

Damstahl Transparency Act Assessment

This paper accounts for the Damstahl Group's work related to human rights due diligence in our supply chain, here especially compliance measures regarding the Norwegian Transparency Act.¹

Prologue

The Norwegian Transparency Act aims to promote corporate commitment towards upholding basic human rights and ensuring fair working conditions throughout their supply chain collaborations. At its essence, the law mandates the duty to carry out and account for thorough due diligence procedures, emphasizing these key aspects. By providing accessible information to all our stakeholders, we contribute to the fulfillment of our chosen UN sustainable development goals, specifically number 8 (Promote decent work and economic growth) and number 12 (Ensure responsible consumption and production).

The subsequent sections will elaborate on our ongoing efforts to enhance our practices and uphold compliance in these domains, by utilizing our supplier code of conduct thereof.²

In case of any questions regarding our compliance on the Transparency Act, our Supplier Code of Conduct, or similar, please contact our sustainability team at csr@damstahl.com.

Key Data Points for 2022:

- 0 cases on mis-conduct have been reported on our whistleblower platform.
- Our commitment to maintaining high standards in our supply chain was exemplified by the termination of a trade agreement with one specific non-compliant mill, until they provided comprehensive documentation ensuring compliance with our agreement on fair working conditions.
- 85% of our purchased material in 2022 came from European vendors, which in general use more scrap in their production and less raw materials. As our risk assessment tells us that there are potential unwanted impacts on human rights and decent working conditions from the sourcing of raw materials, the move towards more European material is welcomed, as the recycling rate hereof is generally fractions higher than non-European material.
- >70% of our used suppliers for 2022 was ISO 14001 certified. While the primary focus of this ISO-certification is environmental, it has a connection to multiple of UN guiding principles and SDGs through the recognition of the interdependence between environmental protection and human well-being.

¹ Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (link: <https://lovdata.no/dokument/NLE/lov/2021-06-18-99/%C2%A71#%C2%A71>)

² Damstahl Supplier Code of Conduct (link: <https://damstahl.com/en/about/csr/>)

Introduction

The Damstahl Group is a family-owned company within the stainless steel industry. We are built on strong values that always strive to conduct business in an honest and responsible manner.

Our focus on responsibility is based on UN's Sustainable Development Goals (SDGs) and following the Universal Declaration of Human Rights (UDHR) and the Ten Principles of the UN Global Compact on human rights. This includes taking responsibility for our employees, products, and suppliers. We are dedicated to ensuring respect for fundamental labor rights, and we expect the same from our suppliers. Due diligence is a prioritized focus area within the Damstahl culture, and we continuously strive for improvement.

Our company policies and guidelines are concretely expressed in an interplay between our annual reports and a wide range of accessible material on our website. Here we continuously communicate with our stakeholders and share both informative and educational material, including our work with our selected SDGs, our values, mission and vision.

The work on due diligence and the Transparency Act is deeply anchored in management, and a multidisciplinary working group has been established. This interdisciplinary team brings the necessary and sufficient expertise to ensure all aspects of the due diligence assessment. The group aims to identify risks and ensure that we, in collaboration with relevant employees, implement measures that reduce the risk of violations of human rights and working conditions.

Identifying and managing risks

In our commitment to prioritizing focus areas, we conduct thorough risk assessments to address potential supply chain risks. Our approach is specifically inspired by the insightful materiality mapping carried out by Standard and Poor's in the metals industry. This mapping enables us to align our efforts with the most critical concerns.³

As a stainless steel wholesaler, we actively intervene in pollution and prioritize workforce health and safety, as these areas are directly observable within our supplier network. We expect our suppliers to share this focus and strongly encourage their adherence to the OECD Due Diligence Guidance for Responsible Business Conduct in the minerals industry.⁴ By embracing these guidelines, we collectively contribute to promoting responsible and sustainable practices in our industry.

Moreover, we are keenly aware of the community impact associated with raw material sourcing and the potential negative consequences of climate transition risks. We are actively exploring the most effective ways to influence these important aspects, acknowledging their significance in our sustainability endeavors.

Together, we strive to shape a responsible future by fostering transparency, integrity, and positive change within our industry.

³S&P Global Materiality Map (link: <https://www.spglobal.com/assets/documents/ratings/research/101560762.pdf>)

⁴ OECD Due Diligence Guidance (link: <https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>)

Human Rights risks

Damstahl promote compliance with the Universal Declaration of Human Rights (UHDR)⁵ and more specifically expect our suppliers to comply and follow the Ten Principles of the UN Global Compact on human rights⁶. In addition to conducting thorough risk assessments, we emphasize the importance of nurturing relationships and fostering open dialogue with our suppliers on all topics.

Personal communication has always been a key tool in our relationship with both internal and external stakeholders, as mutual success depends on long standing business ties and trust-based relationships.

To solve both human rights and daily technical challenges in our collaboration, spending physical time together and developing personal relationships has a great impact. We therefore see stakeholder engagement as a valuable part of mapping and managing both risks and opportunities.

Our supplier visits helps us to secure that we're in continuously close contact and thereby able to confirm that our suppliers are upholding the ten principles. By participating in several meetings with customers and suppliers it helps us to ensure that we are updated on the situation and are able to influence positive developments.

Tracking risks

Based on our risk assessment, we actively work on identifying potential risks within our supply chain. In the event of misconduct observed directly by Damstahl, we will suspend all cooperation with the respective business partner until they can demonstrate resolution of the issue and provide a declaration of commitment to comply with our supplier code of conduct from then and forth. If misconduct comes to our attention through other channels, we will treat it with utmost seriousness and thoroughly investigate any inquiries and take precautions from there.

We view our role as a mediator in such circumstances, recognizing the importance of actively mitigating and resolving issues rather than hastily severing supplier relationships. As an intermediary, we leverage our resources and expertise to collaborate with suppliers in developing viable and sustainable solutions together.

By assuming this role, we aim to facilitate a transition towards more responsible and ethical practices. We firmly believe in the power of constructive engagement and collective efforts to drive positive change within our supply chain.

In other words, our initial approach to misconduct (relative to its severity) is not to immediately terminate all contracts, but rather to make efforts towards adjustments in order to nudge parties to transition towards more sustainable working processes and conditions. Therefore, we temporarily pause trading when observing misconducts and only proceed with complete contract termination if no resolution is achieved with relevant parties.

Supplier Code of Conduct

We want to continuously improve our ability to identify potential risks and make follow-ups in the form of audits of suppliers. As a result hereof, we have compiled a Supplier Code of Conduct this year that outlines and specifies our requirements and expectations towards our business partners. Our Supplier Code of Conduct emphasizes the policies that already live in our culture and in our interactions with customers.

⁵ Universal Declaration of Human Rights (link: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>)

⁶ The Ten Principles of the UN Global Compact (link: <https://unglobalcompact.org/what-is-gc/mission/principles>)

We are very aware that management engagement is crucial for policy and strategy to be translated into action, hence, the development of our Supplier Code of Conduct is deeply rooted in our management team, in exactly the same way as our ongoing work with sustainability.

In addition, we already have a strong focus on ensuring that existing and new employees are thoroughly trained in our due diligence culture and 'The Damstahl way of working', but going forward we will have an even stronger focus on onboarding our employees in our Supplier Code of Conduct policies as well.

We see our Supplier Code of Conduct as an organic element that continuously changes shape as the world around us changes. It therefore requires constant focus and work on our part to keep it current and updated.

Whistleblower Portal

We strive to maintain a transparent business environment both by dialogue, frequent supplier visits and by our whistleblower service. Our whistleblower portal is a crucial tool for increased transparency, both within social and employee conditions, anti-corruption as well as the environment and climate. In our annual reports, we both publish statistics on work-related injuries and the number of enquiries in our whistleblower portal. The number of whistleblower inquiries for the latest reported period is also accounted for in the prologue of this assessment.

We are advocating that all agents in our value chain use our whistleblower portal for any relevant inquiries so we can act accordingly. The portal is open for both internal and external reporting with access from all Damstahl Group websites.⁷

Zero-tolerance policies

We have a zero-tolerance policy regarding harassment, to protect all of our employees in the value chain from unfair and harmful working conditions, which is the main risk concerning work environment and employee relations. Though we always prefer direct dialogue also in such matters, we acknowledge the sensitivity. Therefore, our beforementioned Whistleblower portal is also put available as an anonymous reporting option for any parties in our value chain.

One of Damstahl's main principles is a zero-tolerance policy regarding bribery or corruption. We do not accept such behaviour, nor do we incite to any questionable practices within our organization. We uphold all laws and regulations and strive towards ensuring that all our partners offer the same ethical values.

The main risk regarding bribery or corruption is assessed to lie in our purchasing departments, however none have ever been registered in any departments in the history of Damstahl. Unfair competitiveness and cartel formation are the major risk involved with corruption, and Damstahl do not condone any such type of behaviour.

All policies regarding anticorruption are informed to employees at their introduction as new employees at Damstahl. At present, a digital training session is being prepared to be shared as mandatory training for employees in positions that are considered especially exposed to corruption, i.e. purchase, sales, IT, and all managing positions. During these training sessions, the knowledge of each individual is tested, and on basis of that, we will evaluate if further follow up is recommended.

⁷ Damstahl Whistleblower portal (link: <https://damstahl.com/en/about/whistleblower/>)

Strong sustainability focus

In Damstahl we are either purchasing directly from the mills or from other wholesalers, meaning that the sourcing of raw material used in our traded products are difficult to map. Besides the bonus on GHG-emissions, this is also one of the reasons that we are advocating European material over others, as the scrap content is much higher than from Asian material which results in less use of raw materials and make the mapping less complex and more transparent.

As a response to the complexity of our industry, accurate and transparent climate data becomes a crucial component of our sustainability strategy. We want to play a significant role now and in the future, when it comes to creating transparency in our value chain. Therefore, we are constantly challenging our suppliers to accelerate obtaining and providing the right data.

A concrete example of this, is our Climate Calculator that helps our customers reduce environmental impact. This climate calculator is a breakthrough within the industry, as it provides comprehensive climate data, to support companies in accurately measuring and reporting their carbon footprint.

In addition we have hosted external events targeted to customers and other business partners not only in Denmark, but also internationally. The purpose of these webinars was to inform about our important role and create awareness of sustainability topics in the stainless steel industry.

Our sustainability work is anchored in our mission and vision, which means we have a strong focus on prioritizing research, technology and development that supports our sustainability ambitions.

Environmental commitment

We recognise that delivering a real difference requires strong collaborations with our business partners to work towards shared sustainability objectives. We acknowledge that we can't solve all environmental and climate issues overnight, but all parties need to commit in creating a positive change one step at a time. And we want to go in front.

We expect our suppliers to be able to provide evidence of work towards environmental goals and encourage them to adopt climate targets in line with the Paris agreement. Our suppliers must be able to provide data needed for us to keep compliant with upcoming legislation, particularly in relation to the Carbon Border Adjustment Mechanism (CBAM) and the Corporate Sustainability Reporting Directive (CSRD). Datapoints needed to stay compliant with latest and upcoming legislation will not only keep us compliant, but are used to create full transparency for our customers to make the best informed decisions.

The structure of Damstahl and area of operations

Damstahl Group headquarters resides in Skanderborg, Denmark. Currently, Damstahl employs more than 350 people in 11 European countries. Damstahl is the leading supplier on the market, which enables us to be a preferred partner for many customers through our excessive knowledge sharing, industry standard commerce, logistics solutions, and number of products available, however, predominantly through our well-qualified people.

Furthermore, our business model is based on complex and individual logistics solutions for customers to personalize the solution based on specific demands. As an example of our intention and ability to comply with our customers' requests, our digital service platform offers a range of services beyond also being a web shop with easy access to all our products.

Working with UN's Sustainable Development Goals (SDGs), Damstahl wants to positively guard human rights principles. We also value applicable work environments, which protects the employees of our suppliers from work environments not suitable under UN's Global Compact initiative.

We pursue equal rights for all genders, sexual orientation, race, nationalities, ethnicity, language, and religion. Keeping a high standard of work environment and ethics contributes to our goal of eliminating any discrimination within our own and our partners' organizations.

Our motto 'On your side' is a symbol of our approach towards our stakeholders. Within the climate agenda, we actively provide our customers with transparent tools and guidance on how to minimize their carbon footprint when purchasing stainless steel from Damstahl.

Our predominant focus have the latest years been environmental data and documentation, and we are currently working to create more transparency on social and governance data as well in order to create a more holistic approach on all ESG-issues and fully live up to the motto 'On your side' in all aspects. In practice, this means that we want to work more coherently with our 3 selected SDGs below in all sustainability matters and our corporate processes:

8: Promote inclusive and sustainable economic growth, employment and decent work for all⁸

Damstahl is committed to support and contribute to SDG 8 by continuously seek performance improvements and economic growth. This takes shape internally in proactively searching for, and implementing new procedures to secure growth by minimizing waste, increase resource efficiency and use technological innovation to boost efficiency. All while working systematically with observing and protecting labor rights and promote safe and secure working environments for both Damstahl employees and parties in our supply chain.

12: Ensure sustainable consumption and production patterns⁹

Damstahl is committed to support and contribute to SDG 12 by providing transparency in the industry. Our main mission is to ensure that relevant information is available and promote education and knowledge sharing in a conservative industry. While this is a complex and ongoing task, we have been successful in especially creating transparency on emission data. Our role is to inform and guide our customers towards sustainable consumption and production and thereby creating demand for sustainable initiatives to promote use of scrap and renewable energy and reduction of waste at the mills.

13: Take urgent action to combat climate change and its impacts¹⁰

Damstahl is committed to support and contribute to SDG 13 by taking urgent action and setting targets for our emissions. Aligned with the targets from the Danish Government Climate Action Strategy, we too are dedicated to reduce our carbon footprint by 70% before 2030.¹¹ This is done by actively monitoring greenhouse gas emissions, reporting data and act as a sparring partner for all of our business partners with aim at reducing emissions.

⁸ SDG 8 (link: <https://www.un.org/sustainabledevelopment/economic-growth/>)

⁹ SDG 12 (link: <https://www.un.org/sustainabledevelopment/sustainable-consumption-production/>)

¹⁰ SDG 13 (link: <https://www.un.org/sustainabledevelopment/climate-change/>)

¹¹ 70% reduction of scope 1 and 2 as mentioned in our sustainability report.

Danish Government Climate Action Strategy (link: <https://um.dk/en/foreign-policy/new-climate-action-strategy>)