

MORROW

TRANSPARENCY ACT REPORT

TRANSPARENCY ACT REPORT (FISCAL YEAR 2024)

Purpose of this document

This document constitutes Morrow Batteries Transparency Act Report for the fiscal year 2024. Some of the material is also presented in the 2024 Morrow Annual Report, where reporting related to the European Sustainability Reporting Standard (ESRS) topic 'workers in the value chain' is also provided.

Mandatory requirements and Morrow's framework

Sustainability risk is defined by the OECD as the likelihood of adverse impacts on people, the environment and society that enterprises may cause, contribute to, or to which they are directly linked.

Morrow acknowledges that the battery industry is risk prone. Known potential adverse impacts include environmental destruction, unsafe working conditions and instances of child labour. This calls for a robust sustainability risk management framework. Morrow is also legally required to undertake such actions and report externally on its performance according to the Norwegian Transparency Act. This act requires Morrow to manage risks in the supply chain related to human rights and decent work and report annually on this. Suppliers that provide direct materials into a company's product should be prioritised according to this act. In addition, the following EU frameworks create new industry standards in Europe: the EU Corporate Sustainability Due Diligence Directive (CSDDD), the EU Battery Regulation and the EU Taxonomy require that companies must demonstrate that they meet minimum social safeguards. The new European Sustainability Reporting Standards (ESRS) under the EU Corporate Sustainability Reporting Directive (CSRD) has a separate section (S2) on workers in the supply chain. Morrow is obliged to comply with the EU Battery Regulation, while the scope of CSDDD and ESRS/CSRD will, under the new Omnibus proposal, be limited to companies with 1000 employees and above.

At the core of all provisions, including the Transparency Act and the Battery Regulation lies an expectation that a company conduct sustainability due diligence modelled on the OECD Responsible Business Conduct Due Diligence framework. This entails that companies identify which direct or indirect adverse impacts may stem from their operations, take measures to prevent and mitigate them and track the implementation and results of these

measures. These processes should form an integral part of company decision-making and broader risk management – and an entity like Morrow is expected to have the management team, as well as the board, closely involved in these matters. Companies are also expected to communicate externally on established procedures, measures taken and relevant results.

Morrow has the following annual cycle for Leadership and Board involvement in sustainability risk management and associated external reporting.

- August-September: Supplier Sustainability Survey is updated (distribution last week of September).
- October-January: Suppliers complete Supplier Sustainability Survey (annual deadline February 1).
- November-January: Annual Sustainability Risk Management Report including human rights and decent work prepared by sustainability team.
- February-April: Based on received supplier data, update Morrow's Supplier Sustainability Database and Life Cycle Assessment (LCA) Database. If applicable, update content in annual Integrated Report and Transparency Act Report.
- March-May: Finance & Accounting, Leadership and Board assess the Sustainability Statement for the Integrated Report and the Transparency Act Report.
- May-June: Publication of Integrated Report and Transparency Act Report.
- Continuous: Any major incidents related to social or environmental issues in Morrow's operations or supply chain are reported immediately to the Leadership and Board to assess how to remedy the situation and mitigate against similar future events. In addition, Morrow's management team also regularly assesses a broad range of risks, including sustainability risks, in the company's Enterprise Risk Management framework.

Formal responsibility for the sustainability risk management rests with CEO Lars Christian Bacher, who answers to the Morrow Board of Directors. All new employees sign the Morrow Code of Conduct when they join the company, and they are also presented with Morrow's Mineral Policy, Environmental Policy and Human Rights and Decent Work Policy.

Sustainability risks

Morrow performed a comprehensive assessment of sustainability related risks in 2022 and have reviewed insights generated in that assessment and added insights from the ongoing observations of social and environmental challenges. Morrow finds that there are two main types of sustainability risks facing the company:

- Social and environmental risks in supply chains for direct battery materials
- Social and environmental risks linked to the construction of Morrow's production facilities in Eyde Energy Park in Arendal.

These two types of risks warrant considerable attention and risk mitigation efforts from the side of Morrow. In the subsequent sections we outline Morrow's risk mitigation in relation to these key sustainability risks.

Risk mitigation: Social and environmental risks in supply chains

Global battery value chains have traditionally been risk prone. Potential risks include local environmental damage, human rights breaches, labour rights breaches, incidents of child labour and resource extraction serving as a driver of conflict. The mining stages have been particularly risk prone, but challenges remain across the value chain (see further outline in annex, table 3).

Morrow's management of supply risks follows a standardised procedure that is codified in its procedure 'Supplier Management approval, risk assessment and performance evaluation'. As per this procedure, all potential new suppliers complete an extensive self-assessment form and make available a set of company documents, policies, certificates and reports that are evaluated by relevant Morrow teams, including the sustainability team.

All major new suppliers are assessed and scored by the Sustainability team for social and environmental risk along the following parameters: Macro factors in country (stability), corruption levels in country as whole, labour rights in country as a whole, human rights in country as a whole, company management of environmental risk, degree of comprehensiveness in company sustainability reporting, status in relation to 3TG minerals from Conflict-Affected and High-Risk Areas, status other minerals potentially stemming from conflict prone countries and degree of availability of greenhouse gas emissions data from company. The scoring range is low, medium and high risk. Suppliers that score high risk on one or more parameters are singled out for further follow-up with Morrow's Procurement and Sustainability teams.

Morrow's suppliers also sign a 'Supplier and subcontractor declaration'. In this declaration suppliers commit to upholding key standards, including environmental, human rights, decent work and avoidance of child labour as well as efforts to prevent corruption. The suppliers also agree to provide Morrow with relevant information related to social and environmental parameters, including greenhouse gas emissions. Similarly, in the contract that suppliers sign with Morrow, the supplier agrees to uphold the standards listed in the 'Supplier and subcontractor declaration' and provide Morrow with necessary information from sub-suppliers, including social and environmental datapoints.

On-site audits in Europe and China

The volumes of direct battery material purchased by Morrow increased in the course of 2024 as the first volumes of direct battery material for production at the Morrow Cell Factory (MCF) were purchased and arrived in Arendal. The largest volumes by weight delivered were cathode active material and graphite.

In 2024, the Morrow Quality, Procurement and Sustainability teams conducted in-depth and physical on-site audits of all direct battery material suppliers to the Morrow LFP battery cell. Overall, the sustainability team found that all LFP direct material suppliers have acceptable performance in relation to social and environmental issues. During the Quality, Procurement and Sustainability teams' on-site audits, several minor issues related to sustainability were identified and corrective actions requested. Most of these actions have since been undertaken.

Improved insights on direct battery material sub-suppliers

Morrow substantially enhanced access to information on sub-suppliers in the direct battery materials value chain. In 2024, new measures and reporting requirements for suppliers were introduced. This includes contractually obliging all of Morrow's direct battery material suppliers to provide geographical chain of custody for the materials. Additionally, some key suppliers are required to offer a comprehensive overview of battery material ingredients, energy use per ingredient, and carbon emissions. Morrow suppliers typically have from 2-5 tiers in their supply chain, and more is now known about the performance of the sub-suppliers.

As of December 2024, some preliminary information has been received, but 1 February 2025 has been set as the main annual deadline for suppliers to provide extensive data sets. The emissions and energy data will form a key part of Morrow's carbon accounting, which will feature in the Product Carbon Footprint Declarations, future digital

product passport (EU Battery Passport), and Morrow's carbon footprint (scope 1, 2, and 3) to be listed in the Annual Integrated Report (in compliance with the EU CSRD/ESRS).

Improved overview of Morrow's material supply chain and the geographical chain of custody will form the centrepiece of Morrow's further risk mitigation against breaches of human and labour rights, as well as mitigating against negative local environmental impact. Morrow has also received more detailed information on the raw materials featuring products procured by Morrow. This allows Morrow to assess known sustainability risks associated with specific raw materials used.

The increase in data available for the whole supply chain and Morrow's new system of issuing traceability report templates and collecting traceability reports is an important stepping stone in making Morrow ready to deliver a digital battery passport mechanism, which will likely be legally required by 1 February 2027. The increase in availability of data also further enhances Morrow's compliance with the Norwegian Transparency Act. The act requires companies to 'identify and assess actual and potential adverse impacts on fundamental human rights and decent working conditions that the enterprise has either caused or contributed toward, or that are directly linked with the enterprise's operations, products or services via the supply chain or business partners' (section 4b). Supply chain is defined as the 'chain of suppliers and sub-contractors that supplies or produces goods, services or other input factors included in an enterprise's delivery of services or production of goods from the raw material stage to a finished product' (section 3). In effect this requires Morrow to be able to identify and manage potential negative impacts it may have in the entire supply chain for its batteries – from raw material stage to finished product.

Risk mitigation: Social and environmental risks at Morrow Cell Factory

Morrow's production facilities in Eyde Energy Park in Arendal were nearly completed in the course of 2024. Construction sites in Norway have been prone to violation of labour laws, economic crime and negative environmental impact and Morrow actively mitigates against these. Below we outline challenges encountered and measures taken.

Environmental risk mitigation

The Morrow Cell Factory building at Eyde Energy Park was completed in 2024. The factory site was previously developed by the Norwegian road agency Nye Veier as a supporting site in conjunction with the construction of a new highway (2017-2020) in the area. Morrow and building

project partner SIVA engaged the construction company Veidekke to construct the factory building. Veidekke has a strong commitment to social and environmental sustainability and the project partners used the environmental standard BREEAM-NOR (certification level 'Very Good'). The BREEAM standard facilitates robust management of potential environmental challenges and encourages the use of ecological surveys and nature conservation planning. An ecologist surveyed the site in October 2021 and issued detailed guidance on how biodiversity could be conserved and strengthened, which has been acted upon by Veidekke.

Safeguarding decent work at construction sites

Morrow's subcontractor Veidekke completed most of the work on the Morrow Cell Factory building in the course of 2024. There were also contractors working on installing equipment in the factory throughout 2024. The total number of contractors on site working on either the factory building or the machinery were around 200, with approximately 1650 non-Morrow employees registered with access to the site.

Veidekke has comprehensive frameworks for addressing social risks in the construction sector, including mitigating against exploitation of workers and economic crimes such as tax avoidance. Morrow has implemented a range of measures to ensure the readiness and compliance of foreign equipment suppliers, as well as to uphold labour standards and prevent economic crimes. In November 2022, Morrow issued a memo to all equipment suppliers detailing health, safety, and preparation processes for foreign companies operating in Norway and adequate training has been provided.

Next steps

Morrow will continue addressing sustainability risks in 2025. This will include:

- Continue to build and maintain an in-house sustainability database
- Continue collecting traceability reports to establish chain of custody for all direct materials that feature in Morrow's LFP battery cell
- Assess high risk sub-suppliers
- Continue preparing for and monitoring developments related to Battery Passport software
- Prepare for digitalisation of sustainability risk management