

THE TRANSPARENCY ACT

# A sustainable approach to human rights and decent working conditions



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# 1

## Introduction



# Introduction

**THE TRANSPARENCY ACT** highlights a key area and creates new responsibilities for large Norwegian companies. The Act should ensure a more sustainable approach to human rights and decent working conditions throughout the companies' supply chain.

Many companies subject to the Act have supply chains with international catchment areas in an economy that is becoming constantly more globalized and interwoven. If Norwegian companies systematize their work on uncovering risk and preventing human rights violations and indecent working conditions, the combined effect can positively affect international value chains.

# 2

## The Company



# The Company

**CELSA NORDIC** is part of CELSA Group International, a leading producer of low-emission, circular steel and Europe's largest circular supply chain. The company provides the most sustainable and climate-efficient reinforcing steel available and consists of:

- CELSA Armeringsstål
- CELSA Steel Service
- CELSA Nordic Recycling

**CELSA ARMERINGSSTÅL** is the leading producer of reinforcing steel in the Nordic region with a smelter and a rolling mill located in Mo i Rana, cut and bend unit CELSA Steel Service in Norway, Sweden, Finland and Denmark, and our steel scrap supplier CELSA Nordic Recycling in Sweden.

**CELSA NORDIC** recycles ferrous scrap to produce steel in electric arc furnaces (EAF), using the most sustainable technology available and energy based on clean, renewable hydropower. With 1 114 employees and subcontractors, CELSA Nordic produced over 800 000 tonnes of steel and recycled almost 900 000 tonnes of scrap in 2022.

**CELSA NORDIC** produce billets, reinforcing steel and wire rod for the Nordic building- and construction industry.

**ACROSS CELSA NORDIC** and the other five business groups, CELSA Group is present in Spain, France, Poland, the UK, Ireland, Norway, Denmark, Finland, and Sweden. It has 120 work centres, seven steel mills, ten rolling mills and 45 recycling plants, as well as transformation and distribution companies, which generate direct, indirect, and induced employment for more than 70 000 professionals.

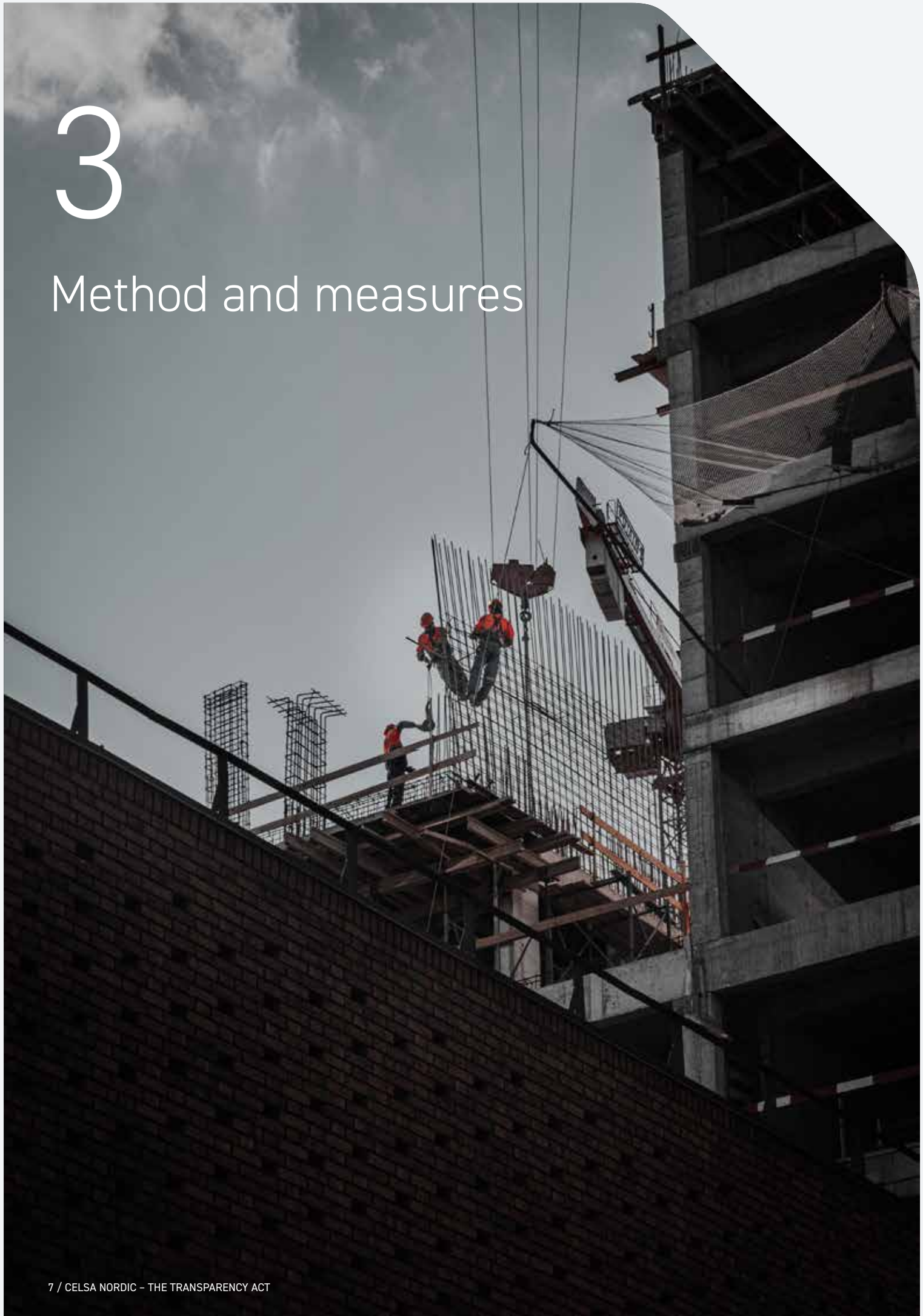
**CELSA NORDIC AND CELSA GROUP** work together to become part of the solution to the significant systemic risks on the planet by contributing to the mitigation of both: climate change and the depletion of natural resources through circularity and by becoming a Net Positive company by 2050.

The Transparency Act applies to CELSA Armeringsstål and CELSA Steel Service, Norway. In the following, they will be named CELSA Nordic.



# 3

## Method and measures



# Method and measures

## ANCHORING IN THE BOARD OF DIRECTORS

With the help of legal expertise, the companies have drafted new guidelines for requirements for the supply chain's relationship to decent working conditions and human rights. The guidelines have been presented as matters for the board in the companies and adopted by the boards as applicable rules for the companies as we advance.

## INITIAL

A Supplier Code of Conduct (SCoC) has been developed and distributed to the suppliers in the companies' value chain to operationalise the new guidelines. The SCoC expresses CELSA's expectations of how the suppliers shall relate to human rights and requirements for decent working conditions going forward. These expectations will form the basis of CELSA's dialogue with the suppliers on compliance with the obligations.

The Supplier Code of Conduct has been implemented in contracts CELSA Nordic enters with suppliers in the future. This ensures that the companies work on following up the Transparency Act becomes a part of their operations.

Based on the new documents that have been developed, CELSA Nordic has conducted a materiality assessment of its own supply chain. This work has started with a review of the supply chain to uncover where possible risk occurs. By classifying the various suppliers according to proximity to CELSA Nordic's core process and suppliers with potentially high risk, the companies have been able to prioritise work on uncovering risk.

The risk assessment has been based on the Norwegian Agency for Public and Financial Management's (DFØ) guidelines for ethical trade. The Agency analyses countries that are relevant for trade for Norwegian companies. In addition, they have reviewed various sectors in a risk assessment.

The steel industry is deemed to have a high risk related to human rights violations and indecent working conditions. Among other things, this is because Chinese and Indian players dominate the industry. For CELSA Nordic's work on the due diligence assessment, this implies that special attention is given to those parts of the supply chain that are affiliated with these countries.

## EXPECTED RISKS

The Supplier Code (SCoC) is established as a basis for positively developing responsible practices through the supply chain. It recognises human rights and principles set out in the Universal Declaration of Human Rights (1948). In general, the suppliers should support the protection of internationally proclaimed human rights, and therefore our assessment aims to reveal human rights violations in general.

After reviewing DFØ's assessments of risks in the steel industry, our SCoC mainly focuses on some of the human rights and working conditions. Child labour, forced and compulsory labour are prominent in our SCoC and are therefore most focused in our assessment. In addition, we significantly focus on making a safe, secure and healthy working environment for the workforce in our supply chain. Therefore, the SCoC, our assessment, has also focused on discrimination and minimum wages.

## ASSESSMENT

CELSA Nordic acknowledges the fact that we have the most impact on our closest suppliers and partners. Based on DFØ's guidelines, our own SCoC and the view of CELSA's supplier portfolio, we have divided suppliers after several categories:

Our materiality assessment started with a review of the largest suppliers and partners with the most impact on our core production. The assessment has been conducted on all suppliers with an annual engagement with CELSA Nordic of more than NOK 10 million.



After reviewing these suppliers, we have reviewed suppliers from potentially high-risk countries and suppliers that get their own supplies from those countries.

working environment is strictly regulated, and human rights have a prominent place in legislation. However, this is not essential for the risk assessment but is a factor that must be compared with other sources.

117 suppliers and partners checked



87 suppliers followed up with questions



45 left with potential risk



Low risk Medium risk High risk

Fig. under arbeid

The information collected on the individual supplier is placed in a memo where all factors emphasized in the assessment emerge. In addition, a schematic overview of the risk assessment with colour coding of the likelihood and severity of negative impact linked to the individual supplier. Using a green, yellow and red colour scale, those who have emerged with an overall value that is yellow or red, which indicates that there may be risks associated with the supplier, have followed up.

Companies that have developed their own guidelines for working environment and safety at the workplace and a code of conduct that deals with these topics are also considered to be of lower risk. When preparing such documents and entrenching these in the company's management, it demonstrates a commitment to the themes and a willingness to avoid human rights violations and indecent working conditions.

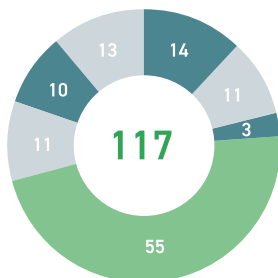
Furthermore, it is viewed as a strong indication against risk and violations if a company has subjected to – and been approved for – external, international certification of the working environment. With such certification, we have introduced procedures and practices to prevent negative influence and let an independent third party conduct investigations based on impartial standards. If the certification is relatively new, this is considered to be a strong signal that the company does not add a negative impact.

After this process, we have proceeded with the suppliers we assume have a certain risk. These have been contacted with requests for in-depth information relating to how they relate to human rights and decent working conditions, documentation on any own policies or external certification or other conditions that indicate their compliance with human rights and requirements to decent working conditions.

**SUPPLIER REVIEW**

Totalt 117

Industry:	
Transport:	14
Scrap suppliers:	11
Energy suppliers:	3
Suppliers, other components:	55
Other steel suppliers:	11
Services:	10
Others:	13



In assessing the individual suppliers, emphasis has been on different factors and sources to seek and uncover risks. Deliveries from companies from Nordic and Western countries have been considered less risky due to these being bound by statutes where the

Answers from this round of questions have been from the schematic overview. If the new answer from the suppliers gives reasons to change the status, we update the platform and note why the status is changed. The platform allows us to trace all of the processes and highlights each supplier's development.

In cases where we have found traces of unacceptable labour conditions or human rights violations, the examination has continued. We have then explored if the negative impact is ongoing or if the supplier has taken steps to stop it. If steps have been taken, we have examined if they are sufficient to make the situation okay. If so, all the examination has been written in the memo, and the supplier is placed in green on our platform.

### FOLLOW UP ON DISCOVERED RISKS

If the assessment reveals a negative impact on decent working conditions or human rights, CELSA Nordic will implement measures. The measures will aim to restore a decent working environment at the relevant supplier or partner or to stop human rights violations.

Depending on the type of negative impact, the measures may include dialogue with the supplier or partner, new requirements in connection with contract follow-up or other requirements and forms of cooperation that prove relevant to reduce the negative impact. In the extreme, the negative impact can lead to the termination of the contractual relationship. Furthermore, if implemented, CELSA Nordic needs to follow measures to ensure that these lead to reduced negative impact.

### OTHER MEASURES

CELSA Nordic has regular communication with the suppliers, pending on the business. This dialogue contains, amongst others, contract meetings, safety meetings, and communication by e-mail regarding updates of procedures and risk assessments.

CELSA Nordic Purchasing also has a general action plan towards suppliers and a more specific action plan towards high-impact suppliers. And in the claim handling system, there is a link to the supplier management system to handle actions if there is a need for improvement.

CELSA Nordic has some SME suppliers that still need to get all the certifications, but we are making revisions and supporting SME suppliers concerning how they can work towards the objectives in the standards, inform about new legal requirements and contribute to the supplier development. We also work on approving suppliers by obtaining documentation and working long-term with them in cooperation to make improvements. In essence, CELSA Nordic works towards the UN's Sustainability Goals. Through our risk assessment of our suppliers, we require our suppliers and their subcontractors to increase their focus on The Sustainability Goals throughout the value chain.

Investigations are performed risk-based, based on news, contact with the primary safety representative or union leader and rumours. Actions such as audits and investigations apply to working conditions, salary or other topics.



There are established specifications for all critical materials in the management system. There is a control plan for critical materials, and we have a claim handling system in SharePoint open for all employees/departments to report claims towards suppliers.

CELSA Nordic compensates to a large extent additional costs that are linked to requirements we set for our suppliers - traditionally to the greatest extent in the area of safety.

In relation to suppliers, we have included this as a point in our general purchasing conditions (Point 14) and contract standards where we set this as a requirement for our suppliers. Internally, we use the complaints system to notify about matters relating to deliveries.

We have a section about child labour in our Supplier Code of Conduct. Suppose a child is found working at the premises of the supplier, and it is not in accordance with the exceptions in the ILO convention on child labour (No. 138). In that case, steps shall immediately be taken to remedy the situation in accordance with the best interest of the child.

CELSA Nordic imposes HSE requirements on all our suppliers, which is also stated in the general purchasing conditions and our standard contracts. In case of deviation, we use suspensions. This can go against both the company and the company's employees. Our Supplier Code of Conduct has been incorporated into the new purchasing conditions and contract standards - and here we also have an opportunity to terminate a contract in case of default.

We work actively to follow up on notifications through audits and checking of documentation (notifications of violations of the minimum wage and notifications of bonuses for employees who do not organize etc.)

## CONCRETE FINDINGS

The assessments conducted resulted in one severe finding related to decent working conditions. A company delivering supplies to CELSA had an incident some years back where two persons died at the working facilities.

Court hearings resulted in a huge fine for the company itself and sentencing to jail and fines for executives in the company.

Discovering this, CELSA Nordic took further actions to find out if the security risk revealed after this incident had been mitigated. The supplier was asked for documentation on measures conducted. The answer from the supplier was convincing. To be even more certain of the conditions have been changed, CELSA Nordic moved the company up in the planned audit schedule. A new audit will be conducted by H1 in 2023 and contains subjects on decent working conditions.

Meanwhile the appeal hearing for the court has been conducted and the CEO was acquitted for the most serious claim. The chairman was also acquitted.

## FURTHER FOLLOW UP

CELSA Nordic has discovered an issue of collecting enough information for some of the suppliers abroad. Because of this, we have kept some of the suppliers with the status potential risk for several rounds trying to collect enough information to clear out if there are risk occurring or not. Being labeled with potential risk in our system on this basis is not a statement on risk discovered. It is only a mark that more information is needed to conclude on the risk. These suppliers will be followed up further in 2023, see below on Focus in 2023.

# 4

## Focus in 2023



# Focus in 2023

## COOPERATIVE COMMITTEE

In 2023 Celsa Nordic will establish a joint committee with partners to exchange knowledge, experience and ideas on how to comply with the Transparency Act. All companies relating to the Transparency Act have different approaches and get different information from their supply chains. The different views and information empower a cooperative committee with more tools to share with the participants and new knowledge that can bring all companies to reach a higher level in efforts to comply with the law.

## DIGGING DEEPER INTO FOREIGN SUPPLIERS

Another area of attention for CELSA Nordic in 2023 will be further and more profound assessments of some suppliers from eastern countries. As mentioned earlier in this report, we struggle to collect sufficient information from some of the suppliers abroad. We have not found any violations or breaches of human rights or decent working conditions among these suppliers. However, the fact that DFØ raises the awareness of value chains from these countries and our experience of not having enough information and understanding of the situation there makes this an area of further assessment.

Because of this, we will conduct further assessments among these suppliers in 2023. We will engage CELSA Nordic at the group level to utilize their knowledge of the supply chain and leverage by approaching the suppliers from the group level. We expect that new approaches in cooperation with representatives from the group will give more information suited to clear out if there are any risks.

Another action in assessing these suppliers is cooperating with international NGOs focusing on labour conditions and human rights. These organizations have a broader picture of the conditions and issues at the place where we are searching for information. The organizations can, therefore, help us further in our efforts to discover risks in the supply chain. With the NGO's help, we will also dig deeper into the supply chain and find the status of the suppliers' vendors. Since the Transparency Act demands assessments and responsibility for all of the supply chain, it is important for us to collect information and discover potential risks in the deeper levels of suppliers.

## MATERIALITY ASSESSMENT IN THE OTHER NORDIC SUPPLY CHAINS

In 2023 CELSA Nordic also started the process to assess the supply chain of the other Nordic entities. CELSA Nordic will ensure all efforts are made to have healthy supply chains all over the Groups catchment area.

## REVISED GROUP HUMAN RIGHTS POLICY

The CELSA group is currently working on a revised Human rights policy aiming at updating the group's focus on human rights for the coming years. This work will influence CELSA Nordic's work after the Transparency Act and may adjust how the assessment is being done and what the focus areas will be in 2023.

