

Annual Report

The Norwegian Transparency Act

Xplora Technologies AS

30.06.2023

Xplora[®]

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1. Xplora's Report Pursuant to the Transparency Act for 2022

1.1. Introduction

The Transparency Act was put into force on 1 July 2022. The purpose of the act is to promote businesses' respect for fundamental human rights and decent working conditions and ensure the public's access to information.

Xplora Technologies AS ("Xplora") shall conduct due diligence in accordance with the Transparency Act each year and publish a report on the assessments and findings.

This report outlines Xplora's obligations to account for the due diligence assessments conducted by the company in 2022. In the report, we also describe the measures that have been assessed and implemented to reduce the risk of adverse impact on Xplora's activities may have on fundamental human rights and decent working conditions.

1.2. Contact information

Any inquiries in connection with this report can be directed to:

Xplora Technologies AS
CEO, Sten Kirkbak
Sten.kirkbak@xplora.com

1.3. Duty to account for the due diligence

Xplora is headquartered at Nedre Slottsgate 8, Oslo and is resident in Norway.

Companies that meet two of the following three conditions are subject to reporting obligations in accordance with the Transparency Act: Sales revenue over 70 million, total assets of 35 million or more, and more than 50 employees. Xplora meets all these requirements and is therefore obliged to comply with the reporting obligations.¹

¹ The company must meet at least two of the three conditions regarding sales revenue, balance sheet total and number of full-time equivalents.

2. About the Company's Operations

2.1. Organisation and area of operations

Xplora is a platform and services company and an industry leader in smart watches for children. Xplora was founded in 2016 to give children a safe onboarding to the digital life and a better balance between screen time and physical activity. Xplora also operates as a mobile service provider, offering products and services in our core markets, Europe and US, through online channels, a wide network of retailers, and telecommunications partners.

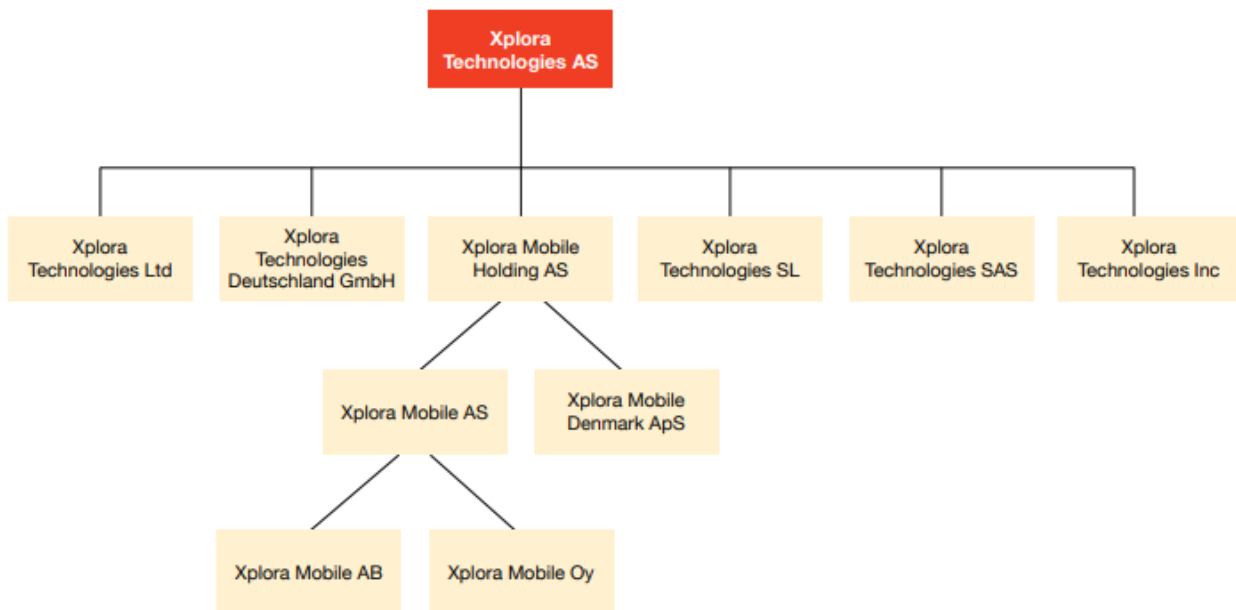
The significant subsidiaries of parent company, Xplora Technologies AS, is Xplora Mobile Holding AS, Xplora Technologies Ltd (an English limited liability company), Xplora Technologies Deutschland GmbH (a German limited liability company), Xplora Technologies SL (a Spanish limited liability company), Xplora Technologies SAS (a French limited liability company) and Xplora Technologies Inc. (a Delaware corporation). All subsidiaries in the group are 100% owned.

The parent company's operations are conducted from its Oslo and Trondheim offices in Norway. Xplora's headquarter in Oslo accommodate the group's finance, marketing, operations, and support functions, while the Trondheim office manages global and national marketing campaigns. Xplora also has offices in four Nordic countries, US, UK, Germany, and Spain.

Xplora Technologies Ltd serves as Xplora's engineering and development hub which works together with Xplora's external South Korean development team. Xplora's UK operations also handle sales and marketing in the UK market.

Xplora Technologies Deutschland GmbH, Xplora Technologies SL, Xplora Technologies Inc. and Xplora Technologies SAS all handle sales, marketing, operations, and support functions in their respective local markets.

Xplora Mobile Holding AS is the parent company of Xplora Mobile AS and Xplora Mobile Denmark ApS (a Danish limited liability company). Both companies handle sales, logistics, marketing, operations, and support functions in their respective markets. Xplora Mobile AS is the parent company of Xplora Mobile AB (a Swedish limited liability company) and Xplora Mobile Oy (a Finnish limited liability company), having the same functions in their respective markets.



This report covers the group subsidiaries listed above. Further information about Xplora is available in the [annual report](#).

2.2. Internal guidelines

Xplora's guidelines on how we embed the work on human rights and decent working conditions 'Xplora's Guidelines for responsible business conduct with the Transparency Act' is attached to this report. The procedure outlines the work that needs to be carried out to meet the requirements set out in the Transparency Act.

Xplora's guidelines were established and approved by the company's board of directors on 11 May 2023. The guidelines will be communicated to the company's employees and are available on our website. The guidelines describe how Xplora conducts its due diligence and assessment of the measures. Xplora has established a grievance mechanism for reporting of any potential adverse impacts on human rights and decent working conditions: compliance@xplora.com. This contact information is also available on our webpages.

2.3. Ambitions and progress

2.3.1. Overall ambitions and progress

Xplora is committed to our efforts to ensure human rights and decent working conditions in our supply chain and within our operations. We acknowledge that this commitment requires ongoing efforts and continuous improvement implementing measures to achieve the ambitions set by the company.

2.3.2. Ambitions for the coming year

Ambitions	Status
Establish contact with and follow-up high-risk suppliers (and auditors) where findings are identified.	In progress
Enhanced due diligence and continue with audits and/or third-party assessments of high-risk suppliers.	In progress
Communication with affected stakeholders (trade unions and workers in the supply chain).	In progress
We will update 'Xplora's Guidelines for responsible business conduct with the Transparency Act' based on the experiences we gain.	Started
We shall further improve the due diligence based on our experience.	Started
Establish a supplier due diligence process: <ul style="list-style-type: none"> - Prepare and implement a Supplier Code of Conduct - establish standards and expectations for suppliers to adhere to when conducting business with Xplora and/or contract measures - including contract clauses related to fundamental human rights and decent working conditions. These clauses will also urge the suppliers to include contractual clauses that set out the same requirements and obligations in agreements with their suppliers. - Employee training - raise employees' awareness of various compliance issues. - Supplier questionnaire - collect relevant information about potential suppliers and evaluate suppliers' adherence to legal and ethical standards, identify potential compliance risks. 	Started
Follow up and establish contact with high-risk suppliers not having responded to our questionnaire.	Not started
Due diligence assessment of business partners not prioritized in this initial round	Not started

3. Due Diligence Assessments

3.1. Focus and methodology

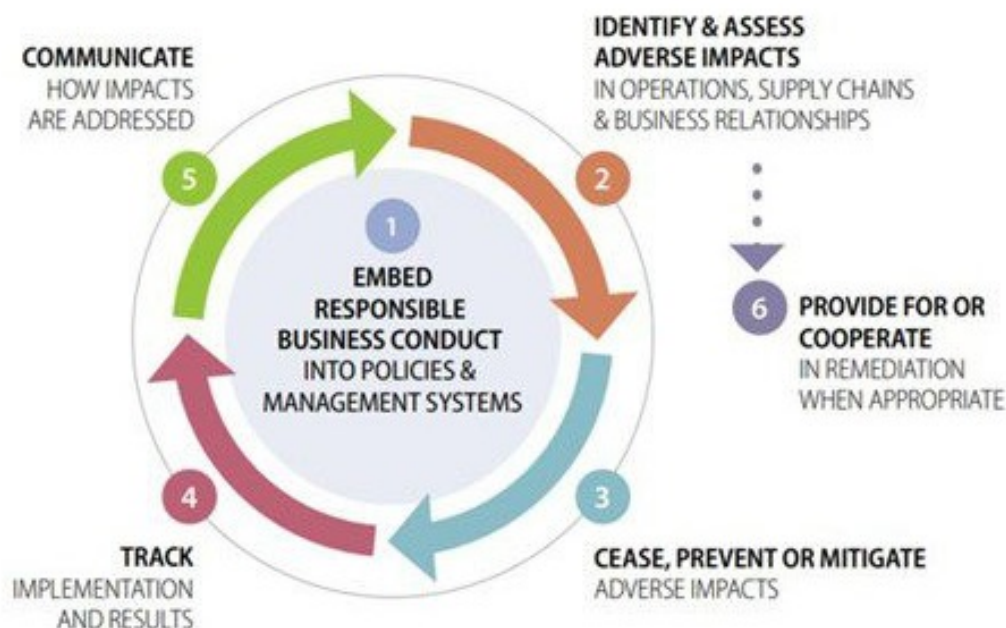
Xplora continuously makes assessments of the risk² of adverse impact on fundamental human rights and decent working conditions linked with the company's activities and business relationships. We continuously track any violations of human rights or violations of decent working conditions that relates to the company's activities.

Based on supplier data obtained from accounting data and ERP systems, Xplora has obtained a systematic overview of our suppliers. Xplora has conducted initial assessments of the risk of negative impact on fundamental human rights and decent working conditions. We have also utilized a digital platform developed by Ignite Procurement AS to simplify the implementation of the due diligence assessments in accordance with the requirements of the Transparency Act.

The initial risk classification of our first-tier suppliers is based on the following established classification rules relevant to its supply chain: **Geography, industry** and **contract value/size**. The platform gathers information and financial details about Xplora's suppliers, such as industry codes (NACE) and company structure. Through the classification tool in the platform, suppliers that meet defined risk parameters are classified as having high, medium, or low risk of negative impact on fundamental human rights and decent working conditions.

Based on the findings, Xplora has assessed which actions should be taken to investigate potential negative consequences for fundamental human rights and decent working conditions. Xplora has implemented actions where the severity and likelihood of harm are highest and where we have the greatest influence for positive development. The prioritization is aligned with Xplora's connection to and responsibility for the risk, and should be proportionate to the size, nature, and context of the business.

FIGURE 1. DUE DILIGENCE PROCESS & SUPPORTING MEASURES



² The "risk" in this context means the likelihood of occurring of adverse impact on human rights and decent working conditions, and how severe the adverse impact may be for the affected parties.

In our due diligence assessments Xplora's main focus and priority has been on our core business, smartwatches and accessories (wristbands and chargers) where the severity and likelihood of harm are highest due to geography and industry. Nevertheless, it is crucial for us to emphasize that Xplora's due diligence assessments are not a one-time effort but an ongoing and dynamic process. We continuously engage in monitoring, evaluating, and refining our practices to ensure their ongoing relevance and effectiveness. Connectivity is also a crucial part of Xplora's business that will be further prioritized in our continuous assessment work with the Transparency Act.

In the following, we will outline on any significant risk of adverse impact on human rights or decent working conditions identified through our due diligence assessments. The report also includes any uncovered violations of human rights or decent working conditions.

3.2. The due diligence assessments of Xplora's own operations

As a Norwegian company Xplora carries out its operation in accordance with Norwegian laws and regulations. Xplora is committed to promote the respect of human rights and decent working conditions throughout its operations and will continue to assess and improve its work in accordance with the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for MNEs and Responsible Business Conduct.

3.3. Suppliers and business partners

Xplora has commercial relationships with 172 suppliers and business partners in the reporting year. These are located in the following country/geographic area:

Country/geographical area	Number of suppliers/business partners
United Kingdom	33
Germany	32
Norway	28
Sweden	16
China	15
US	14
Denmark	6
Spain	5
France	3
Poland	3
South Korea	2
South Africa	2
Austria	2
Canada	2
Italy	2
Hungary	2
Finland	1
Luxembourg	1
Malaysia	1
Portugal	1
Israel	1

3.4. Due diligence assessments of Xplora's core products

3.4.1. Smartwatches and accessories

Xplora is an information technology company which develops and offers wearable smart devices and accessories (wristbands and chargers), connectivity and services for kids and families, with a particular focus on the smartwatch market for kids. Xplora's main focus in risk assessments during 2022 has been on Xplora's core business smartwatches and accessories where the severity and likelihood of harm are highest due to geography and industry.

Geography: The suppliers of Xplora's core products, smartwatches and accessories, are located in China and South Korea with manufacturers in China and Vietnam. Geographically these areas present a high risk due to a generally higher incidence of violations of fundamental human rights, decent working conditions, and issues related to health, safety and environment. There is also a risk of forced labour and child labour in these areas.

Industry: Smartwatches consist of numerous different components and a complex value chain with multiple links and suppliers. This presents a risk as it becomes more challenging to have complete oversight of the flow of materials, goods, and services. Also, technical components often have intricate value chains that carry risks of human rights violations and detrimental environmental impact during exposure to hazardous chemicals and toxic and harmful substances. There is also a risk of forced labour and child labour within these value chains.

Freight and logistics are also industries that plays an important role in Xplora's supply chain. These are also industries that may have a higher incidence of violation of human rights and decent working conditions due to complexity in global supply chains with multiple stakeholders due to reliance on subcontracted and temporary workers, high workload and time pressure, occupational hazards and safety risks etc.

Out of Xplora's 172 suppliers we have decided to carry out further due diligence assessments of:

- 18 suppliers classified as high risk due to **geography** and **industry**; and
- 4 suppliers classified as medium risk due to **geography** and **industry** exceeding a threshold of NOK 500 000 of whom we have purchased goods and/or services of

As part of the risk assessment, Xplora has carried out the following activities:

- We have sent questionnaires to gather additional information from the 22 identified suppliers classified as medium to high risk.
- We have started the process with including contract terms to ensure suppliers' performance with Human Rights and decent working conditions consistent with the United Nations Guiding Principles on Business and Human Rights, auditing measures and consequences of non-compliance. These clauses will also urge the suppliers to include contractual clauses that set out the same requirements and obligations in agreements with its suppliers.
- Xplora has engaged a third party to conduct an onsite audit of one of the factories in China.

3.5. Result of the due diligence assessment

3.5.1. Questionnaires

The customized questionnaires were sent to 22 identified suppliers classified as medium to high risk. Per 30 June 2023 Xplora has achieved a response rate of 50 %. Upon reviewing the responses received, we have found no evidence or indications of any adverse impact on fundamental human rights or decent working conditions. We will schedule meetings with these suppliers to obtain more information and conduct further assessments.

Xplora will continue to pursue responses from the remaining suppliers by sending reminders through the portal and by email/phone. Furthermore, we will proactively schedule meetings and interviews to gather additional information and conduct thorough assessments.

3.5.2. Onsite audit

Xplora became a member of Sedex in 2021. Sedex is a membership organization that provides one of the world's leading online platforms for companies to manage and improve working conditions in global supply chains. Sedex provides practical tools, services and a community network to help companies improve their responsible and sustainable business practices, and source responsibly. To become a certified member Xplora hired an external auditor which visited one of the factories where we have our smartwatches produced to assess compliance on work conditions and environmental management. The auditor then issued a report focusing on compliance with social, environmental and ethical standards, on findings, shared with Sedex.

The audit revealed the following findings that Xplora has identified and prioritised in the reporting year:

Product/ Service	Identified violations of human rights/decent working conditions	Geography	How were the violations of human rights/decent working conditions uncovered?
X6 Play	Safety labelling - hazardous chemicals are stored unlabelled, or labelling is incorrect.	Shenzhen, China	Violation is identified through an onsite audit.
X6 Play	Health checks - no medical examinations / regular occupational health checks including disease checks of workers in hazardous situations (e.g., noise / chemicals / dust).	Shenzhen, China	Violation is identified through an onsite audit.
X6 Play	Social insurance - compulsory insurance (e.g., social insurance, accident insurance etc.) is not covering all employees.	Shenzhen, China	Violation is identified through an onsite audit.
X6 Play	Excess of statutory overtime work - working hours exceed what is allowed by law or collective bargaining agreement.	Shenzhen, China	Violation is identified through an onsite audit.

4. Measures to Cease, Prevent or Mitigate the Adverse Impact

In the following, the company will describe the measures we have implemented to prevent, mitigate or cease the impact and risks identified in the section above.

We have implemented the following measures based on the investigation:

Identified violation/risk of violation	Safety labelling - hazardous chemicals are stored unlabelled, or labelling is incorrect.
Measures taken	The factory has conducted an audit and confirms that all hazardous material labels on the production line has successfully been replaced.
Ambitions for the reporting year	We are in dialogue with the supplier to obtain further details and we are in the process of establishing contact with stakeholders.
Status	In progress.

Identified violation/risk of violation	Health Checks - no medical examinations / regular occupational health checks including disease checks of workers in hazardous situations (e.g. noise / chemicals / dust).
Measures taken	The factory has taken appropriate measures by conducting on-the-job occupational disease examinations for employees who are exposed to toxic and harmful substances.
Ambitions for the reporting year	We are in dialogue with the supplier to obtain further details and we are in the process of establishing contact with stakeholders.
Status	In progress.

Identified violation/risk of violation	Social insurance - compulsory insurance (e.g. social insurance, accident insurance etc.) is not covering all employees.
Measures taken	The factory has purchased insurance coverages for all employees. In cases where workers choose not to avail themselves of social insurance, the company proactively procures commercial insurance to provide suitable coverage.
Ambitions for the reporting year	We are in dialogue with the supplier to obtain further details and we are in the process of establishing contact with stakeholders.
Status	In progress.

Identified violation/risk of violation	Excess of statutory overtime work - working hours exceed what is allowed by law or collective bargaining agreement.
Measures taken	The factory has implemented overtime production control in accordance with Chinese Labor Laws.
Ambitions for the reporting year	We are in dialogue with the supplier and will follow up with questions and investigations to assess whether Chinese labour laws are in accordance with International Labour Standards. We are in the process of establishing contact with stakeholders.
Status	In progress.

5. Monitoring of the Measures - Implementation and Results

5.1. Introduction

We work continuously on monitoring the implementation of the measures and the outcome.

5.2. Procedures for monitoring³

CEO of Xplora Technologies AS has the overall responsibility for monitoring the implementation and result of measures initiated. Xplora has the following procedures for monitoring the implementation of the measures:

- We monitor the implementation and the effect of the company's internal obligations, activities and goals for the due diligence.
- We regularly carry out internal and/or third-party assessments or audits of the achieved results and communicate the results at relevant levels within the company.
- We receive regular feedback from our suppliers to confirm that the risk-reducing measures are being followed and/or to confirm that damage in fact has been prevented or reduced.
- We study reports that are released concerning the technology, electronics and telecommunications industry and also read surveys conducted within the industry sector.
- We learn from the experience and the feedback that the company has acquired through our due diligence assessments and use it to improve the process and results in the future.

Based on these measures, we have worked out a progress plan for the remediation that we keep up to date. The progress plan follows the systematics in item 3.

³ The Transparency Act does not require an account for how the enterprise implements and carries out the identified measures.

6. Communication with Affected Stakeholders⁴ and Rights-Holders

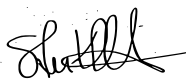
Stakeholder engagement is at the core of due diligence for responsible business conduct. Xplora acknowledge that by establishing dialogue with our key stakeholders, we will most likely get access to information no social audit or self-assessment questionnaire will provide. Xplora has started the work with engaging with affected stakeholders, including trade unions and workers in our supply chain, to enhance our ability to identify and monitor the outcomes of our work. We recognize that establishing communication with relevant stakeholders can be challenging. Nevertheless, we are committed to making concerted efforts to effectively communicate how we have addressed actual impacts, providing details on the measures we have implemented and their resulting outcomes. By doing so, we aim to ensure transparency and establish a collaborative approach with the stakeholders impacted by our operations.

7. Remediation and Compensation

Xplora has not uncovered any cases requiring remediation in the reporting year.

We continue to follow applicable international standards and we are in dialogue with stakeholders in order to reveal potential necessity for remediation.

Oslo, 30 June 2023



Sten Kirkbak, *CEO*

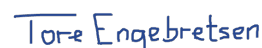


Ingrid Elvira Leisner
Board member



Bjørn Chr Eide
Board member

Oslo, 30 June 2023



Tore Engebretsen, *Chairman*



Kari Bech-Moen
Board member



Harald Fr Hodne Ulltveit-Moe
Board member

⁴ «Stakeholders» includes among other employee representatives, workers unions, representatives for local communities, civil services, investors, industry associations.

Xplora®