

Supply chain due diligence report (2023)

GAC Norway AS

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Supply chain due diligence report

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The nature and location of the business

GAC Norway's roots trace back to 1835, a testament to our rich heritage in the shipping industry. Originally founded as Ole R. Olsen, the company later merged with the GAC Group in 2007, assuming its current identity as GAC Norway AS. Specialising in integrated shipping and logistics services, GAC Norway handles approximately 3,600 port calls annually for tankers, bulk carriers, cruise ships, and offshore vessels. The company manages about 25,000 logistics assignments per year predominantly in the shipping sector.

At the heart of GAC Norway's ethos lies a commitment to service excellence. Our approach is guided by a code of ethics, transparency, and unwavering compliance. The GAC Spirit drives us to go the extra mile for customers, 24/7.

GAC Norway maintains smaller offices in Hammerfest, Tromsø, Kristiansund, Ålesund, Florø, Mongstad, Bømlo, Haugesund and Horten. These locations, each staffed by 1-4 employees, specialise in ship agency services and ship spares logistics. Notably, all these offices boast bonded warehouses.

The nerve centre of GAC Norway resides in Bergen. Here, centralised operations oversee tanker services, customs, and a warehouse hub. The support functions - finance, HR, and QHSSE - are also anchored in Bergen, where approximately 40 employees contribute to the company's success. In addition, there is an agency team in Bergen that works with the offshore sector, providing specialised services to meet the needs of the industry.

As the second-largest office, Stavanger plays a pivotal role. It houses a centralised cruise agency operation and serves as a strategic warehouse hub for offshore customers. Additionally, it boasts the largest ship agency team dedicated to the offshore sector. The number of employees in Stavanger varies from 15-25, depending on the season. There are several summer temporary workers that assist during the cruise season.

While GAC Norway doesn't currently have a physical office in Oslo, several employees work remotely from the city, focusing on freight forwarding. The company also has employees working from home at other locations throughout Norway.

Our work with sustainability, including respect for human rights and decent working conditions

For many years, respect for human rights and decent working conditions has been integrated into our culture and practices. GAC wants to do well and do good wherever we can to make the world better, safer, cleaner and greener. That philosophy is at the heart of our commitment to sustainability, reflected in our Roadmap to Sustainability as well as the GAC Spirit, and our Group Ethics, Compliance and Health, Safety, Security, and Environment (HSSE) policies.

At GAC Norway, we are fully committed to ensuring that all business that we undertake is done ethically, transparently and in full compliance with all laws and regulations. GAC Compliance and

Ethics comprises of GAC policies which provide guidance on how we conduct our business and put our ethics and values into practice. Our approach is underpinned by the GAC Code of Ethics and GAC Spirit and is overseen by the GAC Group Compliance Team.

GAC has an established whistleblowing procedure that allows employees at all levels in the organisation to bring their concerns to the attention of the Group Compliance Team if they do not feel they are handled appropriately at a local level. At the local level, GAC Norway has its own whistleblowing procedure that provides employees with multiple channels and options to report any concerns they may have.

The GAC Code of Ethics is a guide for action and sets out the minimum standard of conduct we expect from any party working for or representing GAC. The Code outlines GAC's core values and is the foundation for our overall compliance programme. It sets out the basis of the GAC Group's relationship with customers, suppliers, staff, and the law. At its core lies a determination to treat the Group's stakeholders honestly, fairly and with dignity. It is derived from the Group's operating values and practices and the GAC Spirit. It reflects and acts to preserve the values of the GAC Spirit.

The GAC Supplier Code of Conduct sets out the standards and behaviours we require from our suppliers and their suppliers to structurally improve conditions for workers. Suppliers are expected to adopt the highest standard of ethical behaviour and provide a healthy, safe and secure work environment for all employees. As outlined in the GAC Supplier Code of Conduct, GAC's suppliers must treat all employees fairly and with dignity and respect. In addition, they must respect the diverse cultures, traditions, laws and regulations of the countries within which we conduct business. GAC has a zero-tolerance policy regarding any form of slavery, servitude, forced and compulsory labour, and human trafficking among its suppliers or their supply chain.

During the vetting process, GAC's suppliers providing GAC's products, services or solutions to or on behalf of GAC are required to acknowledge and comply with the GAC Supplier Code of Conduct. Upon any suspicion that a supplier may not be abiding by the GAC Supplier Code of Conduct as identified through internal reporting or other source, the supplier is flagged for an audit or other appropriate follow-up to ensure compliance. GAC works with suppliers to help them improve their practices, but will refuse to work with suppliers that are not willing to comply.

GAC has a deviation reporting system, GACqhsse, that is actively used by GAC Norway employees. This system is used to report supplier deviations as well as internal issues. Any breaches of human and labor rights reported to this system are quickly and effectively assessed and handled. Any gross breach is escalated to higher levels of leadership both locally in Norway as well as to the executive leadership for GAC.

The procurement process is essential to our organisation's ability to provide our customers with services that meet their requirements. GAC ensures that all purchased products or services included in our final service conform to our specified requirements.

This is accomplished by working closely with a network of external suppliers whose performance and capability are continually assessed through periodic evaluations, audits, performance data analysis and inspection or verification of the supplied products or services.

The type and extent of control applied to our suppliers and the purchased product or service depends on the impact it may have on the final service provided. Our supplier qualification process strives to mitigate supply chain risk by verifying if suppliers are suitable to ethically provide various goods or services that do not violate the rights of humans.

As part of the process, suppliers are required to complete a questionnaire which includes company data, compliance and ethics, as well as information about the quality, health, safety and environment management systems implemented, IT infrastructure and operational controls.

Acceptance of the GAC Supplier Code of Conduct is mandatory for a supplier to be approved. GAC employees at all levels are instructed to report any perceived potential issues with suppliers, including suspicion of violation of human rights, using the GACqhsse deviation reporting system.

Our supply chain

As a service provider, GAC Norway coordinates services with over 1,200 suppliers on behalf of our customers. Of these, in 2023, 64% were within our top 10 suppliers, 85% within our top 50 suppliers, 92% within our top 100 suppliers and 97% within our top 200 suppliers. Our top 200 suppliers account for over 1.1 billion NOK in costs. Job-related costs account for 98% of supplier-related costs. The other 2% are costs related to administration.

Due to the nature of our business, very few of our suppliers are located outside of Norway. Those that are include GAC Group related spending and related to employee travel.

GAC Norway does not have any critical suppliers that do business in countries with identified enhanced risk of violating human rights.

Due diligence assessment

Following the principle of proportionality, due to the high number of suppliers, we have categorised them for our assessment based on service or product provided and the type of organisation. We have focused the assessment on the suppliers accounting for 98% of the costs; the remaining 2% are considered largely inconsequential as input factors to the business.

We have assessed the supplier categories and assigned them one of three colours based on assessed risk level:

Red applies to categories or organisations with actual significant negative impact and/or considerable known risk not handled. Examples of red level risk categories or organisations are those that do business in areas with known high risk for child labour and other human and labour rights violations. Organisations in Norway and other low risk countries can also be assigned red level risk if it is known that they have grossly violated or are currently violating human and labour rights.

Yellow applies to categories or organisations with unknown potential for risk or known risk that is handled. Examples of yellow level risk categories or organisations are those that work in industries or service categories that have been known for a potential to violate human rights, but not at a level that would constitute a red level risk as defined above. One example would be an industry in Norway that is known to struggle with staffing issues and may have potential for minor to moderate violation of working hours regulations.

Green applies to categories or organisations with no known risk. Categories or organisations that may be considered to have green level risk include those that are in Norway and have high levels of employee representation and transparency, certain governmental agencies in Norway, and suppliers that GAC Norway has a very close relationship with including insight into their operations and practices.

In 2023, we have observed no actual negative consequences of any significance. In addition, we have not assessed any of our supplier categories or individual suppliers as having a level of known risk high enough to constitute red level risk. Thus, there are no supplier categories or individual suppliers assessed as having a red risk level.

About 73% of our spending is categorised as local and national government bodies, private terminals, harbours and other suppliers that are directly associated with or contracted by government or oil terminals. GAC Norway has no influence on the appointment of these suppliers

nor authority to influence their compliance-related action. We do not know of any risk associated with these suppliers and consider Norwegian governmentally owned organizations to have a high level of insight and transparency; thus, we assigned them the green risk level. We have created a plan to monitor these organizations as described in the next section of this report.

We have assigned about 25% of our suppliers the yellow risk level. These are suppliers that there is an unknown potential for risk; however, there should be an extra focus on them due to the industry/service category in which they do business. As related to job costs, these categories are taxi, hotel, mooring, waste management and GAC subagents. As related to administration, these categories are mobile and communication, marketing and representation – specifically venues used for commercial events, car maintenance and service, staff travel and events. Measures to better understand and mitigate risk are primarily focused on this group of organisations.

Measures to cease actual adverse impact or mitigate significant risk of adverse impacts

As mentioned in the second section of this document, there are a number of measures already implemented at both the Group and local level that have been implemented to reduce the risk of adverse impact as well as build a culture of ethical behaviour and respect for human rights. With no categories or suppliers assigned the red risk level as defined, we conclude that these measures have been largely successful. We have thus not made or suggested any changes to these initiatives.

In addition to GAC's policies and procedures, supplier vetting process, established routines for supplier audits and the GACqhsse application which can be used to register actual adverse impact as well as improvement suggestions, we have implemented additional measures in 2023/24 and will continue this work into 2024/25 with the initiatives mentioned below.

We have added a requirement for a supply chain assessment of venues used for commercial or staff events to our purchasing procedure. This procedure applies to all such venues irrespective of the amount of cost as a percentage of the overall costs or significance as an input factor to the business.

We have provided Transparency Act training to all GAC Norway staff by presenting the basics of the Act in an all staff meeting with focus on employees' ability to make a positive impact by reporting any observed adverse impacts or improvement suggestions using the GACqhsse application.

Additionally, we have created a new administrative role to further strengthen our work with QHSSE and supplier management. The employee hired to this role started in January of 2024 and has already been influential in increasing the number of deviations reported to GACqhsse. Moving forward, her focus during internal audits and other appropriate venues will include strengthening employee competency of the responsibilities of the Transparency Act and the routines for reporting any related issues.

Having completed risk assessments of categories, we will in 2024/25 focus on assessing yellow risk category individual suppliers in more depth. Focus will be on key suppliers and those that may have a higher potential for breach. We will include operative employees as well as leaders and QHSSE staff in these assessments, which may include gathering further information from the suppliers and/or identifying them for supplier audits. This extra thorough due diligence process with focus first on the 10-20 key suppliers in this category as well as any identified as having a higher potential to breach.

With regards to the green risk level category suppliers, we plan to pull the reports on the largest supplier in this category as well as others that have contracts with this supplier and/or the Norwegian Coastal Administration. Additionally, we will set up notices to receive any new article on ports and other suppliers in this category. Finally, we will be gathering information from employees that work directly with these suppliers to obtain their feedback on the ports and their perception of compliance with relevant regulations.

We will be updating our supplier agreement for greater clarity in relation to our requirement that our Supplier Code of Conduct also applies to our suppliers' supply chain. We expect our suppliers to have the same ethical standards for their suppliers as we do ours.

We are currently in the process of implementing new operational systems for logistics, including the supplier vetting process. Prior to implementing, we will be fully assessing this system to ensure that it is optimized for our purposes as related to the Transparency Act.

The success of these measures will be assessed latest Q1/Q2 2025 in connection with preparation of the 2024 Due Diligence Assessment and Supply Chain Due Diligence Report.

In the event of obtaining knowledge of significant adverse impact or increased known risk, we will reassess and implement appropriate measures accordingly.



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