always exceed customer expectations.

Innovative: We strive to be the most innovative company in our industry, and we are always curious to find new solutions and services.

Entrepreneurship: Local entrepreneurship is part of our DNA and this, together with support from several parts of a global company, makes us strong able to react quickly.

Trustworthy: We are honest and act responsibly with a long-term perspective. Quality and safety are important to us. We strive to create a safe working environment and a safe and sustainable future for the society, our customers, and our employees.

These values shall characterise Hydroscands' culture and, together with our vision and business concept, form the basis for overall goals, strategies, and priorities.

The common understanding of correct and acceptable behaviour that ensures openness, accountability and equal treatment is laid down in the ethical guidelines that apply to all employees. The ethical guidelines have been approved by the Board of Directors and are available on intranet pages and the corporate governance system. Similar codes of conduct have also been prepared and are followed as part of the approval process by suppliers. Continuous follow-up/audits of this are also carried out, based on an internal risk classification of the suppliers.

Hydroscand is known for a good working environment. Our employees are the company's most important resource. Our corporate social responsibility is a central part of our business strategy and serves as a strong guideline for our work. We work purposefully and want to contribute positively to our customers and the entire society. In September 2022, Hydroscand was also certified as "Great Place To Work", something we are proud of and take as proof that good values and good work pay off.

Hydroscand AS is investing heavily in a range of quality products. We work continuously with environmentally conscious choices, such as recycling and return schemes for hoses and couplings. We are proud that Hydroscand AS and several of our departments are certified according to ISO standards 9001:2015, 14001:2015 and 45001:2018.

Business management and Control

Hydroscand has a detailed and digital business management system with procedures, guidelines, policies, and checklists, that supports the company's corporate governance. The overall and governing document is updated and approved annually by the Board. A number of requirements and expectations are laid down from the board to management and further through Hydroscand's organisational structure, including accountability. Because Hydroscand's basic idea is a decentralised, customer-close organisation, the business management system contains instructions and HSE routines all the way down to dealer level. It is a goal that the instructions provide sufficient flexibility for desired local adaptations within applicable laws and guidelines, including the Transparency Act.

Accountability

Hydroscand aims to prevent and limit negative impacts and harm to people, the environment and society.

To identify, understand and map negative impacts, risk assessments are carried out at several levels. Management carries out annual commercial risk assessments that form the basis for probability- and consequence-reducing measures. Through third-party certifications on both quality assurance and the environment, Hydroscand has taken on stricter requirements than the industry in general. Hydroscand has established a quality management system and is certified according to NS-EN ISO 9001:2015. When it comes to the environment, Hydroscand is certified according to NS-EN ISO 14001:2015 and NS-EN ISO 45001:2018.

The risk assessments in the company are part of the overall due diligence assessment. Due diligence in Hydroscand is a continuous process and involves several processes to identify negative impact, prevent, follow implementation and results. Responsibility and transparency also include communicating how negative impacts have been handled in relation to Hydroscand's own operations, supply chains and other business relationships.

Sustainable development

High CO₂ emissions accompanied by global warming and increased energy demand are challenging for the global community. As a supplier of hydraulics, couplings, industrial hoses, and associated equipment, Hydroscand is a key part of the value chain related to building and construction. The building and construction industry accounts for the majority of total CO₂ emissions.

Continuous and safe operation of agriculture, where construction machinery is a prerequisite for growth, local repairs will be by far the most environmentally friendly alternative. Manufacturing replacement products or having emergency preparedness products increases demand and is far more CO₂ and energy-intensive. The same applies to shipping larger components over longer distances. Consequently, the basic principle of proximity to customers also has environmental benefits, as do efficient agriculture and infrastructure. In the worst case, downtime can lead to crops being lost, having a reduced shelf life or a smaller proportion becoming a commodity.

It is important to us together with the customer to find the right products for every application. Hydroscand aims to sort all waste at source and have as little residual waste as possible. We are committed to making "green choices" both in purchasing, logistics and hose assembly. We take responsibility for the environment and are certified according to NS-EN ISO 14001:2015.

Leading Hydroscand's sustainability work are ISO standards and the sustainability goals of the UN, the UN Global Compact, the ILO conventions, and the OECD Guidelines for Responsible Business Conduct. These requirements and objectives are found in the company's ethical guidelines for suppliers, internal ethical guidelines, guidelines for accountability and whistleblowing routines.

OECD Guidelines for Responsible Business Conduct

Hydroscand has an active relationship with the OECD Guidelines for Responsible Business Conduct. According to the OECD Guidelines and the UN Global Compact, companies must contribute to:



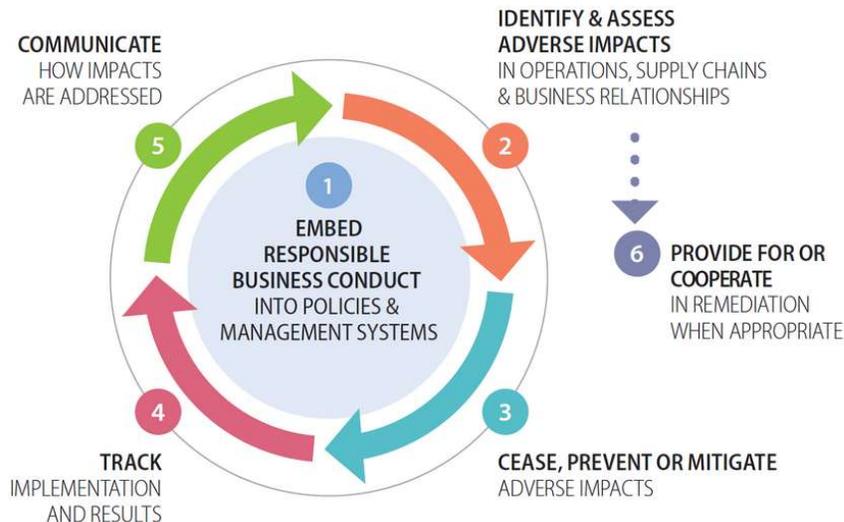
Essentially, these 17 principles can be grouped as: preserving the environment, respecting human rights, safeguarding employees' rights, and avoiding corruption and disloyal corporate behaviour.

Sustainability in Hydroscand

Hydroscand AS annually produces its sustainability report and presents it on its website www.hydroscand.no.

Due diligence

Hydroscand incorporates and follows the OECD Guidelines for Responsible Business by having good internal routines, as well as conducting due diligence in accordance with guidelines from the OECD and the Transparency Act.



Due diligence process in Hydroscand



Hydroscands' performance management system is a dynamic digital tool that is well known and accessible to all employees. Here are procedures and guidelines that satisfy the guidelines of the OECD and the requirements of the Transparency Act. Through years of experience with strict requirements for procedures, guidelines and checklists, there is a good culture for openness and verifiability in the company. The system is digitized in intuitive number and letter series and is always available to everyone electronically.

Hydroscands' management system takes accountability into account in the form of instructions for the board and CEO, area managers and department managers.

As explained under "Accountability", risk assessments of the company's activities are carried out annually. The work is carried out by the management team and selected professional and competence resources. Conclusions and findings are followed up and reported to management. The central board is then informed of the assessment, work, and results – of course also proposed measures.

Hydroscand continuously carries out activities that maintain the high level and awareness within health, safety, and environment. This will include ongoing improvement activities related to competence, safety culture, management system and information security.

Preventive activities aimed at human error and increased competence in HSE are a recurring theme in the follow-up and training of employees. Our investigations and reviews of accidents and incidents show that human error and lack of competence are the most common main causes of incidents. The company maintains regular statistics on accidents and incidents, which are reported centrally annually as part of the company's annual report, etc. Hydroscand has a zero vision of occupational injuries and accidents.

Hydroscand values privacy and information security highly. The company ensures that information security is handled in accordance with relevant laws, regulations, and framework conditions through continuous updating of governing documents and follow-up of compliance.

Responsible supply and value chain

Hydroscand shall always comply with applicable legislation, act in accordance with the principles of good business practice and loyalty in contractual relationships. Through clear and accessible procedures, the company and its employees shall counteract corruption in all forms in all verticals and markets in which the company is active.

We choose products and suppliers that balance business considerations and considerations for society and the environment. A key to this is also the decentralisation that allows local efficiency improvements and positive adaptations. Routines and risk classifications of suppliers have been in place since 2015. This means that suppliers are risk-classified based on, among other things expected/actual turnover, location, product, or service category, as well as how they answer the questionnaire. Based on the classification, continuous follow-up and frequency will be determined. Hydroscands' operations shall be conducted in a manner that always ensures predictability, accountability, and transparency. Hydroscand has central ethical guidelines for employees and suppliers.

Hydroscand has procedures for reporting censurable conditions in the company. Information about whistleblowing routines is readily available on the intranet.

Hydroscand conducts regular assessments of its own and its supply chain business practices. Continuous efforts are made to reduce the risk of irregularities, breaches of the law and breaches of internal guidelines and guidance. We ensure that our area managers, department managers and employees have the necessary awareness and competence to comply with guidelines, guidelines, and routines.

Hydroscand sets ethical requirements for suppliers through qualification criteria. Since 2015, risk classification has been carried out in connection with the qualification and routine follow-up based on value in the model for risk classification of suppliers. This system will be continued and further digitalized in connection with the Transparency Act. The basic idea of proximity to the customer and decentralisation means that the number of suppliers is high. Thus, automated tools for follow-up for further risk management are also actualized.



All suppliers must accept and have knowledge of Hydroscand's ethical guidelines, which contain comprehensive requirements. The guidelines are based on known conventions and are identical in all countries where Hydroscand operates. Furthermore, it means that the guidelines should be known to suppliers regardless of location. The purpose is to promote good working and environmental conditions in supply chains through close cooperation and expectations management. Breach of Hydroscand's ethical guidelines gives Hydroscand the right to terminate contracts in the standard terms and conditions.

Hydroscand is not subject to the Public Procurement Act and associated regulations. To the extent that a call for proposals or competitions is used, sustainability is emphasised. Consideration of environmental and social impacts shall be included in all phases of such competitions. Our relationship with suppliers is characterised by openness, honesty and credibility, and all procurements must be based on competition and equal treatment. To ensure that conflicts of interest are avoided, impartiality must always be assessed and documented.

Health, safety, and environment

Hydroscand works to safeguard our employees and customers, and in our daily work we are committed to minimizing our climate and environmental impact. Environmentally conscious suppliers are preferred, and we introduced early source separation. Hydroscand is NS-EN ISO 14001:2015 and NS-EN ISO 45001:2018 certified, so climate and environmental management is an incorporated part of Hydroscand's corporate governance.

Through continuous focus on reducing the company's energy and CO₂ footprint, we strive to develop systems and technology that reduce external impact. An environmentally friendly industry is best achieved through efficient utilization of components and machines that have already been produced.

Security and emergency preparedness

In Hydroscand, safety has the highest priority. Hydroscand's safety policy is based on a zero-damage philosophy, with an ambition of zero accidents with serious injuries to people, environment and property. We have our own machine developer who manufactures the equipment used at our locations. This ensures safety in design, but also uniform training and use.

Locations

All locations have been risk assessed and have HSE routines adapted to their profile and business. If new locations are acquired, HSE audits will be carried out as part of our Due Diligence. This is how we ensure that existing and new employees' safety is ensured from before day one. Existing locations also have regular HSE audits.

Road safety

In Hydroscand there is a not insignificant fleet of vehicles. For reasons of safety and the environment, the vehicle fleet is frequently renewed, which provides lasting and continuous improvements.

Information safety

In Hydroscand, we will work for good information security for customers, employees, and suppliers.

The purpose of Hydroscand's information security policy is to protect values and information. We shall ensure:

- Confidentiality- No one shall have access to information without a valid basis for processing and an official need.
- Integrity – system and information in the system must be correct and reliable.
- Availability – the system and information contained therein shall be available to authorized users at all times.

Hydroscand's information security policy shall ensure that all applicable internal and external requirements are met at all times.



The nature of the activity is not such that a separate data protection officer is required in the company.

Employee health, safety, and environment

Hydroscand is NS-EN ISO 45001:2018 certified. Preventing employees' physical and mental health through systematic HSE work has the highest priority. Hydroscand has its own sick leave follow-up procedure that all managers follow. The procedure safeguards the legal requirements, but also includes instruments that are used in the follow-up work. Priorities and continuous work pay off when Hydroscand was named Great Place To Work in 2022.

Transparency

Hydroscand continuously work to develop the form of communication, platform, and reporting so that it always meets informational needs and requirements. Through openness and good dialogue, the right feedback, trust, and continuous improvements are ensured. This is how a good reputation is built locally and centrally. A key point in Hydroscand is that the principle of decentralised proximity to the customer provides information flow both ways in the organisation. Best practices at successful retailers are incorporated and managed so that they can also be incorporated centrally or at locations in comparable areas.

Power of attorney and competence

A setup of authorisations and decision-making competence shows what the level of the organisation can decide as a unit. It also specifies what each member of the board, management, administration, and employee can decide, instruct, and commit the company. The matrix and its framework are approved annually by the board.

Four-eyes principle and two steps

In the proxies of the company, four-eyes are a fundamental principle. Purchases, contracts, invoice approval, personal expenses must always be approved or signed by two persons in accordance with applicable authorizations.

Important decisions such as determining salaries and hiring must not only be approved by the immediate superior, but also by the managers' manager. If decisions apply to members of the management team, the chairman of the board must also approve these.

Equality and non-discrimination

Gender equality is about more than gender. We know we are in a male-dominated industry and are therefore particularly concerned with ensuring diversity and inclusion through efforts to strengthen the balance between the genders. Long-term efforts are being made to improve the gender balance. That said, diversification in terms of age, ethnicity and cultural background is also central to a diverse team that generates added value and creativity. We are conscious of the non-discrimination provisions in the Working Environment Act in recruitment and hiring processes.

We believe that a workplace where employees can be themselves, provides a security and a good environment and thus performs at their best. With operations in over 20 countries, we have a diverse business. We exchange culture, entrepreneurship, expertise, and experience across national borders. Activity in many countries also entails greater social responsibility. In an international business, it is a strength of decentralisation that we also support completely local events with a social and cultural profile.

Hydroscand follows and has a conscious relationship to the regulatory requirements regarding equality and discrimination in the Equality and Anti-Discrimination Act (Section 26), the Accounting Act (Section 3-3) and the Working Environment Act (Section 13). After the employers' activity and reporting obligation related to equality and discrimination was expanded and specified in 2020, internal procedures and reporting have been adapted to expectations.

All key figures related to equality and discrimination are processed by the Board of Directors and stated in the company's annual reports.



Engaged employees

For Hydroscand, it is crucial that employees are committed and aware of our responsibility for ethical operations. This is a prerequisite for Hydroscand's vision of delivering the best and widest product catalogue where the customer is. We began by saying that our employees are our most important asset, and this is also repeated in conclusion. Our HR team helps us develop and retain existing employees and attract new, competent people. We have a culture characterized by openness, pride, loyalty, and commitment. This permeates all levels of the organisation, from the board and management team to the individual department and up again. It also means that employees, area managers and employee representatives are engaged in strategy processes and other relevant processes. We have employee representatives on the board and, through our partner, also offer training and orientation of responsibilities related to such roles.

With commitment and loyalty to the company's corporate governance system, the prerequisites for satisfying the provisions of the Transparency Act are good prerequisites. Good procedures and control routines shall contribute to compliance with the intention and provisions of the Act.