



Norske
tog



Norske tog's disclosure
under the Norwegian
Transparency Act

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The Norwegian Transparency Act entered into force on 1 July 2022 and aims to promote enterprises' respect for fundamental human rights and decent working conditions in connection with the production of goods and the delivery of services and will ensure that the general public has access to information about how enterprises manage negative consequences for fundamental human rights and decent working conditions.

Norske tog is subject to the Norwegian Transparency Act and the statutory duties to:

- conduct integrity due diligence assessments in accordance with the OECD Guidelines for Multinational Enterprises.
- publish disclosure of such integrity due diligence, and
- fulfil the general public's right to information about how the enterprise manages actual and potential negative consequences.

Over the last year, Norske tog has focused on adapting its organisation and procedures in line with the Norwegian Transparency Act, which entered into force on 1 July 2022. The company has remained up to speed on the Norwegian Transparency Act and integrity due diligence by means of seminars under the auspices of Ethical Trade Norway.

This disclosure relates to Norske tog AS and covers the period from 1 June 2022 to 31 December 2022 and provides a description of how Norske tog has conducted integrity due diligence assessments, actual negative consequences and significant risk of violations of fundamental human rights and decent working conditions, as well as the initiatives the enterprise has implemented to manage this.

Description of the enterprise and its stakeholders

Norske tog procures, owns and manages rolling stock for rail passenger transport in Norway. The company is owned by the Norwegian Ministry of Transport and Communications and is a category 2 company. The rationale behind the state's ownership is a desire to ensure that there is a provider offering rolling stock for rail passenger transport on competitively neutral terms. As an owner, the state's goal is to ensure the cost-effective procurement and leasing of trains.

Norske tog had 57 employees and a gender balance of 35 per cent women and 65 per cent men at the end of 2022. The share of women in managerial positions is 22 per cent. The gender distribution at senior executive level is 40 per cent women and 60 per cent men.

All employees at Norske tog are affiliated with Norske tog's head office and their duties consist of project management, procurements, administration and operations.

Trains are the most important product purchased by Norske tog, together with services associated with the maintenance, modification and disposal of trains. The global train supplier market is not large and the European market is even smaller. The companies that supply trains to Norske tog are European but often rely on subcontractors situated outside of Europe. This means that Norske tog is particularly exposed to potential risks of violation of fundamental human rights and working conditions in the supply chain. Norske tog works to ensure accountability in the company and across the supply chain. Norske tog monitors procurements to ensure that they safeguard people, the environment and communities through responsible procurement and supply chain management.

In 2022, Norske tog procured goods and services with a total value of NOK 1.8 billion. The procurement of new trains and rolling stock from European suppliers accounted for the majority of this. Norske tog also purchased services in connection with the project for the implementation of procurements, professional advice and communication. These services were largely purchased from local (Norwegian) suppliers. Please see Annexes G "[Key suppliers to Norske tog](#)" and the Annual Accounts in Part 5 of the [2022 Annual Report](#) for further information. The proportion spent on purchases from Norwegian suppliers in 2022 was 21 per cent.

The company leases train sets to train operators with an operating agreement with the Norwegian Railway Directorate. Day-to-day operation and maintenance of the trains owned by Norske tog are carried out by the train operators that lease the trains, while major upgrade projects and measures to extend the service life are carried out by external suppliers under the auspices of Norske tog. Disposal of trains is carried out by an external supplier. In addition to train passengers, owners, suppliers and subcontractors, the aforementioned groups also constitute key stakeholders in Norske tog's work on integrity due diligence.

Since Norske tog has a public policy function and leases out trains that are operated by other companies, stakeholder dialogue and collaboration with parties in the railway sector are an important topic for the company. Norske tog aims to be a transparent company that shares experiences and enters into constructive dialogue with partners and stakeholders. Constructive dialogue is important to ensure proper and effective management of opportunities and challenges in the railway sector going forward.

Endorsing accountability at Norske tog

In 2022, Norske tog established new internal guidelines for the company's work on integrity due diligence to safeguard people, the environment and society. The guidelines were drawn up by Norske tog's management team and the legal department and the work has been endorsed by the Board of Directors.

Norske tog carries out integrity due diligence assessments in line with the UN Guiding Principles on Business and Human Rights, as well as the OECD Guidelines for Multinational Enterprises.

Conducting integrity due diligence assessments involves interdisciplinary involvement and takes place as an integral part of the enterprise.

- Finance and administration are responsible for corporate governance at Norske tog. This includes overall responsibility for ensuring that integrity due diligence assessments are implemented and conducted in the company and the company's projects. This department ensures that the guidelines are implemented and operationalised and monitors any non-conformities, as well as being responsible for ensuring compliance with the duties set out in the Norwegian Transparency Act, including the publication of this disclosure.

- The legal department is responsible for ensuring that Norske tog's work on integrity due diligence complies with applicable laws and regulations and international frameworks, as well as ensuring that Norske tog's procurement procedures and contracts reflect the enterprise's requirements for suppliers in relation to human and labour rights when entering into and/or amending agreements.
- The project department is responsible for conducting risk assessments linked with countries, input factors and suppliers for the individual projects in which integrity due diligence assessments are to be conducted. The project department is also responsible for ongoing supplier monitoring, inspections and audits.

For its largest procurements, Norske tog applies the Norwegian government's project model, which provides a solid framework and structure to ensure compliance with all procurement requirements. This model covers the entire procurement process, provides clearly defined roles and responsibilities during the implementation phase and ensures endorsement by ensuring that the right levels of the organisation have the opportunity to comment and make decisions. The model includes templates to draw up requirements and ensures that the company has a strong foundation for the implementation phase. Norske tog has solid procedures in place for document control, impartiality and confidentiality and these are also quality-assured in the project model. The project model is simply one of the most important tools for Norske tog.

Procurement procedures

Norske tog complies with the Norwegian Procurement Act and the Supply Regulations. This applies for large procurements of new train sets, but even smaller procurements and agreements are carried out in accordance with the procurement regulations. The procurement regulations are based on the fundamental principles relating to competition, transparency, equal treatment, predictability, verifiability and proportionality. These principles govern what Norske tog can do as a contracting authority and the company applies the principles to interpret and make decisions in the procurement process. There are many factors that need to be taken into account in Norske tog's procurements. In order to achieve the ambition of "maximum train for the money", costs must be weighted against quality and safety.

Norske tog has an evaluation procedure in place for major procurement projects so that important lessons are learned for the future. The evaluations are performed immediately after entering into contracts when experiences are at their freshest. Throughout 2022, meetings were also held between those leading the project for the procurement of new local trains and the project for new long-distance trains, so that experiences and learning could be transferred throughout.

Conducting integrity due diligence assessments

Integrity Due Diligence (IDD) assessments are a background investigation of risks in respect of ethics and integrity, which also includes decent working conditions and human rights. IDD is carried out for projects exceeding a value of NOK 1 billion and, on the basis of a specific assessment, also for projects with a value of less than NOK 1 billion. The assessment is based on risk assessments, relevant factors Norske tog is aware of in relation to the supplier and/or similar production, as well as the value of the procurement.

Risk assessment is key to the implementation of the Norwegian Transparency Act. Norske tog conducts both an initial risk assessment in connection with procurement procedures and a supplier-specific risk assessment in cooperation with the selected supplier when entering into the contract. Procurement procedures with high inherent risk in respect of human rights and labour rights, the environment or society are prioritised for further monitoring regardless of value.

In 2022, Norske tog established a risk assessment tool with an associated process in order to identify and prioritise significant risks for each individual project. Any reports received via the Norske tog whistleblower channel also form part of these risk assessments. Measures to halt, prevent or reduce any adverse impact / damage are identified on the basis of probability and severity, as well as an assessment of any links Norske tog may have with the situation.

Norske tog focuses on continuous supplier dialogue and seeks skills development for and together with its contractual partners. It is important for the company's major suppliers to have a detailed understanding of Norske tog's requirements and expectations. The obligations set out in the Norwegian Transparency Act have therefore been an important topic in contract

follow-up and supplier development for local train procurement. The OECD methodology has provided a clear framework for follow-up.

Actual negative consequences and significant risks identified through integrity due diligence assessments

Norske tog has carried out an overall risk assessment at enterprise level and has primarily used information from the Norwegian Agency for Public and Financial Management (DFØ), but also other publicly available information as its knowledge base. The analysis showed that procurement processes for new trains is the aspect of the enterprise with the greatest risk of violations of fundamental human rights and working conditions and this area was given top priority in 2022, subject to a risk-based approach.

Norske tog has few but significant projects that either relate to the procurement of new trains or upgrades to existing trains in order to extend the train service life. In 2022, Norske tog carried out IDD on all four qualified tenderers in Norske tog's long-distance train procurement.

2022 saw the start of a long-term cooperation with Alstom for the procurement of new local trains. The OECD framework has been actively used as part of the dialogue. Through several meetings, Norske tog has provided information about the obligations that rest with Norske tog under the Norwegian Transparency Act and the expectations Norske tog therefore imposes on its suppliers. Using a risk classification tool that has been actively used as part of contract management, Norske tog has managed to identify supply chain risks together with Alstom. The fact that Norway is the first country to impose clear legal requirements relating to transparency throughout the entire supply chain has posed challenges but, during the year, Norske tog has made great progress through dialogue with Alstom. In addition to a general risk mapping of components and raw materials used in the manufacturing of train sets, Norske tog has followed up on specific risk areas and selected subcontractors in the local train procurement. As a consequence of Norske tog's systematic and risk-based monitoring, Norske tog identified risks of violations of human rights in connection with companies in the occupied Palestinian territory and forced labour in China and these have been followed up on through initiatives.

Initiatives to stop, reduce and prevent violations of human and labour rights

Risk 1: In February 2020, Alstom SA was added to the UN's list of companies conducting activities in the occupied Palestinian territory. Based on the information obtained, the UN High Commissioner for Human Rights finds that there are reasonable grounds to conclude that the companies included on this list are involved in one or more activities that may contribute to human rights violations. Alstom SA was added to the list despite withdrawing from a joint venture of tenderers in a tender competition for the construction of the Jerusalem Light Rail Project in May 2019. The circumstances resulted in Norske tog obtaining an external legal assessment prior to the contract for the new local trains being awarded and the assessment concluded that the circumstances did neither entail a right nor a duty of exclusion regarding Alstom Transport's bid. Throughout 2022, Norske tog has held regular meetings with Alstom Transport to follow up on the implementation of the Norwegian Transparency Act. As a result of this dialogue, Norske tog has been reassured that the companies participating in the delivery to Norske tog are not involved in any activities in the region, either in the occupied Palestinian territory or in Israel. However, other parts of the Group are involved in ongoing activities in the region. In 2022, a joint venture in which Alstom is involved was awarded the contract to construct the Tel Aviv Green Line and they are also involved in the tendering round for the Jerusalem Blue Line. Furthermore, they are also involved in three train deliveries to the railway through the acquisition of the supplier Bombardier Transportation. None of these deliveries have resulted in any similar "blacklisting" of Bombardier Transportation. In accordance with the UN Guiding Principles on Business and Human Rights (UNGPR), Norske tog has considered whether the company has a) caused, b) contributed to or c) been directly involved in the violation of human rights as a result of the contractual relationship with Alstom Transport. It is clear that Norske tog itself has not caused any violation of human rights in occupied areas and the questions that have been considered by the company therefore relate to whether Norske tog contributes to or is directly involved in violations. The UNGPR and OECD guidelines clearly state that contributions must be substantial and that they cannot be minor or trivial. Even though Norske tog acknowledges that the company may, to some extent, help legitimise the activities of the companies in question in the region, the company finds

that this risk must be considered too minor to constitute a contribution pursuant to UNGPR. Nevertheless, Norske tog will continue to monitor Alstom's activities in the region and will continuously assess whether the conditions for this conclusion remain valid.

Risk 2: During the autumn of 2022, Alstom Transport disclosed that a Chinese subcontractor that was due to be used in the delivery of new local trains had been accused of serious human rights violations in the Xinjiang region of China. The subcontractor had allegedly been involved in forced labour at a manufacturing location in 2019. Norske tog aims to follow up on non-conformities through improvement measures and any rectification measures where necessary. It is generally difficult to verify information from countries such as China. In this case, the solution was that Norske tog and Alstom Transport agreed not to use the subcontractor in question for the manufacturing of train sets for the local train procurement.

Other initiatives to reduce and prevent risk

Sustainability as a dedicated evaluation area in tender competitions

The competition phase for the new long-distance trains has been ongoing throughout 2022 and is approaching contract signing. Throughout the year, Norske tog has clarified its expectations and the consequences of the requirements set down in the Norwegian Transparency Act by providing detailed information to tenderers. Among other things, negotiation meetings have been held with suppliers and Norske tog has taken the opportunity to highlight requirements and expectations concerning work on the Norwegian Transparency Act as a separate topic. Both parties considered the discussions at the negotiation meetings to be constructive. In the procurement process, Norske tog has also imposed requirements for tenderers to describe their procedures and guidelines for DD processes relating to the monitoring of people and the environment. In 2022, updated contractual requirements were drawn up in connection with integrity due diligence relating to human rights and the environment in the long-distance train procurement and, among other things, these requirements oblige suppliers to carry out due diligence.

Audits as part of contract follow-up

Norske tog engages in long-term dialogue and partnerships with the company's main suppliers. Most

contracts have a duration of ten years and significant amounts will be paid out throughout the contract periods. For this reason, it is particularly important for Norske tog to establish good relationships with clear and open dialogue with suppliers. Norske tog has implemented excellent procedures for exercising options, placing orders and making payments. Clear procedures and transparency surrounding any delays, delivery challenges or changes in accordance with the contract entered into are crucial. In its contracts, Norske tog imposes a requirement for the company to have the opportunity to review and verify the supplier's system for safeguarding health, safety and the environment upon request. Norske tog imposes ethical requirements on its suppliers and maps the risk of any breaches as part of the procurement process. Norske tog's "Code of Conduct for Suppliers" is included in all contracts.

Norske tog conducts audits of manufacturing premises as part of its contract follow-up. Norske tog wants to know that the conditions are acceptable where trains are manufactured and audits help ensure high-quality deliveries. Evaluations from previous projects have highlighted the importance of auditing and this is something that should be followed up even more effectively in future.

Local inspections are generally more extensive than documentation audits and should therefore be considered with time and available resources being taken into account. In 2022, Norske tog carried out two local audits and these are described below. In connection with Alstom's desire to move the production of car bodies for the new local trains from Salzgitter to Wrocław, Norske tog carried out a local audit of the new manufacturing premises. In addition to the local inspection, Alstom also provided the requested documentation, including energy reports and documentation of working conditions. Norske tog also carried out an audit at Alstom's manufacturing premises in Sweden when the midlife upgrade of class 72 trains was moved there.

Focused dialogue and stakeholder involvement

Constructive dialogue with other players in the railway sector and other key stakeholders has been defined as important for Norske tog. Going forward, Norske tog will seek more structured knowledge of what is important with regard to key partners and stakeholders, as well as the impacts the company has on defined sustainability

areas, including human and labour rights. There is room for improvement, especially with regard to the systematisation of dialogue, to ensure that the focus is on the areas that the various stakeholders deem to be most important. Conducting satisfaction surveys among stakeholders to measure the effectiveness of dialogue would also be desirable. In 2023, Norske tog will define specific initiatives for each stakeholder group, suppliers, operators, "the train family", the owner and international players. Norske tog will also support sectoral initiatives to share experiences and communicate in relation to sustainability work. Norske tog will continue to work with organisations such as Ethical Trade Norway, the human rights group at the Directorate of Public and Financial Management (DFØ), special interest organisations and trade unions.

Plan for the work ahead

Going forward, Norske tog will work to further develop the internal procedures for compliance with the Norwegian Transparency Act. The company has drawn up guidelines for follow-up in the event that risk is identified and will continue working to specify the guidelines based on the type of risk. In 2023, Norske tog will consider whether further information about the content of the guidelines should be published on the company's website. Norske tog carried out an updated IDD on the supplier who was awarded the long-distance train procurement contract before the contract was signed during Q1 2023. The background check ensures that Norske tog has an updated, solid analysis of the company's new contract partner and its key subcontractors. As the long-distance train procurement moves into the production phase, Norske tog will, on the basis of an updated risk assessment, select key subcontractors and conduct further due diligence in relation to these. In 2023, Norske tog will also update and carry out integrity due diligence for the local train procurement, the ERTMS project ("European Rail Traffic Management System") and the midlife upgrade project for class 72 trains. Furthermore, Norske tog will further develop procedures for the monitoring of requirements relating to the environment and corporate social responsibility in contracts, including audit strategies and procedures to stop, prevent or mitigate harm. Norske tog will also establish an internal working group that will meet regularly to monitor, share experiences and report on progress in the work on integrity due diligence and corporate social responsibility.

Traditionally, Norske tog has had a focus on progress and technical aspects in its quality audits. Over time, social factors have also become important. Today, the company finds that there is potential for integrating the follow-up on social factors and the environment more clearly through local audits and, in 2023, the company has a clear goal of further developing its audit strategy with a specific focus on this. Decent working conditions and human rights will also be important topics going forward. Norske tog has decided to have a dedicated

resource physically present at Alstom's premises for large parts of the design phase for the new local trains. In order to contribute to the standardisation of requirements linked to human and labour rights, Norske tog will enter into dialogue with other players in the market to examine the possibility of a unified Supplier Code of Conduct.

This disclosure has been duly approved and signed by the company's Board of Directors and CEO.

Jan Morten Ertsaas
Chair

Espen Opedal
Board member

Anita Meidell
Board member

Vidar Larsen
Board member/
Employee Representative

Ole Høgtun
Board member/
Employee Representative

Øystein Risan
CEO