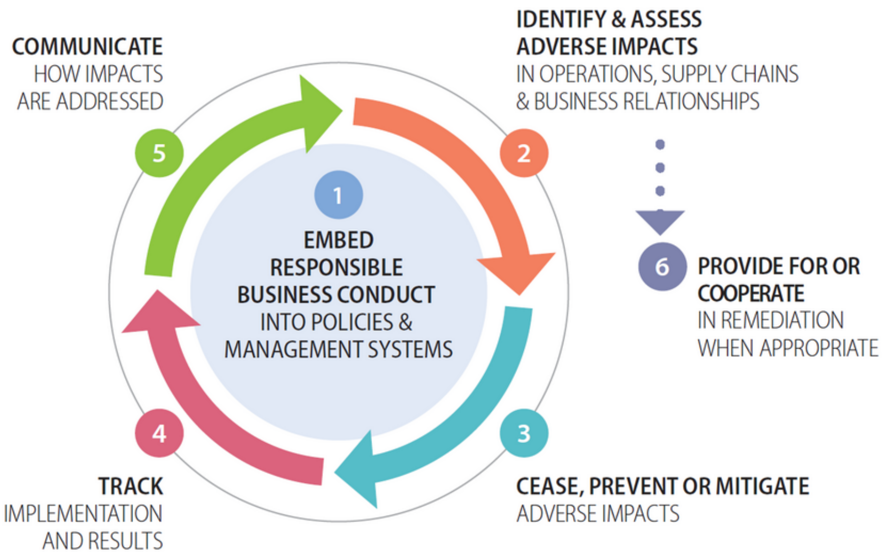
Methodology For Sustainability Due Diligence

Through regular assessments, Micropower commits to identify and prevent or mitigate risks of sustainability impacts as well as inspiring our business relationships to do the same.

Sustainability Due Diligence is defined by the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD). The following describes how we meet those requirements, which enables us to continuously improve on how we manage impacts on sustainability.



1. Embed Responsible business conduct into Policies and management systems

To demonstrate our dedication to sustainability, Micropower has adopted a policy developed and reviewed by experts. Approved and signed by the CEO and Board, this policy serves as our guiding framework for sustainability. Related policies and management systems will align with its commitments where applicable.

2. Identify and access adverse impacts

2.1. All business units

We acknowledge that sustainability impacts pose a risk to companies regardless of their location or industry. Therefore, we intend to assess all our business units with more than 20 people employed. We will assess one unit at the time starting with headquarters. These assessments serve as practical examples when conducting additional operational level impact assessments and when engaging our business relationships.

2.2. All human rights, environmental, and economic areas

We consider risks on all core sustainability areas (48 human rights (incl. labor rights); 20 environmental (incl. climate); 16 economic (incl. bribery). Findings of 'no risks' of adverse impacts will include our reasoning behind it.

2.3. Engagement with impacted stakeholders

We appreciate that persistent stakeholder engagement is a part of the due diligence process. To ensure informed stakeholder engagement, we will conduct the first assessments with limited interactions with stakeholders. We engage and inform stakeholders by sharing our impact assessments. In doing this, we seek their input to enhance our practices and address any grievances that may arise from actual impacts. As a core requirement of the UNGPs, assessments will be shared with relevant stakeholders, at the very least impacted stakeholders and business relationships.

2.4. Likely impacts, not all imaginable and all impacts, not limited to severe

We focus our assessments on impacts that are likely to occur, and not all imaginable impacts. Enabling impacted stakeholders to engage with us may lead to the identification of additional risks. However, we do not limit the assessment to the identification of risks of 'severe' impacts, also referred to as 'salient' impacts, appreciating that the intention of UNGPs' due diligence is to ensure that impacts do not escalate and become severe.

2.5. Risks only in first assessments

For the first assessments in a business unit, we focus on potential adverse impacts only. Hereby, we give the business unit in question the ability to better involve itself in preventing or mitigating adverse impacts moving forward. During the subsequent annual re-assessments, we will include actual impacts. It is our belief that the positive collaboration and local engagement in becoming sustainable will be enhanced by not looking for flaws, but for risks only. We must acknowledge that many of these risks may not have been effectively addressed in the past.

2.6. Focus on the 'cause' or 'contribute to' connections to Impacts

We focus assessments on where the unit may cause or contribute to adverse impacts. When the unit is merely 'linked to' adverse impacts, the assessments identify known severe impacts in the value chains only. We expect our assessments to improve over time by gathering information through the systematized approach that requires responsible business conduct by business relationships. We acknowledge that, as part of our due diligence according to the UNGPs/OECD, we must set up a minimum expectation of having our business relationships meet the minimum standard for responsible business conduct. Additionally, we will use our leverage to engage with businesses in our value chains if they are involved in causing or contributing to significant negative impacts.

2.7. Due Diligence in value chains

Seeing as we have not previously applied expectations of responsible business conduct in alignment with the UNGPs/OECD to our business relationships, we expect that establishing such practice will enable us to better identify severe impacts that we are merely 'linked to'. We expect our business relationships to implement the UNGPs/OECD and manage all risks of impacts and require from their business relationships to meet the same standard.

3. Cease, prevent or mitigate adverse impacts

3.1. How to address identified risks

When we identify risks, we describe who is at risk, or where the risks occur; what we do, or will do, to prevent or mitigate that risk; the indicators by which we measure effectiveness; who oversees risk management; and the additional resources that need to be allocated.

3.2. Applying good practice to action

We will briefly describe what is already being done to prevent or mitigate the risks of impacts. Based on known good practices, additional actions are suggested to the local management, when added actions are deemed necessary or recommendable.

3.3. Where actions are mandated by law

When actions to prevent or mitigate adverse impacts are mandated by law, we mention such actions in the impact assessments and do not merely refer to the law. We understand that our business relationships may have no knowledge of the governing laws, where we operate, and that 'due diligence; is distinct from legal compliance.

3.4. Resources

We estimate and describe additional resources needed to implement solely new preventive or mitigating actions (workdays/expenditure).

3.5. Actions primarily directed at governance system

We seek to direct our actions to improve or reform our existing governance system, where possible.

3.6. Measuring effectiveness

We seek to use existing indicators, where available, and we seek to apply easily managed (SMART) indicators, both quantitative and qualitative. The indicators are not to be confused with Key Performance Indicators (KPIs) that are used for reporting purposes and/or the balanced scorecard, although we seek to use our KPIs, where relevant.

4. Tracking, Implementation and result

We seek to use existing indicators, where available, and we seek to apply easily managed (SMART) indicators, both quantitative and qualitative. The indicators are not to be confused with Key Performance Indicators (KPIs) that are used for reporting purposes and/or the balanced scorecard, although we seek to use our KPIs, where relevant.

5. Communication – How impacts are addressed

5.1. Meeting the UNGPs/OECD requirements to communication

We seek to regularly communicate our impact assessments to employees and other potentially impacted stakeholders asking for their input or ideas to better address impacts.

5.2. Using first impact assessments as models

We use our impact assessments as a model for enrolling additional business unit, i.e., subsidiaries, in our sustainability due diligence program, making their first operational-level impact assessments much more achievable and viable.

5.3. Meeting the UNGPs/OECD requirements to official reporting

We will communicate through official channels how we handle risks of severe impacts as required by the UNGPs/OECD, primarily using our annual report. We will primarily use our Sustainability Report and our website for this purpose

5.4. Using regular operational-level impact assessments in business relationships

We seek to our impact assessments actively in our communication with business relationships. Firstly, we disclose our Sustainability Policy Commitment, Code of Conduct for Business Relationships, and our latest Sustainability Impact Assessments, whenever our business relationships request them. We encounter Codes of Conduct from business relationships that merely concern labor rights. As these rights are included in the full scope of the minimum standard, we trust that our risk management and communication thereof is satisfactory to these request.

Secondly, we use our impact assessments to ensure that our business relationships can gain inspiration in applying sustainability due diligence to their operations. Forwarding the latest impact assessments demonstrates our ability to achieve responsibility to our business relationships and inspires them in terms of reaching our expected level of exchanging documentation of sustainability due diligence.

5.5. Public disclosure of regular impact assessments

Apart from the communication requirements mentioned above in relation to severe impacts, companies are not required by the UNGPs/OECD to publicly share their operational level impact assessments. However, we will continuously consider our applied level of transparency in relation to documenting sustainability due diligence, i.e., our regular impact assessments.

6. Providing access to remedy (when appropriate)

We have implemented Micropower TELL-US as our grievance mechanism. Our TELL US mechanism is a way for potentially impacted stakeholders to engage with us concerning our sustainability work. This enables us to share our impact assessments with stakeholders, engage in stakeholders dialogue to improve due diligence, encourage good ideas, and enable reports or grievances. As required by the UNGPs/OECD, this mechanism is developed to provide access to remedy for affected stakeholders through communication and dialogue with Micropower. For more severe impacts, breaches of legal regulation or law, or the need for anonymous reporting, we enable such reporting through our whistleblower mechanism.

If you have an interest in accessing our latest impact assessments, please visit our website, or contact our Sustainability Director, Therese Adenmark.