

NORDIC CLIMATE GROUP

Trade Compliance Policy

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1. Introduction

All companies conducting business internationally must ensure compliance with trade regulations. For the purpose of this policy, the term trade compliance encompasses both trade sanctions and export control laws. This Trade Compliance Policy provides guidelines to support Nordic Climate Group's efforts to comply with sanctions and export control laws.

Trade sanctions refer to laws and regulations imposed by countries – usually in furtherance of foreign affairs, national security, or human rights objectives – that restrict dealings with targeted individuals, entities, and governments, or restrict trade involving certain controlled goods or services. Export controls refer to laws and regulations that restrict trade in certain products, software, technology and services for non-proliferation or other national security purposes. Violations of sanctions or export control laws can result in substantial monetary penalties or imprisonment as well as significant reputational damage for Nordic Climate Group.

This Trade Compliance Policy applies to all employees and other contractors of Nordic Climate Group and its board of directors when they act in their capacity as directors of Nordic Climate Group.

2. Trade sanctions

2.1 Listed persons

The UN, the EU, and the US, as well as several other jurisdictions, frequently use trade sanctions to advance national security and foreign policy interests. Sanctions prohibit or restrict direct and indirect trade with individuals, companies or organisations targeted or designated under trade sanctions (“**Listed Persons**”, each a “**Listed Person**”), or trade in certain goods or services with a sanctioned country or region (see Section 2.3 on sectoral or product- or service-related sanctions below). There are several different types of sanctions regimes, i.e. sanctions lists, that include different types of restrictions and prohibitions. Some sanctions lists introduce a total ban on dealings with a Listed Person, or a ban on providing certain services to certain sectors (for example investment services for the mining industry). Other sanctions lists introduce restrictions instead of bans, such as requirements of prior authorisations before conducting trade with a Listed Person or providing a specific service. As a general rule, Nordic Climate Group shall not conduct any trade with Listed Persons, regardless of whether the sanctions regime in question under which the person is listed introduces a total trade ban or restrictions.

Additionally, any company that is owned to 50 per cent or more (individually or in the aggregate), or that is otherwise controlled, by a Listed Person, should be treated as if it was listed itself. The notion of control must be assessed by investigating actual elements of the control of the relevant company. Also, any entity (regardless of its ownership or control) could be acting on behalf of a Listed Person. It is therefore important to understand whether a business partner is engaging in a transaction on someone else's behalf. Notwithstanding possible difficulties with verifying ownership or control, it is imperative that such controls are carried out to ensure compliance with trade sanctions.

Nordic Climate Group is consequently required to conduct sanction screenings of its business partners, in particular with respect to business partners or transactions assessed to be of higher risk, for instance due to the involvement of a risk country. For this purpose, see the risk country list in Annex I to this policy that indicates which countries or regions are considered risk

countries from a trade compliance perspective (for example subject to sanctions or neighbouring countries associated with circumventions risks). As a general rule, it shall be prohibited to conduct any trade (direct or indirect) with countries or regions indicated as *high-risk countries* in this list, unless prior approval has been granted. For any trade (direct or indirect) involving countries or regions indicated as *medium-risk countries* in this list, enhanced due diligence is required (see further in Section 5.3.2).

Should Nordic Climate Group, after having conducted risk assessments in accordance with Section 5.1, identify risks related to other countries not mentioned in this risk country list, or assess its risks related to a certain country as higher than indicated in the risk country list (meaning that a medium-risk country should be a high-risk country), Nordic Climate Group shall expand or amend this list accordingly.

2.2 Indirect business

Indirect business – for example a sale of products to a distributor who in turn resells the products to a Listed Person – may also be considered prohibited under trade sanctions. Additionally, it may be prohibited to export an item, or related services, to a specific country. Resales through a distributor where the final destination of such an item is unknown will therefore enhance the risks of violating sanctions related to the item in question through indirect business. It is noteworthy that such indirect business may sometimes be difficult to detect. Complying with such prohibitions therefore requires careful due diligence and imposing of certain contractual restrictions or verifications in relation to, amongst others, Nordic Climate Group's distributors.

A risk-based approach shall therefore be taken to avoid indirect transactions with Listed Persons, or in any other way in violation of sanctions, such as sanctions related to an item or services.

2.3 Sectoral, product-, or service-related sanctions

In some cases, trade sanctions may restrict *inter alia* the export, import, sale, or transfer of certain goods, services or trade in general with certain sectors. Transactions may therefore be prohibited even if no Listed Persons are involved.

Restrictions may, among other things, be introduced on:

- Financial services in relation to transferable securities, money-market instruments or making new debt or credit available, for example through payment terms;
- Exports or imports of products, software and technologies to or from certain countries; and
- Sectors, such as the oil and gas, transport, aviation, space sector.

The provision of services for items subject to sanctions is also many times prohibited. For example, providing technical support or using software related to repairs of prohibited goods, could also be prohibited. Additionally, the provision of certain services may also on its own be subject to sanctions regardless of whether the services are provided in relation to a controlled item.

2.4 Conflict of laws

Some countries adopt measures to counteract effects of sanctions or other laws implemented by third countries, which may cause conflicts of laws for companies operating worldwide. For instance, a subsidiary in a non-EU country may find it difficult under local laws to implementing compliance clauses or sanctions screening procedures as requested by its parent company operating in the EU.

Nordic Climate Group shall implement procedures and appoint a person or function whom an employee who encounters a conflict of law in the area of sanctions shall consult.

3. Export controls

The EU and its member states, the US, and many other countries regulate and control the export, re-export, and transfer of certain sensitive products, software and technology. Generally, the controls depend on:

- Specific technical parameters of the item in question;
- Where the item is being exported or transferred;
- Who the end user is; and
- What the end use may be.

3.1 Military goods

Weapons and other defence-related items, usually referred to as military goods, are especially sensitive and strictly regulated not only as regards exports, but many times also in terms of manufacturing, selling, marketing, etc. Any products developed, specially designed or modified for military end use are at risk of being classified as military goods.

Nordic Climate Group shall, as part of its risk assessments (see Section 5.1), identify whether it handles or conducts any trade with items classified as military goods, or to business partners or end users operating in military sectors, or for military end use. Should any such connections be identified, Nordic Climate Group shall implement specific procedures to mitigate the enhanced risks that such military connections entail.

3.2 Dual-use items

Many countries control trade in so-called “dual-use” items. These are specifically listed products, software, technology and services (including information security and encryption software) that have both ordinary commercial (civil) applications, as well as potentially having military applications. Exports of dual-use items from the EU are regulated by the EU dual-use regulation¹, which in its Annex I lists controlled dual-use items. To ensure compliance with all applicable export controls, an export or transfer of controlled dual-use items is only allowed

¹ Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items, as amended.

when the intended destination, end user and end use of the product, service or technology is known to Nordic Climate Group, and all applicable licencing requirements have been met. Furthermore, items with dual-use applications may be controlled even if they are not listed in the relevant regulation. The so-called “catch-all” rule² under the EU rules restricts trade in unlisted items, if the exporter is aware or has grounds to suspect that the items are:

- For military end use (including the manufacturing of controlled military equipment) in countries under a legal EU arms embargo; or
- For use related in any way to biological, chemical, or nuclear weapons, or missiles that are capable of carrying such weapons.

As a matter of policy, Nordic Climate Group is prohibited from conducting any business within the area of chemical, biological, or nuclear weapons, or missiles that are capable of carrying such weapons. In order to mitigate the risks of such trade, any trade involving the nuclear or aerospace industry is only allowed after comprehensive due diligence measures and procedures have been completed without undesirable findings and receipt of written authorisation from the Board of Nordic Climate Group to go ahead.

4. US sanctions and export control rules

4.1 Dual-use items

The US sanctions and export control rules are often more far-reaching than the EU rules. As regards export controls, the US has a similar list of items classified as dual-use included among the Export Administration Regulations (“**EAR**”) termed the Commerce Control List. The scope of items covered by the EAR is, however, more extensive when compared to the EU dual-use regulation, as all items of US origin are subject to the EAR. Further, similar provisions of catch-all controls as described above under the EU rules, that is controls covering the export of non-listed items for certain prohibited end uses and end users, can be found in the EAR. Thus, if Nordic Climate Group has products (including software) with a connection to the US (of US origin) they could be subject to US export control laws and require an export license from the competent US authority. The re-exports (exports of US origin products between two non-US countries) may also require an export license. Moreover, goods produced outside of the US, but which contain more than a certain de minimis value of US origin content,³ are subject to the export restrictions in the EAR, and may not be re-exported without a US export license.

Certain goods could also be restricted under the US Foreign Direct Product (FDP) rules, which cover products manufactured outside of the US that make direct use of US software or technology. Such goods may thus be subject to the EAR and require a license before being exported.

² See Article 4 in the EU dual-use regulation.

³ This includes not only physical components, but also software, and some types of technology. The de minimis threshold is either 10 or 25 percent of the product’s fair market value, depending on the intended destination.

4.2 Sanctions

As for sanctions, US sanctions can be divided into *primary* and *secondary* sanctions. Generally, primary sanctions apply only to US persons (i.e. US citizens, companies organised under the laws of the US, and non-US persons located in the territory of the US). In certain cases, however, even non-US persons can violate US sanctions if there is a US nexus. Examples of this include conducting transactions in US dollars.

In certain US sanctions programs, for instance for Iran, the US employs secondary sanctions, which aim to influence the behaviour of non-US companies acting outside of US jurisdiction. In the worst case, engaging in activities covered by US secondary sanctions could result in Nordic Climate Group being blacklisted, i.e. losing access to the US market and having its assets in the US frozen.

The US is increasingly using its sanctions and export control laws to target international trade with certain countries, and certain entities in these countries, as well as trade with certain goods. It is therefore increasingly important to understand and identify when Nordic Climate Group's operations are subject to US rules, for instance by identifying products of US origin and transactions where a US nexus appears.

5. Risk mitigation

Risk assessments, due diligence and contractual undertakings can be used to help mitigate trade sanctions and export control risks in relation to customers, end users, agents, suppliers, distributors, and other business partners.

5.1 Risk assessments

Nordic Climate Group shall regularly perform risk assessments of its operations and products in order to identify and map its risk exposure under sanctions and export control laws. Nordic Climate Group shall thereafter implement the requirements in this Trade Compliance Policy in relation to the conclusions in its risk assessment for a tailored approach.

5.2 Classification of items

Each Company is responsible for reviewing its products, software, technology and services to understand if they are controlled under any applicable export control or sanctions regulations, including not only EU rules but also, *inter alia*, controls related to US rules, such as the EAR and FDP rules.

Should Nordic Climate Group produce, trade or otherwise handle any items, or provide any services, subject to export controls or sanctions, it is required to implement additional procedures to ensure compliance, for instance processes for ensuring that authorisation and reporting requirements are met.

Since the regulations containing lists of items subject to restrictions under export controls or sanctions are regularly updated, it is important to monitor such updates, as well as Nordic Climate Group's product development, to understand whether Nordic Climate Group's products are, or become, controlled.

5.3 Due diligence

Due diligence is to be conducted to help ensure that Nordic Climate Group does not violate trade sanctions or export controls. Diligence should focus on understanding whether:

1. The business partner is itself a Listed Person, or otherwise subject to trade restrictions (for example. Listed on US Entity List);
2. The business partner is owned, controlled, or acting on behalf of any government, individual, or entity that is a Listed Person;
3. The transaction in question has any direct or indirect connections to a country that is considered a risk country (see Annex I); or,
4. The transaction in question involves any items or services, or end uses, subject to trade restrictions.

The level of due diligence to be conducted shall be decided with a risk-based approach, i.e. it shall depend on the risks identified for Nordic Climate Group and the specific transaction in question, for instance whether the transaction involve a risk country. The level of due diligence may also depend on the extent to which Nordic Climate Group will be engaging in dealings with a business partner.

5.3.1 Minimum due diligence measures

As a minimum, it is advisable to screen all business partners on both the sourcing and sales side (i.e. not only customers but also suppliers and end users), at least once (onboarding controls). This should apply to all new business partners, regardless of whether a connection to a risk country has been established. Basic identifying information should therefore be collected on all new business partners, including (i) full name and registration number, (ii) country of registration/residence, (iii) address, (iv) general sectors that the business partner operate in, and (v) corresponding information for a potential parent company, or if the business partner is an agent/representative, the individual or entity being represented.

If at any point, suspicious behavior or triggering factors are identified (for example reluctance to provide information, indications that the business party is acting on behalf of an undisclosed third party, or requests for unusual payment terms) or there are obvious risks related to the business partner, enhanced due diligence should be conducted (see Section 5.3.2).

If the screening results contain a match that appears to be relevant, the transaction shall be escalated for further review before proceeding with the transaction.

Records of screening results and other due diligence measures shall be maintained in order to evidence compliance. See more under Section 6.

5.3.2 Enhanced due diligence measures

As a general rule, it shall be prohibited to conduct any trade (direct or indirect) with countries or regions indicated as high-risk countries in the risk country list (see Annex I), unless prior approval from Group CEO has been granted and the transaction has undergone enhanced due diligence. For any trade (direct or indirect) involving countries or regions indicated as medium-risk countries in this list, enhanced due diligence is required.

Additionally, if any information is identified that indicates that a transaction is of higher risk, for example because it involves items subject to trade restrictions or suspicious behavior from the business partner has been identified, enhanced due diligence is required.

What measures are included in the enhanced due diligence shall depend on Nordic Climate Group's specific risks, as well as the transaction in question. For instance, an enhanced screening process could include screening of additional parties, such as involved banks, forwarders or other intermediaries. Additionally, further contacts with the business partner in question may be required to collect more information, or a visit to a supplier's factory may have to be conducted.

Furthermore, Nordic Climate Group may implement procedures for certain risk transactions to be escalated and receive further support or clearance before proceeding with the transaction. As mentioned, at a minimum, all transactions involving a high-risk country should be subject to such an escalation procedure where an approval must be collected. However, Nordic Climate Group should implement an escalation procedure also for other types of transactions, as the enhanced due diligence shall be tailored to Nordic Climate Group's specific risks.

Lastly, as regards all transaction with military connections, meaning trade with items classified as military goods, or to business partners or end users operating in military sectors, or for military end use, all such transactions shall undergo enhanced due diligence according to a specific procedure implemented by Nordic Climate Group.

5.4 Contractual undertakings and other compliance measures with business partners

As a minimum requirement, contractual clauses on trade compliance shall be included in all agreements entered into with business partners. For example, the business partner should agree to refrain from dealing with any Listed Persons or certain risk countries in relation to (1) fulfilling any of its obligations under the agreement (such as by sourcing from or subcontracting to a sanctions target), or (2) further transactions/sales of Nordic Climate Group's products.

Additionally, when needed, Nordic Climate Group shall take other measures to ensure or verify compliance by business partners, for instance to collect or obtain assurances or certificates, such as certificates of origin from suppliers to ensure the origin of a sourced product or raw material, or end user certificates stating either who the end user is and what end use is intended, or stating why the end user is not known.

6. Record keeping and internal audits

Nordic Climate Group shall ensure that it maintains records of compliance activities, in particular those required herein, i.e. risk assessment, screening and item classification, and that correct information is provided, upon request, to other Company entities.

Records shall be kept for a minimum of five years, and longer if required by local laws, conditions set out in authorisations or licenses or if it is otherwise motivated.

The Group CEO is authorised to carry out internal controls in the relevant departments to ensure compliance with the requirements herein, the relevant regulations, and any complementing internal procedures and guidelines. All records and information on export-related transactions must immediately be made available to the Group CEO upon request. The Group CEO is further

authorised to stop any shipment in case of risk of non-compliance with the requirements herein or relevant regulations, as well as when there is an alteration or missing information regarding for example ship-to-parties or end users.

7. Implementation

7.1 Responsibilities and organisation

Each employee, manager, executive officer and member of the board of directors must understand and comply with this Trade Compliance Policy.

If any questions arise about the content of this Trade Compliance Policy, or how it should influence the everyday work or a specific matter, please reach out to Group CEO.

8. Reporting concerns and consequences of violation

If you become aware of or suspect a possible violation of law, rule, regulation you are required to promptly contact Group CEO.

If you become aware of violation of this Trade Compliance Policy or any other of Nordic Climate Group's policies, you shall contact Group CEO.

You can also raise concerns anonymously through Nordic Climate Group's whistleblowing system available at [WhistleB, Whistleblowing Centre](#)

The Nordic Climate Group will not tolerate any attempt to take adverse action against an employee for reporting a genuine concern regarding suspected wrongdoings. Retaliation against anyone who speaks up is a violation of the Code of Conduct and will not be tolerated

Nordic Climate Group does not tolerate any illegal or unethical behaviour. Violations of this Trade Compliance Policy is likely to damage Nordic Climate Group's brand and reputation. Failure to follow this Trade Compliance Policy is taken seriously and may result in disciplinary action appropriate to the violation, including, but not limited to, termination of the employment.

9. Review and follow-up

Compliance with this Trade Compliance Policy by all Nordic Climate Group entities and employees, and business partners, will be monitored through internal and external audits, and routine follow-ups of all reported matters.

Effective date	Version	Change description
2023-09-01	V 1.0	

Schedule 1

List of Risk Countries

High-risk Countries	Medium-risk Countries			
Belarus	Afghanistan	Cyprus	Macau	Samoa
Crimea and non-government-controlled areas of the Donetsk, Kherson, Luhansk and Zaporizhzhia oblasts of Ukraine	American Samoa	Democratic Republic of the Congo	Malaysia	Saudi Arabia
Cuba	Albania	Egypt	Mali	Serbia
Iran	American Samoa	Eritrea	Malta	Sierra Leone
Libya	Angola	Ethiopia	Marshall Islands	Singapore
Myanmar (Burma)	Armenia	Georgia	Mauritania	Somalia
North Korea (DPRK)	Azerbaijan	Ghana	Mauritius	South Africa
Russia	Bahamas	Grenada	Mexico	South Sudan
Sudan	Bahrain	Guam	Moldova (Transnistria)	Sri Lanka
Syria	Barbados	Guinea, Rep. Of	Mongolia	Tajikistan
Venezuela	Belize	Guinea-Bissau	Montenegro	Trinidad and Tobago
Yemen	Bermuda	Guyana	Namibia	Tunisia
	British Virgin Islands	Haiti	Nicaragua	Turkey
	Bulgaria	Hong Kong	Niger	Turkmenistan
	Burundi	Hungary	Nigeria	U.S. Virgin Islands
	Bosnia and Herzegovina	Indonesia	North Macedonia	Uganda
	Cambodia	Iraq	Pakistan	Ukraine (excl. Crimea, and non-government-controlled areas of the Donetsk, Kherson, Luhansk and Zaporizhzhia oblasts of Ukraine)
	Cayman Islands	Jordan	Palau	United Arab Emirates
	Central African Republic	Kazakhstan	Palestine	Uzbekistan
	Chad	Kosovo	Panama	Vanuatu

High-risk Countries	Medium-risk Countries			
	China	Kyrgyzstan	Philippines	Zimbabwe
	Colombia	Laos	Puerto Rico	
	Cote D'Ivoire	Lebanon	Rwanda	
	Curacao	Liberia	Saint Lucia	