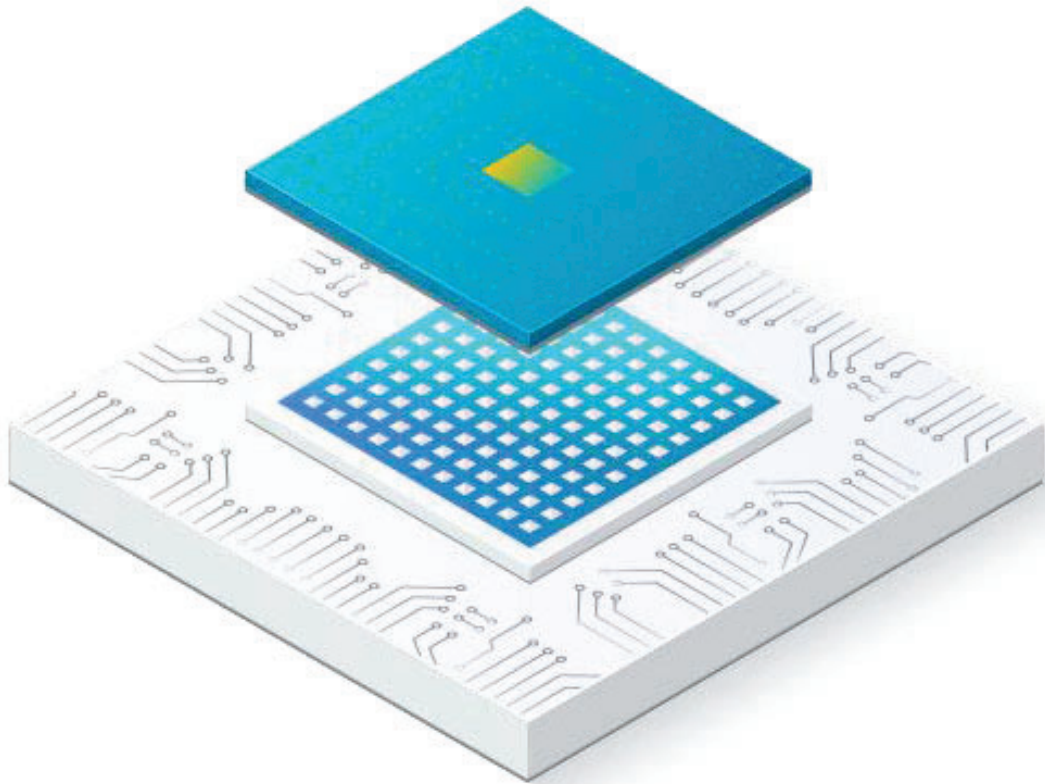


# Arm Norway AS

## The Norwegian Transparency Act Report 2023





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## **1. Introduction to the Norwegian Transparency Act**

The Act shall promote enterprises' respect for basic human rights and decent working conditions in connection with the production of goods and the provision of services, and ensure the public has access to information about how businesses deal with negative consequences for basic human rights and decent working conditions.

By fundamental human rights it is meant the internationally recognised human rights that are enshrined, among other places, in the International Covenant on Economic, Social and Cultural Rights of 1966, the International Covenant on Civil and Political Rights of 1966 and the ILO's core conventions on fundamental principles and rights at work. Decent working conditions means work that safeguards basic human rights and health, environment and safety in the workplace, and that provides a living wage. By supply chain it is meant any party in 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. By business partner it is meant any party that supplies goods or services directly to the enterprise, but that is not part of the supply chain.

The enterprises' must carry out Due Diligence assessments in line with the OECD's guidelines for multinational companies. The Due Diligence assessments must be carried out regularly and be in relation to the size of the business, the nature of the business, the context within which the business takes place, and the severity of and the likelihood of negative consequences for basic human rights and decent working conditions. The businesses must publish an account of the Due Diligence assessments. The statement must be made easily available on the company's website, or be easily accessible. In the annual report, the companies must state where the report is available. The report must be updated and published by 30 June each year and otherwise in the event of significant changes in the business's risk assessments. It must be signed in accordance with the rules in § 3-5 of the Accounting Act.

For more information, please visit: <https://lovdata.no/dokument/NLE/lov/2021-06-18-99>

## 2. Methodology for the Transparency Act work

The methodology used to answer the requirements in the Transparency Act follows the OECD's guidelines for due diligence for multinational enterprises in accordance with § 4 in the Norwegian Transparency Act. The method is based on a four-step model that contains the following components and activities:

1. Embedment of responsibility
  - a. Embedment in the board and management
  - b. Embedment into policies and management systems
2. Due Diligence
  - a. Analysis of the enterprise' suppliers and value chain in accordance with the OECD guidelines
  - b. Due Diligence assessment with representatives from the enterprise to identify areas of improvement
3. Prioritise and prevent
  - a. Prioritise areas of improvement and selected suppliers to follow up
  - b. Identify measures to prevent, reduce or avoid negative impact
4. Prepare KPI and report
  - a. Prepare KPI for measurement and surveillance over time
  - b. Finalise report on the Norwegian Transparency Act for the enterprise

The data used is the enterprise' supplier register, supplier transactions as well as global risk indicators<sup>1</sup> for violations of human rights, violations of decent working conditions, violations of economic and tax legislation and the maturity of national environmental policy. The analysis further looks at current guidelines, routines and procedures the company has in place to be able to map, carry out, measure, evaluate and follow up potential negative impacts for the company, suppliers and business relationships.

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<sup>1</sup> Global Slavery Index (2018), Global Rights Index (2023), Global Waste Index (2022), Human Rights Guidance Tool (2014), Human Freedom Index (2023), Corruption Perceptions Index (2023), The World Strength of legal rights index (2019) & Worldwide Governance Indicators (2024).



### 3. Arm Norway AS

#### 3.1 Introduction to organisation, management and business activities

Founded in 2001 as Falanx Microsystems AS, Arm Norway AS is a prominent fabless semiconductor company located in Trondheim, Norway. Originating from a research initiative at the Norwegian University of Science and Technology (NTNU) in 1998, Falanx Microsystems was established to commercialise innovative graphics processing technologies. In June 2006, ARM Holdings acquired Falanx Microsystems, subsequently rebranding the Company as Arm Norway. Arm Norway is entirely owned by ARM Limited, a subsidiary of ARM Holdings, which holds 100 % of the shares.

Following the acquisition in 2006, Arm Norway established its office in Trondheim, where we currently employ approximately 240 people. The office has a youthful demographic, with an average age of around 33 years. The workforce is diverse, comprising roughly equal numbers of Norwegians and non-Norwegians, representing about 33 different nationalities. Work hours are flexible, typically from 10am to 3pm, but employees can choose to work earlier or later hours, ranging from 7:30am to 7:30pm, accommodating individual preferences and circumstances. The office environment is light, airy, and open-plan, featuring individual desks, team rooms, and breakout spaces to facilitate collaboration.

At Arm Norway, the relationship between management and the board is designed for effective governance and strategic alignment. Kjetil Sørensen, the Managing Director, also serves as a Board Member, facilitating direct communication between executive management and the board. The board is chaired by Paul Nicholas Williamson from the UK, who leads the board in setting strategic direction and overseeing company performance, while Marc Remi Van Canneyt, from the Belgium, contributes his expertise as a Board Member.

In Arm Norway, we collaborate closely with ARM's primary design centres in Cambridge (headquarters), Manchester (UK) and Lund (Sweden) focusing on the development of state-of-the-art graphics processing units (GPUs). These GPUs are optimised for OpenGL, OpenGL ES, DirectX, and Vulkan APIs, which are crucial for three-dimensional rendering. A significant aspect of our design philosophy is minimising electrical power consumption, making our products particularly well-suited for integration into portable devices such as smartphones and



tablets. Our GPUs are marketed under the renowned Mali brand, which also encompasses a range of products for hardware acceleration in image, video, and display processing.

As part of ARM, a global leader in technology, Arm Norway contributes to a legacy of innovation that shapes the future of computing. ARM's technologies are foundational to over 280 billion chips that power devices worldwide, from the smallest sensors to powerful servers. Through this extensive impact, we continue to drive advancements in the semiconductor industry, enabling the next generation of smart and energy-efficient devices.

### 3.2 Introduction to guidelines and policies

Arm Norway AS upholds a comprehensive suite of policies and practices developed at the group level, designed to promote and ensure responsible business conduct across all facets of its operations. These policies underscore our dedication to ethical practices, sustainability, and integrity, both within our organization and throughout our supply chain.

In alignment with our Corporate Social Responsibility commitments, Arm is an active participant in the United Nations Global Compact, pledging to uphold its ten principles covering human rights, labour standards, environmental protection, and anti-corruption. To support these principles, Arm collaborates with independent organisations such as the CDP Supply Chain. We require our suppliers to contribute to these partnerships by sharing relevant data and aligning their business strategies with these global standards. The Arm Supplier Code of Conduct forms the cornerstone of this commitment, setting forth broad requirements for all our suppliers. While the Code provides overarching guidelines, specific contracts with suppliers may include more detailed provisions that prevail in cases of conflict. Furthermore, we expect our suppliers to ensure their subcontractors and business partners also adhere to these standards or embody the values outlined in the Code.

Our Procurement Policy outlines how procurement activities should be conducted within Arm, prioritising responsible practices that maximise value and mitigate risks. This policy is applicable to all ARM entities, employees, board members, and affiliated personnel on a global scale. Those involved in procurement activities, whether within a business unit, enterprise function, or as part of the Group Procurement function, must comply with this policy. They are required to exercise sound business judgement and due diligence when engaging with third-party suppliers. For transactions below \$50,000 or under specific pre-approved exceptions, the



direct involvement of the Group Procurement team is not necessary, except for handling processes such as purchase requisitions, orders, and goods receipt notices, and supporting supplier registration and vetting. Non-compliance may result in corrective actions, including potential termination, underscoring the importance we place on ethical procurement.

At Arm Norway, we comply with these policies and procedures, even though we do not directly manage their content. Nonetheless, these comprehensive policies ensure that both our operations and those of our suppliers are conducted responsibly, ethically, and in line with our core values and international standards.

## **4. Due Diligence**

### 4.1 Account of Due Diligence

Arm Norway AS has carried out a Due Diligence assessment in accordance with § 4 of the Norwegian Transparency Act and accounts for the Due Diligence in accordance with § 5.

In 2023, we undertook a thorough evaluation of our suppliers based on critical global risk indicators such as human rights, working conditions, environmental impact, and corruption. Given the presence of many less significant and single-purchase suppliers, we concentrated our efforts on those who contribute to at least 80 % of our total procurement, along with our international partners. This prioritisation guided our Due Diligence processes, leading to a comprehensive analysis of 38 key suppliers out of our total pool of 120. The selected suppliers underwent rigorous risk assessments and were evaluated for compliance with international standards and guidelines. This report offers an in-depth overview of these prioritised suppliers, detailing our assessment of their risk profiles, and the control measures in place.

Among the assessed prioritised suppliers, three originate from countries classified with a medium risk profile, specifically Poland and the USA. These suppliers have undergone thorough visual inspections to assess their adherence to our standards. Overall, we have implemented two types of controls: manual and visual. Out of the 38 suppliers, 16 (42 %) have undergone a formal manual process, providing signed documentation to prove compliance. Additionally, 22 suppliers (58 %) have been visually inspected or audited, accompanied by manual verification, to ensure they meet our requirements.



All these controls are fully documented, achieving a 100 % documentation rate. To verify the controls, we utilised various methods and systems. Through the Ariba system, 19 controls have been verified (5 0%), while a combination of Ariba and lease contracts has verified 3 controls (8 %). Furthermore, 15 controls have been confirmed through traditional contractual methods (39 %), and a single control has been verified exclusively through a lease contract (3 %).

Regarding the risk assessment of the suppliers, we have no knowledge of any actual or potential adverse incidents on human rights or decent working conditions in our operations, products or supply chain. Therefore, all first-tier suppliers have been evaluated as low risk, based on the likelihood and consequence analysis of potential incidents. This also applies to all second-tier suppliers (subcontractors), who are also assessed to have a low risk. This evaluation is crucial to ensure that our supply chain operates within acceptable and low risk levels.

#### 4.2 Measures and follow-up

To manage and minimise risk, we have implemented several preventive measures. Among these measures are regular meetings with 19 suppliers (50 %), ensuring continuous dialogue and follow-up. Additionally, our procurement department in the UK has specifically focused on 19 suppliers (50 %) to ensure they closely follow our procedures and standards. Through these measures and the comprehensive control process, we ensure that our suppliers operate in compliance with our standards, reducing the risk of deviations and unwanted incidents in our supply chain.

The findings from our adherence to the Transparency Act and the outcomes of our Due Diligence processes will be shared with our parent company. This communication is essential for driving initiatives aimed at enhancing our Group's overall routines and procedures concerning fundamental human rights and decent working conditions. By providing detailed insights and feedback from these assessments, we aim to support the development of more robust and effective policies across the entire organisation. These efforts will ensure not only compliance but also a proactive approach in upholding and advancing ethical standards within our operations and supply chain. This collaborative approach will help strengthen our commitment to responsible business practices and foster a culture that prioritizes the welfare and rights of all stakeholders involved.

No further measures are sought for 2024.





## 5. Contact information

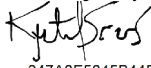
For more information on the Norwegian Transparency Act for Arm Norway AS, please contact:

Managing director: Kjetil Sørensen

E-mail: kjetil.sorensen@arm.com

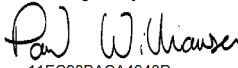
### 5.1 Signature by Management and Board

The report is read and approved by the Company's management and board on 28 August 2024:

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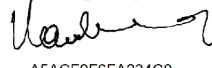
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Kjetil Sørensen  
Managing director and board member

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Paul Nicholas Williamson  
Chairperson of the board

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Marc Remi Van Canneyt  
Board member