

Corporate social  
responsibility report  
2017

**KVÆRNER™**





## Contents

<b>About Kvaerner and how we work with CSR</b>	<b>4</b>
<b>Selected projects</b>	<b>5</b>
<b>Caring about our people</b>	<b>6</b>
<b>Caring about health, safety, security and the environment</b>	<b>11</b>
<b>Caring about business integrity</b>	<b>15</b>
<b>Caring about the community</b>	<b>18</b>
<b>Company information</b>	<b>19</b>

# About Kvaerner and how we work with Corporate Social Responsibility (CSR)

**Kvaerner is headquartered at Fornebu, Norway, and has offices and fabrication facilities in some of the world's main oil and gas regions. The company is a leading provider of engineering, procurement and construction (EPC) services, and delivers offshore installations and onshore plants for upstream oil and gas production around the world.**

## **Our people, portfolio and major project execution activities**

The Kvaerner organisation includes offices in Norway, Canada, United Kingdom, Russia, Finland and China. A typical project involves several hundred first line suppliers. Kvaerner also uses many large subcontractors. In 2016, Kvaerner was reorganised into a more effective organisation with a simplified company structure, including merging legal entities in Norway and transfer of personnel into one company.

Kvaerner's workload in 2017 consisted of several large projects with different customers presented on page 5.

## **Studies and business development activities**

Kvaerner is also exploring new business opportunities in Norway and internationally.

Kvaerner has in 2017 worked on pre-study projects in Russia as well as on business development activities in Iran post the sanction relief for Iran as announced in 2016.

The Norwegian sanctions related to Russia and Iran are aligned with the EU sanctions. However, all sanction laws and sanction regulations, including but not limited to US sanctions, have an impact on Kvaerner's activities as

sanction clauses do apply through the Kvaerner's revolving credit facility agreement entered into in 2015 were these are included.

Kvaerner is committed to comply with all applicable laws and regulations. In addition, Kvaerner holds agreements with third parties (clients, financial services) who impose particular and additional restrictions. Kvaerner performs enhanced due diligence investigations into prospective external business partners in a measure to achieve this understanding.

## **Our corporate social responsibility standards and implementation**

CSR is an integrated part of the management responsibility in Kvaerner. Our corporate goals and activities within CSR are anchored at the Board of Directors level and each unit is responsible for their implementation.

The code of conduct is Kvaerner's main governance document. It summarises our values and standards of behaviour in all types of activities, in all locations. Kvaerner will always comply with all applicable laws and regulations and conduct its business with integrity, respecting cultures, dignity and rights of individuals

everywhere we operate. Failure to comply with our business ethics guidelines would harm both Kvaerner's reputation as well as our profitability.

All Kvaerner policies and procedures are consistent with the Kvaerner Code of Conduct. The People Policy sets out Kvaerner's fundamental principles to ensure that we attract, engage and retain a workforce with the right skills, attitudes and behaviour. The Business Integrity Policy covers human rights, corruption and improper payments and fraud. The HSSE Policy sets out Kvaerner's fundamental principles within health, safety, security and environment. Kvaerner's Supply Management Policy describes the supplier qualification system, which is mandatory when engaging suppliers and subcontractors. More information on these policies is available at [www.kvaerner.com](http://www.kvaerner.com).

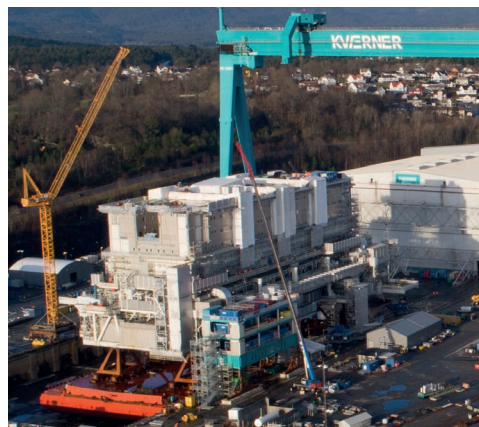
Input from the Board of Directors, our shareholders, the executive management representing each operational unit, and that of our customers, is taken into account. CSR key performance indicators (KPIs) are established each year with separate targets for each operational area. In the chapters of this report we describe the opportunities and risks within each area. At the end of each chapter the KPIs within each area used in 2017 are described with the achieved result.

# Selected projects



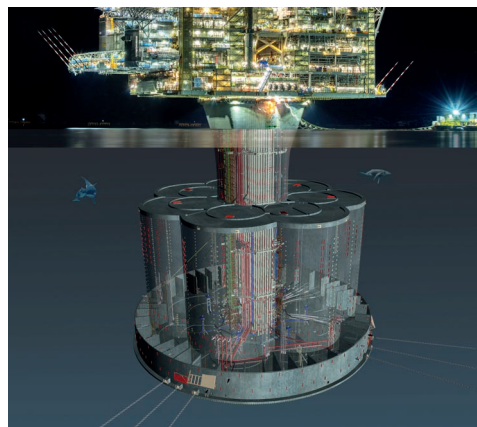
## The Nyhamna expansion project

In 2017 Kvaerner finalised the main part of the Nyhamna expansion project ready for commissioning. In 2018, Kvaerner will be involved in close-out activities and in supporting Shell's project organisation. Commissioning assistance and demobilisation of temporary facilities was finalised in December 2017.



## The Johan Sverdrup projects

In June 2015, Kvaerner, in a joint venture with KBR, won the contract for the complete delivery of the utility and living quarters (ULQ) topside. All prefabricated modules with the exception of the two upper LQ modules have been pre-assembled and installed, and the topside was loaded onto a barge in November 2017. In addition, Kvaerner is responsible for complete deliveries of three of the four steel jacket substructures for this phase of the Johan Sverdrup development. In July 2017 the first of the three steel jackets, the 26 000 tonne riser platform jacket, was delivered from Verdal on time. All four projects, the topsides and the three steel jackets, have progressed according to schedule throughout 2017.



## The Hebron project

In March 2012, ExxonMobil Canada Properties released the option for Kvaerner's joint venture company Kiewit-Kvaerner Contractors to provide the full scope of engineering, procurement, installation and construction services for the Hebron gravity based structure (GBS). In May 2017 the project tow to field and installation phase was successfully completed, and the project closed out.



## The Njord A future project

In March 2017, Kvaerner was awarded the EPC call for execution of the Njord A upgrade. The critical dry dock phase was completed as planned in September, including fabrication and installation of new pontoons and reinforcement of the existing hull. The platform was moved from the dry dock to the Maureen quay in early September 2017, where the remaining upgrade work will continue until planned delivery in 2020.

# Caring about our people

**A competent and motivated workforce, striving toward the same goals, is vital to Kvaerner's success. All major achievements are the result of team efforts. Ultimately, our results are dependent on the skills and motivation of our employees and contract staff. Originally the base organisation was staffed for higher activity levels than forecast for 2017 and 2018. Consequently, re-structuring measures were implemented in the first quarter of 2017 to adapt the base organisation to reduced activity levels.**

## Organisation

Kvaerner has avoided large scale layoffs, as our order backlog was solid when the downturn in the oil industry started three years ago. However, three years in a highly demanding market has affected Kvaerner's workforce. Fluctuating workload in the regions of Western and Eastern Norway has resulted both in periods of temporary leave for some categories of employees, and a permanent reduction in the number of employees. In total the redundancies amount to 16 employees in 2017. Engagement of temporary personnel has also been significantly reduced.

## Follow-up of the 2016 people survey results throughout 2017

A people survey was completed in October 2016. The follow-up process has included three phases; communication of results, interpretation of results to define the improvement goals, and completion of improvement actions to ensure achievement of the goals. The results were communicated to all employees in November and December 2016, while the interpretation and decisions on improvement goals and actions were accomplished in January and February 2017. The completion of the improvement actions has been ongoing throughout 2017. A new people survey is planned in 2018.

Improvement goals and actions have been identified

at both regional and department levels. Three areas of improvement, initially identified by the executive management team (EMT), have been pursued and prioritised as the main improvement goals for Kvaerner's regional organisations:

- Prevention of any form of harassment, bullying and discrimination, and to develop expertise in conflict solving
- Completion of performance interviews, including emphasis on career planning
- Improved communication of strategy and strategic achievements

In addition, the departments have in total identified 97 improvement areas, with identified goals and actions plans.

Throughout 2017, the organisation focused on completing the improvement actions, resulting in the goals being on schedule at year-end.

## Diversity and equal opportunities

As the nature of Kvaerner's operations calls for employees from different operating entities and geographical regions, both nationally and internationally, the principles of equal opportunity are well established throughout the group. No differences shall exist based on gender, nationality

or ethnic groups. Our commitment is clearly outlined in the code of conduct, Business Integrity Policy, People Policy, and in the global framework agreement for the development of good working relations, a three-party frame agreement with national and international trade unions.

The global framework agreement describes Kvaerner's commitment to respect human and trade union/labour rights, acknowledging the fundamental principles of human rights with a specific focus on non-discrimination. Kvaerner aims to hinder any form of discrimination, harassment or bullying (see chapter 4, Caring about business integrity – promoting human rights and combatting corruption) through equal opportunity training of employees.

Due to a fluctuating workload, temporary personnel from abroad have been engaged for periods in Kvaerner's projects. The work to improve cultural competence and awareness among leaders and employees, combined with information in all relevant languages and labour welfare, has continued throughout the period from 2014 to 2017. These activities have ensured good personnel integration.

Equal opportunity for both genders is a basic principle in Kvaerner, evidenced in recruitment and appointments to management positions, employment conditions, compensation, and training policies. However, Kvaerner still needs to improve within this area. From 2014 to 2017

the market situation has led to limited recruitment of new employees. Thus, the recruitment base for relevant managerial positions has continued to consist of fewer women than men. Currently, women account for 15 percent of Kvaerner's workforce, unchanged from 2016. Two of the nine EMT members are women and two of Kvaerner's five shareholder-elected Directors are women. All of the employees elected Directors are men.

Leadership training is an important contribution towards increasing the number of women promoted to managerial positions. In 2017, 20 percent of women in senior management positions completed company leadership development training programmes, compared to 26 percent in 2016.

Employment conditions and compensation packages are based on responsibility and personal performance, irrespective of gender.

Kvaerner's equal opportunity principles are consistently applied when evaluating individuals for management positions, whether the candidates are recruited internally or externally.

**Recruitment and retention**

Kvaerner focuses on the retention of an experienced workforce and the employment of apprentices. Kvaerner recruited 77 new employees in 2017 compared to 45 new employees in 2016. 17 of these were below 30 years of age. The total voluntary employee turnover was three percent in 2017, the same as in 2016.

Despite fluctuating market conditions in the oil and gas industry, it is crucial for Kvaerner to retain core competencies and develop new competencies. The company offers an inspiring and challenging work place, with extensive teamwork and good career and development opportunities for individuals.

Kvaerner depends on the continued professional development of skilled operators, maintaining a high level of core knowledge and experience at its two fabrication

facilities, Stord and Verdal. Kvaerner's continuous focus on recruiting new apprentices is crucial to replenishing professional competence. At year-end 2017, there were a total of 96 apprentices at the Stord and Verdal facilities, compared to 95 apprentices at the end of 2016. Kvaerner seeks to motivate young people through apprenticeships at its yards. Furthermore, Kvaerner works consistently

with technology students at universities, and continues to develop its relationships with relevant vendors of contract employees in order to secure the availability of this workforce during peak project activity. In 2018, plans include recruiting of 50 new apprentices.

Based on Kvaerner's strategy and market situation, recruitment of new employees in 2018 will mainly be focused on experts within selected disciplines and new segments, as well as necessary replacements.

**Learning and development**

To execute some of the industry's most demanding projects, Kvaerner must retain and develop talented and motivated employees who understand our customers' needs and requirements. Training and development are essential measures to enable safe, high quality operations for customers, employees, shareholders and other stakeholders. In 2017, Kvaerner established the One Kvaerner Academy, which is focused on leadership, project management and processes, technical knowledge and skills, team management and teamwork.

All training is based on the company's core values, code of conduct and leadership principles. HSSE, as one of Kvaerner's core values, is consistently incorporated in all training and development activities (see chapter 3, Caring about health, safety, security and the environment).

**Leadership training**

Kvaerner leadership training (KLT) emphasises the common processes across the company. KLT1 is the basic leadership programme in Kvaerner, providing practical leadership training for first time, and first line managers. The majority of the participants will take on leadership positions in projects. The leadership alignment programme model (LeAP) has been developed with the purpose of ensuring that Kvaerner's values and leadership principles are incorporated in all project execution.



*Kvaerner's values.*

The programme is applied both internally and with our customers and subcontractors. The next level of leadership training, KLT2 has been under development in 2017.

#### **Project management**

For succession planning and documentation of project management competence, Kvaerner has established a programme for in-house education leading to a project management certificate. From 2012 to the end of 2017, Kvaerner has developed 79 certified leaders spread across all International Project Management Association (IPMA) competence levels. In 2017, 18 candidates received training for certification. As a potential tool for development of younger employees, ten candidates have been invited to the level D certification programme. The younger candidates follow the same programme as the seniors, providing both a good learning effect and network building.

#### **Project management processes**

The One Kvaerner academy is a tool to address important knowledge and skills. The different processes within project management will each be described and explained in modules that can be used separately or together in training and development programmes.

#### **Technical knowledge and skills**

Non-office personnel are normally recruited through apprenticeships. Professional programmes customised to the operations at our facilities in Verdal and Stord ensure intake of a high number of apprentices every year. Programmes for operators, in all relevant trades, are designed in accordance with relevant laws and regulations. These are implemented regionally at our yards, with focus on developing a highly skilled and productive workforce. Most non-office employees have received multi-discipline training beyond the content of their original trade, enabling them to handle various complex work tasks. In order to ensure a consistent inflow of personnel possessing practical, technical skills, the company has implemented an educational pathway covering all steps from apprenticeship to engineer. This is designed to encourage and motivate

qualified and skilled Kvaerner employees and operators to complete an engineering degree. The education is provided in cooperation with high schools, a technical institute, and a college of engineering. The pathway allows the students to work and study in parallel, providing employees with a flexible opportunity to take further education.

#### **Team management and team working**

Kvaerner's most valuable asset is our employees' and managers' competence. The Kvaerner training centre (KTC) addresses the challenge of utilising individual competencies effectively. Through workshops arranged according to the project schedules, the project management teams and representatives for the corporate organisation and project management sit together to learn, discuss and align on the best way forward. Learning elements such as contractual understanding and commercial awareness are discussed, as well as specific project challenges requiring an aligned approach. The KTC process is implemented in all projects.

#### **Maintaining a strong focus on people and teams**

As one of our core values, Kvaerner has maintained a strong focus on developing people and teams during 2017, and is revitalising training programmes to meet the oil and gas industry's changing requirements. Kvaerner will continue to focus on developing its own staff to take on new and challenging duties. This focus on systematic self-development is one of Kvaerner's cultural pillars.

#### **Work-life balance**

As set out in the People Policy, providing a sound balance between work and private life is an important contribution to the health and wellbeing of our employees. The company's functions, regions and departments are encouraged to create practices based on work patterns that suit the employee and the business and, as a minimum, comply with local legislation and practices. Examples of such work patterns are staggered hours, flexi-time, working outside the office with remote access to computer systems, and a compressed working week. Focusing on a positive work-life balance should benefit everyone concerned.

Kvaerner has not seen any increase in stress related illnesses during 2017, and the work-life balance practice from previous years will be continued in 2018.



## Key performance indicators

### Key staff figures

Topic	2015	2016	2017
Kvaerner employees	2 811	2 663	<b>2 659</b>
Contract staff (at year-end)	451	428	<b>841</b>
Full time/part time	2 754/57	2 605/58	<b>2 601/58</b>
New employees	45	39	<b>77</b>

### Age of new Kvaerner employees

<30	9	11	<b>17</b>
30-50	23	15	<b>44</b>
>50	13	13	<b>16</b>
Gender of new Kvaerner employees, M/F	39/6	35/4	<b>64/13</b>
Employee turnover	3%	3%	<b>3%</b>

### Gender distribution

# of women in percentage of total workforce	15%	15%	<b>15%</b>
# of men in percentage of total workforce	85%	85%	<b>85%</b>
Share ratio in percentage - women holding senior management positions (L2, L3 and L4. L1 = President& CEO)	20%	16%	<b>18%</b>
		(18 out of 109)	<b>(20 out of 111)</b>

### Office locations as of 31 December 2017

Norway	Finland	Canada	Russia	China	UK	USA
Oslo	Ulvila	St. John's	Moscow	Beijing	London	Houston
Molde				Qingdao		
Stavanger						
Stord						
Verdal						
Trondheim						

### Overview of benefits for permanent employees - 2017

Country	Norway	Finland	United Kingdom	Canada	Russia	China
Life insurance	X	X	X	X	X	X
Health care	S	S	X	X	X	S
Disability/incapacity coverage	X	X	X	X	X	S
Retirement pension plan	X	X	x	X	S	S

X = The company is providing arrangements beyond any statutory requirements  
S = The arrangements are limited to any statutory requirements

**Employees per country as of 31 December 2017**

<i>Employees per country</i>	2015	2016	<b>2017</b>
Own employees	2 811	2 663	<b>2 659</b>
<b>Staff per country</b>			
Norway	2 732	2 596	<b>2 601</b>
Finland	26	21	<b>24</b>
UK	4	4	<b>2</b>
USA	9	5	<b>2</b>
Canada	15	12	<b>11</b>
Russia	23	23	<b>17</b>
United Kingdom	4	2	<b>2</b>
China	2	2	<b>2</b>

**Parental leave Norway in 2017**

<i>Topic</i>	Female	Male	Total
Total employees in Norway	386	2 273	2 659
#Employees who took parental leave	13	64	77
#Employees returning after parental leave	18	75	93

**Training programmes**

<i>Employee Training<sup>1</sup></i>	2015	2016	<b>2017</b>
Kvaerner Leadership Training (# of participants)	66	0	<b>0</b>
Kvaerner Leadership and Alignment Programme (LEAP) (# of participants)	185	55	<b>0</b>
Certification of project managers (# of employees)	47	59	<b>18</b>
Induction training (% completed)	98%	98%	<b>98%</b>
<b>Graduate Programmes</b>			
Total # of apprentices (Verdal and Stord yards)	121	80	<b>96</b>
Technical College, Stord (# of employees)	11	5	<b>14</b>
Total # of students conducting theses	N/A	2	<b>0</b>

1 For training within Integrity and HSSE - see sections "Caring about HSSE" and "Caring about business integrity"

# Caring about health, safety, security and the environment

Care for health, safety, security and the environment (HSSE) is a core value in Kvaerner and is expressed in the Just Care™ mind-set. HSSE is fundamental to all Kvaerner’s operations and the people working for Kvaerner are all keystones in our work towards the ultimate goal of an injury and illness free workplace, causing zero harm to people, material, non-material assets and to the environment. Our biggest challenges to delivering a consistent and continuous high level of HSSE performance are silent deviation, high risk acceptance and limited risk awareness. Kvaerner continuously focuses on proactive preventive actions in these areas.

## Kvaerner management system

HSSE is an integral part of Kvaerner’s management system and is divided into seven main elements: leadership, organisation, communication, risk management, product realisation, third-party relationships, and continual improvement. The table below gives a summary of each element.

### Clear expectations

In order to measure HSSE performance, key HSSE performance indicators (KPIs) have been implemented,

please see table with HSSE KPIs at the end of this chapter. A strong focus on leading activities in the HSSE field, combined with defined targets measured against actual results, guides Kvaerner towards continual improvements in HSSE performance. The KPIs were reviewed at the end of 2017 and will be updated for 2018 as a part of the development of the HSSE and quality management (QM) plan for 2018. Just Rules, part of Kvaerner’s HSSE management process, have been established to control the most safety-critical activities in our operations. Just Rules are a mandatory part of Kvaerner’s safety training for

all employees, providing clear and simple checklists and controls for the operation.

### Training and information to achieve a common HSSE culture

Competence occupies a central place in Kvaerner’s HSSE programme. All personnel must be competent, having the necessary knowledge, skills and behaviour to perform their work safely. To reach out to all employees in an efficient way, Kvaerner uses dedicated training programmes at operational area and project levels, as well as eLearning programmes for key areas within HSSE. Training packages at the project level are tailored to individuals, in terms of both content and language. Line managers are trained to be role models and to drive HSSE improvements through specific safety academy programmes.

### Sharing of best practices and learning from our incidents and near misses

Incidents are identified and classified according to their severity. Investigations are initiated based on the severity and the potential consequence of the incident. All serious

## The HSSE management process

<b>Leadership</b>	Personal behaviour   Accountability   Management commitment
<b>Organisation</b>	Roles and responsibility   Competence and development
<b>Communication</b>	Communication processes   Knowledge management
<b>Risk management</b>	Risk assessment and mitigation   Emergency preparedness   Change management
<b>Product realisation</b>	Product and service delivery   Plant, equipment and materials
<b>Third-party relationships</b>	Clients and partners   Contractors and suppliers   The community
<b>Continual improvement</b>	Incident investigation and analysis   Audits   Measurement, review and improvement

incidents and serious near misses are investigated in accordance with specific Kvaerner guidelines. Actions for improvement are then identified and implemented. Following serious incidents or serious near misses, reports focusing on lessons learned are produced and distributed throughout Kvaerner, with the aim of preventing similar incidents in the future. To ensure continuous improvements, best practices are captured and shared within the organisation, our joint venture partners and customers.

### Proactive HSSE focus activities

In order to further establish its proactive approach to HSSE, Kvaerner utilises a number of leading KPIs to monitor and further enhance HSSE performance. The benefits of utilising leading indicators can be seen in a further improvement of the lagging indicators. The use of leading indicators provides an accurate and continuous status of the control measures needed to prevent major incidents. Carefully selected indicators assist Kvaerner in detecting any eventual decline in the quality of control measures, thereby providing sufficient time to remedy the situation.

### HSSE Keystone Award

Kvaerner's HSSE Keystone Awards are presented annually to honour good HSSE performance.

There are three HSSE Keystone awards: Individual, project and programme/unit and the winners received their award in September 2017.

### Health

Total sick leave for Kvaerner in 2017 was 5.4 percent of total man-hours worked, down from 2016, but still higher than the target of 4.8 percent. Kvaerner has rolled out a programme to improve the working environment and reduce sick leave. Procedures are updated and training is performed for all managers, safety delegates and union representatives. Kvaerner have signed a letter of intent covering a more inclusive work life (the IA agreement). The IA agreement is an instrument aimed at reducing sick leave and increasing the focus on job presence. Relevant improvement activities regarding working environment

and the reduced sick leave programme are implemented in the IA agreement. The company's sponsorship of and participation in the Aker Active programme are examples of health initiatives focusing on physical exercise and nutrition. The objective is to offer activities that suit all employees, and not only those who are naturally interested in keeping fit.

In October 2017, Kvaerner was notified by a supplier that they had found traces of white asbestos in abrasive corrosives utilised at Kvaerner's yard at Stord. Kvaerner mobilised a task force and initiated an extensive test programme to get an overview of the factual situation. The assessment is that some contaminated corrosive abrasives had been utilised at the yard, but that the concentration of white asbestos had been very low. Medical expertise, represented by Statens arbeidsmiljøinstitutt (The national institute of occupational health), has concluded that this did not represent any risk to health or safety for personnel at the yard. Yard personnel were kept continuously updated of the task force's work and ongoing assessments.

### Safety

There has been a slight increase in both injury frequency and those incidents with high risk potential. Improvement actions have been implemented to address the issues. The high risk potential incidents are especially related to crane operations and work at heights. Improved training programmes and management follow-up has been implemented. A specific practical work at height and dropped object prevention training has been implemented. The crane standard has been revised and an eLearning introduction programme developed.

Several good initiatives have been introduced in 2017, such as team commitment regarding compliance, training programmes in risk awareness, and HSSE development of subcontractors.

In the context of merging all units in Kvaerner, the process of standardising all governing documents, including HSSE procedures and work instructions, has continued and been completed in 2017.

Digitalisation of HSSE work has also started with

an improved app for reporting of incidents and non-conformities, and the digitalisation will be part of improvement initiatives in 2018.

At year-end 2017, a lost time incident frequency (LTIF) of 0.5 and a total recordable incident frequency (TRIF) of 2.5 were recorded, compared to 0.28 and 1.92 for 2016. These figures also include Kvaerner's subcontractors, and are calculated per million man-hours worked. We had five lost time injuries in 2017, where two were serious injuries with fractured bones related to falling.

The Hebron project was completed with 24 million worked hours without any lost time injuries.

There has been a positive transfer of experience between Kvaerner yards (Stord and Verdalen), and project sites, (Hebron and Nyhamna). In addition, an incentive programme contributes to local clubs and associations upon achievement of the project HSSE targets. These awards provide positive incentives and are connected to high scores in inspections, housekeeping, and reporting rates of HSSE observations.

Kvaerner will continue the development of safety tools and processes and will strive to ensure compliance with our rules and regulations. Close cooperation and further development of relationships with our subcontractors within HSSE will also continue to be a priority. In addition, it is important for Kvaerner to maintain an active dialogue between employees and management.

### Security

Due to the international nature of Kvaerner's operations, the company is exposed to changes in the global risk picture. Projects operate in a wide range of areas, which means that potential security threats may arise. Kvaerner is a member of International SOS and Control Risks, which provides a global tool for risk assessment and risk control. To mitigate possible risk situations, all employees are provided with a reliable and updated risk assessment and have continuous access to information, as well as to local contacts and an existing network. Based on the global terror situation, Kvaerner issues travel bans for airports and countries after performing travel risk assessments.



Additional security measures are implemented when necessary. Currently, Kvaerner has no continuous operations in areas with high or extreme risk as classified by International SOS.

### Environment

All companies should contribute to protection of the environment. Kvaerner continuously works to reduce the environmental footprint of our operations and products.

The Kvaerner methodology for reporting environmental impact derives from the Greenhouse Gas Protocol, GHG, and the Global Reporting Initiative, GRI. Kvaerner is certified according to the ISO 14001: 2015 standard.

In our supplier declaration, which all suppliers to Kvaerner must sign in order to be pre-qualified, suppliers commit to work to minimise negative impacts on the environment, taking into consideration the full life cycle of their products. Suppliers commit to work to achieve energy efficiency and minimise harmful discharge, emissions and waste production, and to comply with national environmental legislation and discharge permits.

The HSSE leadership development initiatives, eLearning and management system all incorporate clear components that focus on the environment. Collectively, these contribute to continuous improvements in environmental awareness and attitudes among managers and employees, and support customers in making environmental improvements through executed projects.

There are several energy efficiency initiatives ongoing within the company including environmental monitoring of dust, water, sediments and noise. The demolition site at Stord has been upgraded with more concrete pads with membranes for environmental purposes.

Primary energy consumption, carbon emissions and waste disposal vary according to activities at the yards. Total energy intensity was 4 578 (MWH per million worked hours) in 2017 compared to 2 635 in 2016. The energy intensity (MWH per million worked hours) has increased in 2017 due to higher activities at Kvaerner's yards compared to the previous year. CO<sub>2</sub> emissions (tonnes per million worked hours) were 167 in 2017 compared to 104 in 2016. This was due to higher activity at the yards. Waste recorded

in connection with the business totalled 6 321 tonnes in 2017 compared to 3 940 tonnes in 2016, of which 51 percent was recycled in 2017, compared to 91 percent in 2016. The main reason for the low recycling factor is extensive use of non-recyclable sandblasting sand in 2017. These masses are safely disposed.

### Main HSSE direction going into 2018

The key HSSE focus areas for 2018 will build on those from 2017; compliance and leadership, proactive risk awareness, efficient barriers and barrier awareness; and subcontractors and partners. It is important to continue working with a culture that has this mind-set 24/7 and demonstrates caring about each other, our families and friends. This will be achieved through our key processes:

- > Learning and sharing
- > Communication and culture
- > Standardisation and digitalisation

## Key performance indicators

<i>Health, safety, security and the environment</i>	Actual 2015	Actual 2016	<b>Actual 2017</b>
Incidents - fatalities <sup>1</sup>	1	0	<b>0</b>
Incidents - serious with disablement <sup>2</sup>	0	0	<b>0</b>
Risk observations, including positive observations (in total/per man-year worked)	Target: 8.5 Actual: 7.1	Target: 7.0 Actual: 4.5	<b>Target: 5 Actual: 5.2</b>
Sick leave rate (%)	Target: <4.5 Actual: 5.1	Target: <4.8 Actual: 5.75	<b>Target: &lt;4.8 Actual: 5.4</b>
HSSE training as percentage of total worked hours (%)	Target: >0.9 Actual: 1.2	Target: >0.8 Actual: 1.03	<b>Target: &gt;0.8 Actual: 1.2</b>
HSSE task risk analyses - in total/per person-year worked	Target: >15 Actual: 18.4	Target: >15 Actual: 19.2	<b>Target: &gt;10 Actual: 19.5</b>
Total person-hours worked (staff and contractors)	17 948 085	14 097 795	<b>10 026 259</b>
Lost time incident frequency (LTIF), including suppliers and sub-contractors (per 1 million worked hours)	Target: 0 Actual: 0.28	Target: 0 Actual: 0.28	<b>Target: 0 Actual: 0.5</b>
Total recordable incident frequency (TRIF) including suppliers and subcontractors (per 1 million worked hours)	Target: <1.5 Actual: 2.5	Target: <2 Actual: 1.92	<b>Target: &lt;2 Actual: 2.5</b>
Energy intensity (MWH per million worked hours)	3 281	2 635	<b>4 578</b>
CO <sub>2</sub> emissions (tonnes per million worked hours)	268	104	<b>167</b>
Total waste (tonnes)	3 977	3 940 <sup>2</sup>	<b>6 321</b>
Recycling factor (%) (within own sites)	85	91	<b>51</b>

1 Fatality at Kvaerner's demolition site Eldøyane at Stord.

2 A waste inspection was performed at Stord by the County Administration (Fylkesmannen) at 8 December 2016 looking at conformance to legislation on pollution. One deviation was identified related to declaration of hazardous waste from sand traps, and one comment made regarding metering of water from an oil separator. Actions have been taken to improve the metering programme and the waste declaration process.

# Caring about business integrity – promoting human rights and combatting corruption

**Compliance with national, regional and international legislation and conventions is mandatory in Kvaerner, but business integrity extends beyond simple compliance. Kvaerner emphasises conducting business in a manner that makes people proud of working for, and with, Kvaerner.**

## The business integrity programme

Kvaerner's business integrity programme is owned by SVP Corporate Support.

The executive management team and the Board's Audit Committee conduct regular reviews of the business integrity programme and the progress of ongoing actions. Leaders are expected to actively lead, promote and implement the business integrity programme, in addition to acting as role models. The programme addresses the items covered by Kvaerner's Business Integrity Policy, shown in the table below. The business integrity programme is divided into preventive, detectable and responsive activities. The programme is built upon the key principles set out in the UK Bribery Act, guidance given by Transparency International, as well as best practices collected from other companies and organisations. Key activities within each of these three areas are shown in the table below.

In 2016, the Business Integrity Policy was updated to include a section on export control sanctions.

## Training programmes

The business integrity training programme consists of classroom training and eLearning modules, and is built up

according to expectations laid out in laws and regulations, and expectations from our stakeholders. Kvaerner regularly organises face-to-face training for employees in highly exposed roles. Examples of highly exposed roles are all managerial positions, procurement/supply and subcontract management, business development, members of project management teams and discipline leads, legal, human resources and finance roles. All training is recorded and reported, and each participant signs off after participation.

During Q4 2016 and Q1 2017, Kvaerner organised a mandatory eLearning campaign for all employees summarising Kvaerner's Business Integrity Policy, followed up by practical cases within the respective modules, and posing questions in a quiz.

## Risk-based integrity due diligence of external parties

During 2016 and 2017, Kvaerner has experienced an increased focus from our customers with regards to both the pre-qualification and the follow-up of suppliers and subcontractors, in particular relating to labour conditions. Kvaerner has continued to strengthen the focus on business integrity as part of the pre-qualification process, including preparation of a specific procedure for follow up of labour conditions with our fabrication subcontractors.

## Reporting of concerns – whistleblowing

Kvaerner encourages its employees, as well as contract staff, partners, suppliers and customers, to report any concerns regarding compliance with laws and/or ethical standards. The whistleblowing channel is available on internal and external web pages.

## Human rights

### Labour conditions

In 2017, Kvaerner conducted several verifications to strengthen the prequalification and follow-up routines of suppliers with respect to human rights, in particular within the area of labour conditions.

### Harassment, bullying and discrimination

The code of conduct states that all Kvaerner employees shall be entitled to a workplace free from harassment and discrimination.

In 2017 Kvaerner initiated a program on working environment. Kvaerner has engaged "Arbeidsmiljøspesialistene" to support this initiative. A procedure to prevent harassment, bullying and discrimination has been developed. Managers, union representatives and safety delegates are being trained accordingly.

### Corruption and improper payments

Kvaerner has local offices and activities that engage suppliers and subcontractors from many countries around the world. Kvaerner does not tolerate violations of the company's business integrity codes, and demands that its business partners operate by the same principles.

During 2016 and 2017, Kvaerner continued its work on international business opportunities, some of these in Russia and Iran, where the risk of corruption is inherently high. It is acknowledged by all levels of management in Kvaerner that doing business in countries like Russia and Iran requires special attention to issues of compliance and requires a high focus on risk assessment and implementing effective proactive risk reducing actions.

In 2016, various media brought forward allegations about a former supplier to Aker Kvaerner, Unaoil, and its business practices in several countries, including Kazakhstan. Kvaerner believes that its project execution in the Caspian Sea was conducted properly and within the relevant framework for good integrity. For further information, please see the statement published in April 2016 on Kvaerner's work in the Caspian Sea: <http://www.kvaerner.com/toolsmenu/Media/New-media-page/Kvaerners-work-for-the-Kashagan-project-in-the-Caspian-Sea/>. Neither in 2017, there has been any development which involves Kvaerner in any case, or which indicates a need for actions from the company in this matter.

#### Kvaerner's code of conduct

Kvaerner's **Business Integrity Policy** covers:

##### A: Human rights:

- > Freedom of expression
- > Freedom of association and collective bargaining
- > Labour standards
- > Forced labour
- > Child labour
- > Minority rights
- > Discrimination, harassment and bullying
- > Purchase of sexual services

##### B: Corruption and improper payments:

- > Corruption and bribery
- > Facilitation payments
- > Gifts
- > Entertainment expenses
- > Conflict of interest
- > Charitable donations and sponsorships
- > Contribution to political organisations
- > Fair business competition
- > Maintaining accurate and truthful books and financial records
- > Export controls and sanctions

##### C: Fraud

#### Kvaerner's business integrity programme

##### Prevention

- > Clear and visible communication at all levels in the organisations
- > Continuous risk assessments
- > Solid governing documents
- > Extensive training programs
- > Risk based integrity due diligences of external parties: partners, third party representatives, suppliers, subcontractors and clients
- > Learning from other companies and organisations – share own experience

##### Detection

- > Well working channels for reporting of concerns/whistleblowing
- > Inspections, reviews and audits
- > Monitoring

##### Response

- > Investigation of all reported concerns/whistleblowing
- > Consistently implement response actions



**Business integrity training face-to-face courses (Kvaerner own developed material)**

<i>Topic</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Percent of employees trained in in-depth face-to-face courses	<b>Target:</b> All new in exposed roles <b>Actual:</b> 94%	<b>Target:</b> All new in exposed roles <b>Actual:</b> 90%	<b>Target 1:</b> All new in exposed roles <b>Actual:</b> 90%  <b>Target 2:</b> In-depth updated training of all employees in exposed roles - 10% <b>Actual:</b> 8%	100% of training scheduled in 2017 has been achieved.  Training of personnel in exposed roles to continue in 2018

**Business integrity eLearning modules**

<i>Topic</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Kvaerner own developed modules:</b>	100%	<b>Target:</b> All new employees	<b>Target:</b> 100% <b>Actual:</b> 41%  <b>Note:</b> deadline extended due to heavy project activity load in November and December 2016. New target is 100% completion by Q1 2017	Business integrity e-learning campaign concluded  <b>Target:</b> 100% <b>Actual:</b> ~88%
> Corruption, bribery and facilitation payments	60%			
> Gifts and entertainment	57%			
> Discrimination, harassment and bullying	64%			
> Conflict of interest	95%			
> Labour conditions				
Aker ASA module on corruption - launched in 2015	N/A	<b>Target:</b> 100% <b>Actual:</b> 100%	N/A	N/A

# Caring about the community

**Kvaerner employees are challenged to look for opportunities that benefit society and our business. In addition to our own initiatives, we also support our customers' corporate responsibility programmes.**

In all Kvaerner projects we seek to employ and train local staff. It is important for us to be a responsible employer, and Kvaerner contributes to local value creation by facilitating a higher degree of competence in both local employees and local contract staff. Local content is a key factor for many oil and gas projects. Kvaerner has long and documented experience of contributing to local content and establishing long-term local value creation through both the use of local suppliers, and through training and effectively integrating local subcontractors.

For example, during the Hebron project, Kvaerner was proactively engaged in caring about the community and supporting community investment programs where our employees lived and worked. Early in FEED (Front End Engineering Design), Kvaerner sent fifteen local Newfoundland engineers to Oslo to gain valuable GBS knowledge working alongside Kvaerner's engineering team, then relocating them back to Newfoundland and Labrador for detail design. Kvaerner supported development of local skilled trade resources through involvement with the local Ironworkers union, offering a rebar training programme customised to meet the labour needs of Hebron. In total, 110 workers participated.

All sponsoring relationships shall be strategic and aligned with Kvaerner's values. Furthermore, all sponsoring relationships shall be structured as "win-win" situations, whereby both parties achieve some benefit. Several charitable donations were made to benefit local society,

charity organisations or other non-profit organisations during 2017. The main areas for these donations were education, health, sports, culture, support to nongovernmental organisations, and other social welfare causes.



*For Christmas 2017, Kvaerner donated 500 000 NOK to the Children's cancer society instead of gifts to the employees.*

# Company information

Any questions regarding this report or its contents can be directed to:

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