

# Annual Statement of the Norwegian Transparency Act §5 – Nammo AS

*Nammo AS is a limited liability company established under Norwegian law with a governance structure based on the Norwegian Companies Act. Nammo is subject to reporting requirements for corporate governance in accordance with the Norwegian Accounting Act. As a 50 percent state-owned company, we are also expected to adhere to the main principles of "The Norwegian Code of Practice for Corporate Governance," which our Board evaluates and discusses periodically to ensure good management principles for corporate governance.*

The Nammo Group is present in 11 countries, with production facilities in nine of them. As of the end of 2022, Nammo had 2 800 employees, with 900 located in Norway.

Our commitment to responsible business conduct includes conducting due diligence, applying the precautionary principle, and respecting human rights, all of which align with the OECD guidelines for multinational enterprises. We apply our commitment to respecting human rights to all our activities and business relationships, with particular attention given to at-risk or vulnerable groups such as workers in our supply chain. Our policy commitments have been approved at the most senior level of our organization and apply to all our activities and business relationships.

On 1 July 2022, the Norwegian Transparency Act came into effect. Although Nammo AS, as the parent company not selling products or services, is not covered by the Act, Nammo Raufoss AS is covered. Therefore, Nammo AS will report on the overall duties related to the Act, including those for Nammo Raufoss AS. Additionally, a separate statement will be published in the Nammo Raufoss AS annual report. The Norwegian Consumer Authority (Forbrukertilsynet) monitors compliance with the provisions of the Act.

The Consumer Authority is an independent administrative body under the Ministry of Children and Family Affairs.

## **Products**

Nammo develop, produces, and sell commercial and military ammunition, rocket motors for missiles and space industries, and commercial sea safety products.

## **Market**

Nammo's military market is primarily located in EU and North America, with national armed forces material command and the western defense and aerospace industry as our customer base. Sales of military products are highly regulated and strictly controlled by national export control authorities. Commercial market products are sold through distributors, retailers, and

national sport shooting and biathlon associations. Our customers are primarily located in Europe and North America, markets that represented more than 96 percent of the Group's revenue in 2022.

## **Organization**

Nammo's Human Resources department is responsible for following up on human rights and decent working conditions for our employees in accordance with the national working environment act and Nammo's People Policy and People Guiding Principles. We strongly support freedom of association and collective bargaining as per the ILO standard, and approximately 76 percent of Nammo's workforce is covered by collective bargaining agreements. The figure is impacted by the number of employees in the US where such collective bargaining agreements are not as common as they are in Europe. All employees are covered by such agreements where they exist, regardless of whether or not an employee is a union member (with the exception of the executive management team). We deem there to be a low risk of violation when it comes to Nammo's own operations. However, we consider there to be a higher risk in our supply chain. Our Health Environment Safety & Security (HESS) department regularly reviews operations' adherence to the HESS policy on safety and security and employees' occupational well-being. As a multinational enterprise, Nammo places a high value on ensuring the well-being of its employees and adhering to ethical standards in its supply chain. To achieve this, Nammo has established an Employee Works Council (EWC) that meets twice a year with union representatives. The EWC serves as an additional control function to corporate management, providing insight into employees' well-being in local entities. (Note: EWCs are standing bodies that facilitate the information and consultation of employees in European companies and groups of companies, as required by the 1994 European Works Council Directive, updated by Directive 2009/38/EC).

Nammo's procurement departments in each legal entity are responsible for the onboarding and due diligence of suppliers. The procurement process is defined in the Nammo Management System, and the due diligence of the supply chain is performed based on a risk-based approach, where different elements are evaluated, such as product categories, quality and environmental standards, country, human rights risk, and decent work conditions. Direct suppliers such as suppliers of critical components, conflict minerals, textile and construction services represent high risks. To mitigate these risks, suppliers respond to a self-assessment questionnaire and commit to complying with Nammo's Supplier Conduct Principles and our Code of Conduct, if they do not have equivalent policies. All direct and strategic suppliers undergo a screening process that covers risks as sanctions, watch lists, adverse media, finance, country. When there is a high-risk match, Legal & Compliance is responsible for approving the supplier. In 2022, Nammo had 1 084 third parties under monitoring, including approximately 700 direct and strategic suppliers, 10 percent of which were categorized as high-risk suppliers. To further enhance its procurement

processes, Nammo established a centralized function in 2022 to coordinate procurement and created a new Procurement Forum that works across countries and legal entities to share best practices and improve standardization of procurement processes. The established procurement process in the Nammo Management System was revised in 2022, and continuous improvements will be made in 2023.

### **Grievance mechanisms for detecting negative impacts**

Nammo has established a digitalized SpeakUp channel for our employees which allows them to report concerns anonymously and in their native language. To ensure that all employees are aware of the SpeakUp channel, we provide annual training and information on the group communication network and e-learning module. For suppliers or other business partners who wish to report concerns, we have an email address provided in the Supplier Conduct Principles, Terms and Conditions, and on the Nammo website. Additionally, we work collaboratively with other industry peers to share information regarding concerns related to certain categories of third parties.

### **How we mitigated the negative impacts**

Nammo is committed to mitigating any negative impacts on human rights and decent work conditions that may arise from its operations. In 2022, we did not discover any such negative impacts in our supply chain. However, we did identify other negative impacts, including suppliers holding sanctioned beneficial owners, supplier managers under investigation for corruption, and suppliers that posed a high risk and were not onboarded or terminated. In cases where a supplier presents a higher risk, Nammo conducts thorough due diligence. All stakeholders in the relevant value chain participate in the evaluation process. For instance, in a recent case involving a US supplier with production facilities in Vietnam, legal and compliance, procurement, logistics, and sales in the relevant Nammo country were involved in the evaluation process. Risk evaluation meetings were held to discuss various risks, including those relating to human rights and labor, country, regulatory and export control, currency, security of supply, transport, contract terms and conditions, and customer flow down requirements. The risk classification of suppliers can be found in the Nammo Raufoss disclosure to the Norwegian Transparency Act, which is available through this at [www.nammo.com](http://www.nammo.com).

### **Duty to provide information**

The aim of the Transparency Act is that we are open and transparent about how we are working with these issues. Companies have the duty to respond to request for information. Both request and answer must be in writing. Nammo have established routines of how to handle such information request. We have received one request from the media since the law came into force and we responded within the time schedule of three weeks. The annual statement can be found on [www.nammo.com](http://www.nammo.com) in both Norwegian and English language.

## Risk mitigation measures

We are concerned about the increasing number of reporting requirements related to ESG in the supply chain, which, coupled with the unstable geopolitical situation in Europe, puts a lot of pressure on our procurement and contracting organization. The increased requirement for control requires more capacity and efficient systems. As we move forward, we plan to:

- Enhance our background control and screenings of our business partners with an improved ESG risk evaluation tool
- Further strengthen our supplier audits for all ESG aspects.
- Implement a digitalized system to onboard third parties that handles ESG reporting requirements
- Provide our human rights training module to all employees with computer access, increasing our competency and understanding of international human rights.

Nammo is committed to ensuring that our supply chain operates sustainably, respects human rights, and adheres to anti-corruption standards.

We will continuously monitor the ESG performance of our suppliers and we look forward to collaborating with them on risk management and sustainability.

## Due diligence process and supporting measures

Source: OECD Due Diligence Guidance for Responsible Business Conduct.

