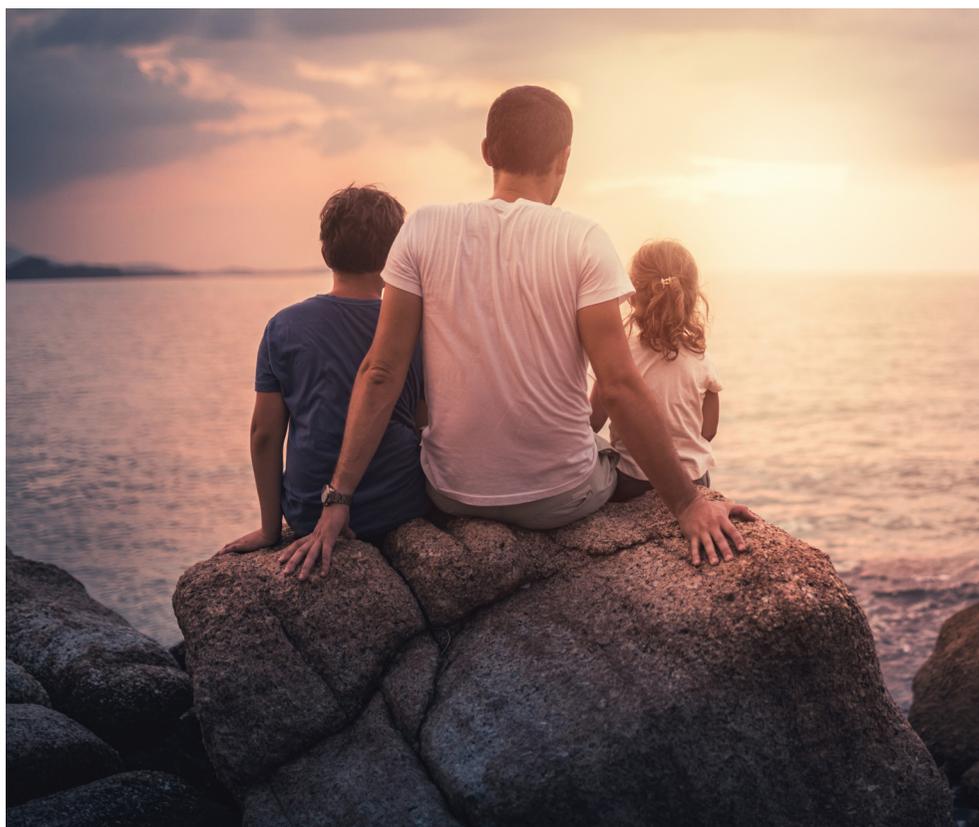


# Environmental, social and governance report 2019

**KVÆRNER™**





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# Letter from the CEO

Corporate responsibility is an integral part of how we operate and in 2019 we have developed this further.

I am very proud to present our first environment, social and governance (ESG) report. This report shows that we have done a lot within these areas, and moving forward we will do even more.

Sustainability and protection of the environment is a key value in Kvaerner, and the foundation for sound results. This influences not only how we do business, but also what business we do.

As a result of this we have used parts of 2019 as a transition phase, and in September we established the new operational area Renewables. Our goal is that the Renewables area will make up an increasing part of our revenues in the years to come.

ESG will be a key focus in all our business segments. In addition we will continue to sharpen our efforts towards being best in class when it comes to health, safety, security and environment (HSSE).



Karl-Petter Løken  
Chief executive officer



# Kvaerner's approach to environmental, social and governance (ESG) reporting

In 2019, Kvaerner decided to adopt the Task Force on Climate-related Disclosures (TCFD's) recommendations on climate-related financial disclosures. Alignment with these recommendations will be a key priority for 2020. Kvaerner aims to comply with Oslo Stock Exchange guidance on the reporting of corporate responsibility, which is available on the Oslo Stock Exchange website. From 2020 Kvaerner will adopt Euronext's guidelines to issuers for ESG reporting. In 2020, we will shape our ESG approach further by aligning with the United Nations' Sustainable Development Goals (SDGs) to improve the focus on our priorities. A preliminary assessment of our activities has so far identified four potential topics on which we will concentrate our efforts:

- › SDG #4 - Quality education: ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. For example, each year Kvaerner employs approximately 50 new apprentices so that both Kvaerner and Norwegian industry can gain access to increased numbers of young people with relevant skills, including technical and vocational skills
- › SDG #7 - Affordable and clean energy: ensure access to affordable, reliable, sustainable and modern energy for all. In 2019, Kvaerner established Renewables as a dedicated business area, with the objective of growing our presence in the global offshore wind market and, indirectly, contributing towards increasing the share of renewable energy in the global energy mix
- › SDG #8 - Decent work and economic growth: promote inclusive and sustainable economic growth, full and productive employment and decent work for all. Kvaerner continuously invests in improving our productivity, particularly at our labour-intensive yard facilities, through technological upgrading and innovation
- › SDG #9 - Industry, innovation and infrastructure: build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation. Kvaerner develops advanced industry, and we help to develop our subcontractors worldwide. As a contractor for large infrastructure projects, we can contribute to lowering the cost and environmental footprint of those projects through our expertise and unique execution model



### Kvaerner in brief

Kvaerner is a project execution specialist and a trusted advisor for our customers. We provide engineering, procurement and construction (EPC) services and deliver advanced offshore platforms, onshore plants, floating production units (i.e. FPSOs) and renewable energy solutions around the world.

We have offices in seven countries and approximately 2 800 employees. We offer cost-effective, high-quality fabrication capacity at our Norwegian yards at Stord and Verdal. In addition to operating these two facilities in Norway, Kvaerner is highly experienced in executing projects at third-party yards, recently including Canada and Russia. Kvaerner also has solid experience in setting up fabrication sites in new locations.

Health, safety, security and environment (HSSE) have the highest priority in our work, and we aim to deliver technology and solutions in a safe and sustainable way. Our passion, experience and expertise realise value for costumers, owners and society. Kværner ASA, through its subsidiaries and affiliates ("Kvaerner"), is an international contractor and preferred partner for operators and contractors within oil and gas and renewable energy sectors and in the fields of engineering and fabrication.

At Kvaerner, our focus is on the fundamentals. We see cost control and efficiency as essential for successful project execution. At the same time, we know that quality and schedule have to be managed to achieve our ultimate goal: delivering every project predictably at the agreed quality, time and price.

### ESG approach, implementation and reporting

Measuring and reporting on Kvaerner's environmental, social and governance (ESG) performance is key to understanding the impact of our operations, to driving continuous improvement and maintaining a transparent dialogue with important stakeholders.

Addressing ESG principles is integral to management responsibility in Kvaerner. Our corporate goals and activities within these areas are anchored at Kværner ASA board level.

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 policies and procedures are designed to ensure that we will always comply with all applicable laws and regulations and conduct business with integrity, respecting cultures, dignity and the rights of individuals in every location where we operate. Failure to comply with our business ethics guidelines would harm both Kvaerner's reputation and our profitability.

All Kvaerner policies and procedures are consistent with the 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 procurement 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).

### Kvaerner's key stakeholders and stakeholder dialogue

Considering important stakeholder groups' perspectives on how particular ESG principles relate to Kvaerner is critical when defining priorities and reporting within these areas. A solid understanding of key stakeholders' views of the company can help ensure that Kvaerner prioritises resources for the sustainability issues that matter most to our business and stakeholders.

Kvaerner has defined four key stakeholder groups that we deem essential for our business: the capital market; the market, including customers; employees; and society at large, especially at Stord and Verdal in Norway, where we are the biggest employer and a major contributor to society and the local economies.

To ensure a strategic approach to ESG reporting and to adhere to the guidelines of the Oslo Stock Exchange, Kvaerner maintains an ongoing dialogue with key stakeholder groups.

Stakeholder group	Expected of Kvaerner	Arena(s) for dialogue
<b>Capital market: owners, lenders and others</b>	Financial performance Corporate governance Management of risks and opportunities Sustainability consciousness	Meetings with company representatives Analyst dialogue Kvaerner's quarterly financial reports Kvaerner's annual report Capital markets updates Kvaerner's ESG report
<b>Market: customers, business partners, suppliers</b>	Strong HSSE performance Price Quality in execution On-time delivery Transparency Supply chain responsibility Fair and neutral supplier assessment Clear expectations and requirements regarding HSSE and quality Business integrity including anti-corruption and anti-bribery routines Adherence to human rights and labour rights principles	Joint HSSE initiatives and reporting Ongoing projects Customer meetings Supplier codes of conduct Supplier audits Supplier actions plans (reviews) Supplier pre-qualification and request for quotations (RFQ) Supplier workshops Kvaerner business integrity programme
<b>Employees</b>	Competitive compensation package Safe work environment Job security Exciting projects to work on	Collaboration with unions Town halls and department meetings Kvaerner's intranet and other electronic communication channels Bi-annual employee survey
<b>Society: authorities, local communities in Norway and abroad</b>	Job and value creation Minimal negative impact on local community	Meetings with relevant national and local authorities Membership in and dialogue with relevant trade and industry organisations Dialogue with trade unions Neighbourhood meetings Public announcements in local media "Open days" for local people to visit yard facilities Social events, such as concerts, for the local community Voluntary work Sponsorships of local organisations

### Materiality assessment

Kvaerner's current work to identify the expectations of its most important stakeholders is based on existing analyses, knowledge from within the organisation and through the formal arenas for dialogue set out in the table on page 7, plus input from several informal meeting points with key stakeholders.

In addition to the regular reporting of financial and operational performance, Kvaerner reports on the following material topics:

- > Environmental impact
- > Safety
- > Health
- > People, including human and labour rights, diversity, equal opportunity, recruitment and retention
- > Business integrity and anti-corruption

In 2020, Kvaerner aims to conduct a dedicated materiality assessment where key stakeholders will be invited to tell us how they perceive Kvaerner and our approach to environmental, social and governance principles. The findings will be utilised as input to an updated materiality assessment, with the objective of identifying and establishing the key ESG reporting topics for Kvaerner moving forward.



# Environmental

Kvaerner constantly works to reduce the environmental footprint in our operations and products, as this is an important corporate responsibility and contributes to our continuous improvement objectives. We conduct our operations through efficient use of materials and energy, with minimum waste and damage to the environment. We design products and services to have no undue environmental impact, to be safe and to be efficient in consuming energy and natural resources. We seek to ensure that our products can be recycled or disposed of safely. The Kvaerner methodology for reporting environmental impact is based on the Greenhouse Gas (GHG) Protocol and the Global Reporting Initiative (GRI). Kvaerner is certified according to the ISO 14001:2015 standard. Starting from the 2020 report we aim to align our reporting to the TCFD recommendations in order to reflect international standards in our current work.

## Climate-related financial disclosures

We see an increasing interest from the capital market on climate-related information. In order to enable our investors to make better informed capital allocation and financial decisions, we have initiated a process of identifying relevant climate-related financial disclosures. Our ambition is to implement TCFD's recommendations on climate-related financial disclosures during 2020, including specific metrics and targets to assess and manage relevant climate-related risks.

## Climate-related risks

A large majority of Kvaerner's business has historically been in the oil and gas sector – an industry that is facing increased scrutiny in response to concerns over climate change. While energy companies' future investment plans for exploration and production activities remain stable, the oil and gas industry is exposed to numerous climate-related risks including, but not limited to, changes in demand for oil and gas, potentially stricter climate regulations, changes in the cost of developing new oil and gas fields compared

with other energy sources, new technologies that could disrupt the oil and gas industry, and investors increasingly favouring more sustainable investments in preference to fossil fuels.



## TCFD disclosure

Governance	Strategy	Risk management	Metrics and targets
<p><b>Kvaerner's governance around climate-related risks and opportunities</b></p> <p>Governance of climate-related risks are defined in:</p> <p>Kvaerner's common values</p> <p>Code of conduct</p> <p>HSSE policy and several operational procedures</p> <p>Kvaerner continuously monitors risks and opportunities in its projects through its project risk management process</p> <p>HSSE, including climate-related risks and opportunities are part of quarterly risk reviews in the meetings of the Board of Directors, the Audit Committee and the executive management, and the quarterly business review meetings</p> <p>Annually, the top five risk areas are identified and addressed to Kvaerner ASA Board of Directors as part of the company's annual risk review</p>	<p><b>The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material</b></p> <p>Climate-related risks and opportunities are key parts of Kvaerner's annual process for review and update of the strategy, business objectives and budgeting</p> <p>See table below</p>	<p><b>The processes used to identify, assess and manage climate-related risk</b></p> <p>Annual risk review and quarterly business reviews including environmental risks, performed by Kvaerner's executive management</p> <p>Board of Directors to implement more structured and frequent discussions during 2020</p>	<p><b>The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</b></p> <p>Kvaerner monitors emissions from own operations of a wide range of substances etc. that potentially have an impact on the environment (some of these metrics are shown in the table on page 12)</p> <p>Additional targets focused on climate risks and opportunities to be identified in 2020</p>

Below is an overview of main current climate-related risk factors for Kvaerner and how Kvaerner has addressed these in 2019:

Source of change	Climate related risk factors	Kvaerner actions in 2019	Priorities in 2020
<b>Market</b>	<ul style="list-style-type: none"> <li>&gt; Demand for oil and gas</li> <li>&gt; Demand for renewable energy</li> <li>&gt; Investors' perception of investments in fossil fuels versus renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Established dedicated Renewables business area to pursue and execute projects within offshore wind power, green onshore facilities and other renewable energy business</li> <li>&gt; Decision made to tender for five new renewable energy projects and identified a further 12 early lead and target projects</li> <li>&gt; Strategic decision made to target the onshore process industry market</li> <li>&gt; Initiated the COM-FLEX research project to develop a flexible organisation that can handle different projects within different markets in parallel</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Open new office in Boston to pursue and execute renewables projects in the USA</li> </ul>
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>&gt; Changes in tax regimes</li> <li>&gt; Carbon emission costs</li> <li>&gt; Specific environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Monitoring of regulatory developments</li> <li>&gt; Annually recycling &gt;15 000 tonnes of steel through decom activities<sup>1</sup></li> </ul>	
<b>Solutions and technologies</b>	<ul style="list-style-type: none"> <li>&gt; Renewable energy solutions</li> <li>&gt; Low-carbon energy solutions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Co-founded the Zero Emission Energy Distribution at Sea (ZEEDS) project</li> <li>&gt; Decision to apply Kvaerner's proven project execution model in new target markets such as carbon capture and storage, biofuels plants and hydrogen plants</li> <li>&gt; Supporting Centre for the Fourth Industrial Revolution Norway (C4IR), a global technology centre for ocean and environment</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Further investigate business opportunities within CO<sub>2</sub> capture and storage</li> </ul>

<sup>1</sup> Depending on order intake for decommissioning.

## Reducing Kvaerner's environmental footprint

Several energy efficiency initiatives are in progress within Kvaerner, as are measures to reduce energy use at our yards. In its daily operations and during project execution in Norway, Kvaerner uses renewable energy, such as hydroelectric power, as its main energy source. Primary energy consumption, carbon emissions and waste disposal vary according to activities at Kvaerner's own yards, and it is therefore necessary to use factors based on man-hours in order to have applicable KPIs for emissions. Simple calculations of emissions are not a key measurement we can use to achieve the necessary targets for reduced emissions.

In addition, we continuously conduct environmental monitoring of dust, water, sediments and noise from our Stord yard decommissioning operations. As a part of the measurement programme at the yard, monitoring of pollutants in blue mussels and fish has been carried out during the autumn of 2019, and noise emission maps have been updated. Focus on waste management has been increased, and newly purchased cars for use at the yards are electric vehicles.

In our supplier declaration, which all Kvaerner's suppliers must sign in order to pre-qualify, suppliers commit to work to minimise negative impacts on the environment, taking into consideration the full lifecycle of their products. All Kvaerner's suppliers commit to working to achieve energy efficiency, minimising harmful discharge, emissions and waste production, and complying with national environmental legislation and discharge permits.

## Key measurements

<i>Key measurements</i>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Ambition</b>	<b>2020 priorities</b>
Total energy intensity (MW per million worked hours)	4 578	5 295	3 280	Reduce overall energy consumption	Continue energy efficiency measures
CO <sub>2</sub> emissions (tonnes per million worked hours)	167	537	783	750	Reduce propane use in the yards and reduce travelling/flights
Waste recorded (tonnes) per million worked hours	6 321	7 836	8 212	Reduce waste per million worked hours	Update waste recording to include all sources
Recycled waste (%)	51%	65%	75%	85%	Increase due to better recycling options at the yards

## Recycling old platforms

In 2017, Kvaerner identified decommissioning as a growth segment offering additional business opportunities for many decades ahead. Throughout 2017, 2018 and 2019, Kvaerner has won several projects to conduct onshore deconstruction and recycling of offshore oil and gas platforms. Kvaerner's target is to recycle more than 98 percent of the units we decommission.

In 2019, Kvaerner purchased approximately 23 000 tonnes of steel for use in newbuild platform projects. In the same year, we recycled approximately 12 000 tonnes of steel through our decommissioning business.

We deliver offshore platforms designed and constructed for later recycling, and many of the installations we receive for decommissioning are built by us. This circular approach contributes to keeping Kvaerner's environmental footprint as low as possible.

## Key measurements

<i>Key measurements</i>	<b>2018</b>	<b>2019</b>	<b>Ambition</b>	<b>2020 priorities</b>
Recycle ratio (%) of offshore platforms	99.5	97.1	98	98
Recycling of steel (tonnes)*	6 200	~12 300	<sup>1</sup>	<sup>1</sup>

<sup>1</sup> Depending on order intake for decommissioning.

# Social

## Health, safety and security (HSS)

HSS is fundamental to all Kvaerner's operations and the people working for Kvaerner are all critical to achieving our ultimate goal of an injury- and illness-free workplace. HSS is an integral part of Kvaerner's management system, and training and information are key to creating a common HSS culture that will enable us to achieve our goal of zero incidents. Within HSS we use dedicated training programmes focused on safety behaviour at our operational areas and projects.

In aiming to deliver a consistently high-level HSS performance our biggest challenge is to build a culture with personal commitment, in which employees do not accept high-risk situations. Kvaerner continuously focuses on preventive actions in these areas. And in 2019 we established a new HSSE strategy, developed a safety behaviour programme; QOMPLIT, released a new HSSE handbook and initiated a dedicated safety collaboration, in cooperation with some of the key customers and contractors within the oil service field.

The International Association of Oil & Gas Producers' (IOGP) Life-saving Rules, have been implemented to control the most safety-critical activities in our operations. Life-saving Rules are a mandatory part of Kvaerner's safety training for all employees.

Best practice sharing and learning from our incidents are important to prevent similar incidents and ensure continuous improvement. All identified incidents are classified according to severity and investigations initiated based on the severity and possible consequence of the incident.

We also promote annual HSSE keystone awards at

individual, project and programme/unit levels to honour good HSSE performance.

In January 2019, the QOMPLIT research and development project was started. The purpose of the project is to develop new and improved HSS processes, and to strengthen existing processes, to increase safety and compliance within Kvaerner. Through QOMPLIT, we have developed and tested a range of tools and solutions such as learning packages for reflection within workforce, safety communications surveys, HSS for the office environment and a digital HSS commitment platform. In 2020, use of the learning packages continues in addition to safety communication training for management.

In 2019 Kvaerner also revamped our HSSE handbook. The handbook has been issued in Norwegian, English, Polish, Lithuanian and Russian to all employees and contractor staff at all Kvaerner sites. The handbook is also available digitally through an online QR code:



This enables people outside our organisation to use the handbook.

## Health

Kvaerner's programme to improve the working environment and reduce sick leave, which was rolled out in 2018, delivered positive results in 2019. The updated Letter of Intent regarding a more inclusive working life (IA, Inkluderende arbeidsliv) agreement for a more inclusive work life was finalised in 2019. It is an instrument aimed

at reducing sick leave and increasing the focus on job presence. Relevant improvement activities regarding the working environment and the reduced sick leave programme are implemented in the IA agreement.

We also promote the personal health and well-being of our employees through the company's sponsorship of and participation in the Aker Active programme, which focuses on physical exercise and nutrition.

## Safety

QOMPLIT, safety behaviour training, the updated HSSE handbook and visible management were among the valuable initiatives introduced in 2019. Digitalisation of HSS work has also started with an improved app for reporting of incidents and non-conformities.

After a serious incident has occurred, a lessons learned package is produced and shared throughout Kvaerner with the aim of preventing similar incidents.

There has been a positive transfer of experience between Kvaerner projects. In addition, an incentive programme contributes to local clubs and associations upon achievement of the project HSS 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.

Key performance indicators	2017	2018	2019	Ambition	2020 priorities
Lost time injuries (LTI)	5	4	<b>2</b>	NA	NA
Lost time injury frequency (LTIF) <sup>1</sup>	0.5	0.5	<b>0.2</b>	0	0
Total recordable injuries (TRI)	25	25	<b>35</b>	NA	NA
Total recordable incident frequency (TRIF) <sup>1</sup>	2.5	2.9	<b>2.8</b>	<1.3	<2.0
Serious or serious near miss incidents (SI) <sup>3</sup>	9	9	<b>2</b>	NA	NA
Serious incident frequency (SIF) <sup>3</sup>	0.9	1.3	<b>0.2</b>	<0.9	<0.4
Sick leave rate (percent)	5.4	5.3	<b>4.6</b>	<4.8	<4.3
HSSEQ observations <sup>2</sup>	5.2	8.1	<b>7.3</b>	>5	>5
Total man-hours worked	10 026 259	8 591 327	<b>12 515 709</b>		

1 Per million man-hours (including suppliers and subcontractors).

2 Per man-year worked.

3 Numbers also includes near miss (potential) incidents.

## Security

The international nature of Kvaerner's operations means that the company is exposed to changes in global risks. Projects operate in a wide range of areas and therefore 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. After performing travel risk assessments, Kvaerner may issue travel bans to certain airports and countries.

Additional security measures are introduced when necessary. Currently, Kvaerner is not conducting continuous operations in areas with high or extreme risk as classified by International SOS.

Kvaerner has a well-established emergency response system. In 2019, implementation started of a new tool to bolster crisis management at operational, tactical and strategic level in the organisation. Emergency training sessions saw topics such as cyber security, personal security and safety being addressed. We also conducted cyber security campaigns addressing information security and phishing awareness.

Protection of personal data is safeguarded through Kvaerner's data protection procedure, a set of legally binding rules that provide principles for the processing of personal data. Kvaerner has established a multidisciplinary team to support the organisation in its processing of personal data, in addition to handling of access requests and complaints. In 2019 Kvaerner did not receive any request or complaints from data subjects.

## Sponsorships

In 2019, Kvaerner became a "VI - company" and thereby takes on an active social responsibility role. Kvaerner contributes through "Stiftelsen VI" to give disabled people opportunities to achieve the same quality of life as the able-bodied. Several charitable donations were made to benefit local society, charities and other non-profit organisations during 2019. The main areas for these donations were education, health, sports, culture and other social welfare causes.

## People

In Kvaerner there is a continuous focus on people, teams and creating results through solid collaboration across disciplines and within departments. We understand that

you win and lose as a team and that our people are our most valuable assets. Through established people development processes and courses in our learning academy, Kvaerner addresses important challenges and sets clear ambitions and expectations for our employees. Kvaerner also encourages discussion and has established forums for dialogue and debate, which strengthen the empowerment of the individual employee.

## 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, flexitime, working outside the office with remote access to computer systems, and a compressed working week. Kvaerner believes that a healthy and positive work-life balance is vital for all employees.

### Human and labour rights, diversity and equal opportunities

In Kvaerner's code of conduct we set out our expectations, commitments and requirements for ethical conduct. The code of conduct applies to all our employees and hired contractors. The code of conduct includes our most important requirements when it comes to equal opportunities, diversity and non-discrimination. Our commitment is also clearly outlined in our business integrity policy, our people policy, and in the global framework agreement between Aker ASA and the Norwegian and international trade unions Fellesforbundet, IndustriALL Global Union, NITO and Tekna, which is applicable to all companies that are part of Aker for the development of good working relations.

The Global Framework Agreement describes Kvaerner's commitment to respect human, trade union and labour rights, acknowledging the fundamental principles of human rights with a specific focus on non-discrimination. Through our equal opportunity training of employees, Kvaerner aims to hinder any form of discrimination, harassment or bullying. Kvaerner is committed to providing an environment where equality and diversity are highly regarded values, and we will treat everyone with fairness, respect and dignity. We do not tolerate any discrimination of colleagues or others affected by our operations.

More than 30 nationalities are represented at our yards, and this requires a well-trained management force to ensure the implementation of our values and code of conduct. We therefore emphasise cultural competence and awareness in our leadership programmes and management forums.

Local content is a key factor in many of our projects. Kvaerner has long and documented experience of contributing to local content and establishing long-term local value creation through the use of local suppliers, training and defined business activities. In projects, we consider the mutual impact between Kvaerner and local communities and take this into account in our management and business decisions.

Kvaerner strives for equal opportunity, and this is

emphasised in processes such as recruitment, appointments to management positions, employment conditions, compensation and training policies. It is consistently applied when evaluating individuals for management positions, whether the candidates are recruited internally or externally.

Traditionally, men have dominated the energy industry, and this is still reflected within our organisation where women currently account for 15 percent of our employees.

Leadership training is an important contribution towards increasing the number of women promoted to managerial positions. In 2019, 25 percent of women in middle management positions completed first level leadership training compared with 21 percent in 2018.

Employment conditions and compensation packages are based on responsibility and level of job complexity, irrespective of gender, ethnicity and age.

Kvaerner has a commitment to respect and adhere to internationally accepted human rights as stated in the United Nations Universal Declaration of Human Rights (1948), which defines several fundamental principles on religious, political, cultural, economic and social rights, and further to respect the International Labour Organisation's (ILO's) eight core conventions. Key issues are freedom of association, the right to collective bargaining and the prohibition of forced labour.

All employees have the right to be, or refrain from being, union members and to be represented in collective bargaining agreements. In countries where these rights are restricted, Kvaerner will seek other solutions to provide our employees with opportunities to influence their work situation.

Kvaerner does not accept any form of forced labour, including labour based on human trafficking.

Kvaerner considers the risk of direct involvement in human and labour rights infringements to be low, but because of the size of the supply chain there may be a risk of indirect involvement.

Ongoing activities abroad, business relationships and new business opportunities are assessed for potential

human rights impacts and aspects, following a risk-based approach. Human rights aspects are incorporated in our procurement and subcontracting policies.



**Key measurements**

Key measurements	2017	2018	2019	Ambition	2020 priorities
Kvaerner employees	2 659	2 727	<b>2 833</b>	Optimal work force according to project portfolio	Optimal work force according to project portfolio
Staff per country:				Our ambition is to have a workforce with the right competence and skills to deliver on our strategies and goals	The focus will be on how we are manning our projects and to ensure we can utilise competence across boundaries
Norway	2 601	2 638	<b>2 728</b>		
Finland	24	17	<b>17</b>		
UK	2	2	<b>2</b>		
USA	2	2	<b>0</b>		
Canada	11	13	<b>12</b>		
Russia	17	53	<b>72</b>		
China	2	2	<b>2</b>		
Contract staff (at year-end)	841	1 311	<b>3 637</b>	Optimal number of contractors according to project portfolio	Optimal number of contractors according to project portfolio
Full-time/part-time	2 601/58	2 675/52	<b>2 728/55</b>		
Gender distribution				Our ambition is to continue to encourage a diverse workforce	We will continue to participate in SHE index and focus on diversity in recruitment, promotions and succession planning
Females in percentage of total workforce	15%	15%	<b>15%</b>		
Females holding senior management positions	18%	22%	<b>18%</b>		
Female executive management team members	2 of 9	2 of 9	<b>1 of 8</b>		
Female board members <sup>1</sup>	2 of 8	2 of 8	<b>3 of 8</b>		

1 In 2017/2018/2019 two of Kvaerner's five shareholder-elected directors were women and from 2019 one of the employee-elected directors is a woman.

**Overview of benefits for permanent employees - 2019**

Country	Norway	UK	Finland	USA	Canada	Russia	China
Life insurance	✓	✓	S	✓	✓	✓	✓
Health care	S	✓	✓	✓	✓	✓	S
Disability/incapacity coverage	✓	✓	S	✓	✓	✓	S
Retirement pension plan	✓	✓	S	✓	✓	S	S

**Parental leave Norway in 2019**

	Female	Male	Total
# of employees who took parental leave	19	58	77
# of employees returning after parental leave	19	56	75

“✓” = The company is providing arrangements beyond any statutory requirements.

“S” = The arrangements are limited to any statutory requirements.

### Recruitment and retention

Kvaerner works systematically with recruitment and development programmes in order to build a diverse workforce by attracting, recruiting and retaining people of both genders and different nationalities and age groups across all types of position.

The intake of apprentices at our two yards at Stord and Verdal is an important part of the company's recruitment of skilled workers. It also strengthens our commitment to the education and training of young technicians and operators in the Norwegian energy industry.

Recruitment of new employees in 2020 will depend on Kvaerner's project portfolio and will mainly be focused on experts within selected disciplines and new segments, as well as necessary replacements.

Key measurements	2017	2018	2019	Ambition	2020 priorities
New employees	77	116	204	Ensure healthy turnover rate	Ensure healthy turnover rate
<b>Age of new Kvaerner employees</b>				Ensure successors to critical positions	Ensure successors to critical positions
<30	17	20	55		
30-50	44	74	120		
>50	16	22	29		
New apprentices	52	57	57	60 <sup>1</sup>	Train and ensure successors to critical disciplines
Total apprentices	96	115	128	128 <sup>1</sup>	128

1 Maintain a healthy number of apprentices to ensure successors to critical disciplines.

### Education, training and professional development - the Kvaerner Academy

To continue developing Kvaerner's capabilities and competitiveness, it is essential to strengthen the company's know-how and intellectual capital. This means building excellent leadership and professional and specialist skills, and creating an environment in which all employees can apply their skills and capabilities. An important factor for employee performance, competence and career development are the regular performance dialogue meetings between manager and employee.

Kvaerner Academy runs a variety of training programmes to help develop crucial know-how and expertise in important specialist fields. In addition to enhancing the participants' technical and professional skills, these programmes provide an arena for networking, building motivation and implementing our company culture. In 2019, Kvaerner has also established a clear career path and revised a job model system in order to improve visualisation of career opportunities and simplify identification of individual competence gaps.

Non-office personnel are normally recruited through apprenticeships. 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.

Throughout 2019, Kvaerner has provided both strategic leadership programmes and lower level management programmes. In addition, the Kvaerner Training Centre (KTC) has been run for all ongoing projects, tailor-made for the phase and challenges of each project. The purpose of the KTC training is to prevent unwanted incidents, strengthen cooperation internally and with partners, and to learn, discuss and align in order to succeed with the project.

<i>Key measurements</i>	2018	2019	Ambition	2020 priorities
<b>Kvaerner Academy Strategic leadership development programmes</b>			Ensure course portfolio that supports Kvaerner ambition and growth strategy	Clear competence strategy, identify competence gaps and complete necessary training programmes
Kvaerner Leadership Training 1 (# of participants)	120	<b>19</b>		
Kvaerner Leadership Training 2 (# of participants)	24	<b>24</b>		
Kvaerner Training Centre (# of participants)	342	<b>150</b>		
Contract management (# of participants)	120	<b>83</b>		
IPMA Certification of project managers (# of employees)	20	<b>21</b>		
<b>Graduate programmes</b>			Sustain ongoing training programmes	Ensure and complete successful training programmes
Total # of apprentices (Verdal and Stord yards)	115	<b>128</b>		
Technical College, Stord (# of employees)	18	<b>64</b>		
Total # of students conducting theses	5	<b>2</b>		
Vocational school (Verdal)		<b>11</b>		
<b>HSSE training (percentage of total worked hours)</b>	Target: >0.8% Actual: 1.2%	<b>Target: &gt;0.8%</b> <b>Actual: 0.6%</b>	Sustain and improve ongoing training programmes	HSSE leadership training

# Governance

## Governance principles

The Board of Directors is responsible for ensuring sound corporate governance in Kvaerner and sets the strategic direction, the overall governance structure, values and policies in accordance with Norwegian legislation and frameworks, in particular the principles set out in the Norwegian Code of Practice for Corporate Governance<sup>1</sup>. The Audit Committee supports the Board and monitors Kvaerner compliance with and implementation of sound corporate governance.

More information is available in Kvaerner's Corporate Governance Statement for 2019 published on <https://www.kvaerner.com/investors/corporate-governance/corporate-governance-statement/>

SVP Corporate Support & General Counsel heads the Corporate Support department, including the Legal & Compliance department, responsible for Kvaerner's proactive work on compliance and business integrity.

Kvaerner is to perform risk-based integrity due diligence of its external partners. Kvaerner commits to monitoring the performance of its partners, suppliers, subcontractors and other contracted companies, and will take immediate and relevant remedial actions in any case where the ethical performance of a business partner is questioned. In its supplier and subcontractor declaration, which all suppliers and subcontractors must sign, Kvaerner has incorporated ethical, social and environmental expectations.

## Business integrity and anti-corruption

Compliance with national, regional and international legislation and conventions is mandatory in Kvaerner's conduct of its business. However, business integrity extends beyond simple compliance. Kvaerner emphasises that business should be conducted in a manner that makes people proud of working for, and with, Kvaerner.

Kvaerner has local offices and activities that engage suppliers and subcontractors from many countries around the world. The company has zero tolerance of corruption and does not tolerate violations of the company's code of conduct, business integrity policy and supplier and subcontractor declaration. Kvaerner demands that its business partners, suppliers and subcontractors at any level operate by these same principles.

During 2019 Kvaerner continued its work on international business opportunities in Russia and Ghana, where the risk of corruption is inherently high. Also, the risk of human rights and labour rights violations is high in both countries. All levels of management in Kvaerner acknowledge that doing business in countries like Russia and Ghana requires special attention to issues of business integrity and compliance and requires a high focus on risk assessment and implementing effective proactive risk-reducing actions. In these areas, Kvaerner has increased its activities within preventive integrity due diligence (IDD) of third parties as well as close monitoring, documentation and verification of transactions. Kvaerner has no specific

operations in Ghana, but nevertheless monitors business opportunities in the country. Kvaerner has not engaged any third-party representatives in Ghana.

## Kvaerner's business integrity programme

Kvaerner's main tool for ensuring that our business is conducted in an ethical and transparent manner is the business integrity programme, which is divided into preventive, detective and responsive activities. The programme is implemented throughout the organisation and is built upon the key principles set out in the UK Bribery Act, guidance given by Transparency International and best practices collected from other companies and organisations.

The executive management team and the Board of Directors' Audit Committee monitor and conduct regular reviews of the business integrity programme and the progress of ongoing actions. The Audit Committee also receives regular reports from SVP Corporate Support and General Counsel.

The business integrity training programme consists of the following mandatory components:

- > Introduction to business integrity in Kvaerner to all new employees
- > Classroom courses
- > E-learning: mandatory business integrity training for all employees (office and non-office)

<sup>1</sup> [https://nues.no/wp-content/uploads/2018/10/NUES\\_eng\\_web\\_okt2018\\_2.pdf](https://nues.no/wp-content/uploads/2018/10/NUES_eng_web_okt2018_2.pdf)

Kvaerner regularly conducts face-to-face training for employees in exposed roles and as part of the Kvaerner Training Centre activities. Examples of 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.

During Q1 2019, Kvaerner finalised a new mandatory e-learning campaign for all employees summarising Kvaerner's business integrity policy and including practical cases and a quiz within the modules.

<i>Key measurements</i>	2017	2018	2019	Ambition	2020 priorities
Classroom training for new employees (percent trained)	100%	100%	<b>100%</b>	100%	General business integrity and compliance introduction to all new employees
Classroom training for exposed roles (percent trained)	100%	100%	<b>90-100%</b>	90 - 100%	Continuous focus on anti-corruption, supply chain, human and labour rights, supplier, partner and customer IDD's
e-learning campaigns <sup>1</sup> (percent completed)	88%	NA	<b>95% (office) 70% (non-office)</b>	100%	Aim to develop annual BIC refresher e-learning course
	2016 campaign concluded				

<sup>1</sup> Mandatory campaign rolled out in 2019.

### Risk-based integrity due diligence and supplier assessment

As part of our business integrity programme, Kvaerner is committed to performing risk-based IDD's of external parties including partners, suppliers, subcontractors and customers. The purpose is to familiarise ourselves with a new party and ensure that we uncover any adverse information about the company, its owners or its track record that deviates from our values. The IDD process extends into the full business relationship and requires continuous monitoring.

During 2019 Kvaerner continued to increase its efforts both in the pre-qualification and the follow-up of suppliers and subcontractors, especially those within high-risk countries and industries. Kvaerner has implemented an external compliance search tool, BvD Compliance Catalyst. A risk-based approach is taken to the application of Catalyst, which is used to obtain the most recent ownership data including registered findings on enforcement actions and other adverse information relevant for assessment of new partners and suppliers. Kvaerner is pursuing

opportunities in new markets and areas, which has increased the need to conduct IDD's of new partners and customers to verify alignment with our values. In some cases, Kvaerner is also required to obtain external IDD reports to ensure adequate verification.

<i>Key measurements</i>	2018	2019
Number of internal IDD's <sup>1</sup>	40	<b>127</b>
Number of external IDD's	5	<b>7</b>

<sup>1</sup> Searches generated in Compliance Catalyst (subscribed from 2018) on new suppliers after initial risk-assessment.

For 2020 Kvaerner will continue to make risk-based IDD's of new partners, suppliers and subcontractors. To achieve this, Kvaerner's compliance function will continue to follow our business development pursuits and projects closely to support the early identification of relevant business integrity risks.

### Raising concerns - new whistleblowing channel

In 2019 Kvaerner established a new externally hosted, web-based whistleblowing channel with updated functionalities. It covers the entire process of notifying a concern, putting forward information and the associated process for follow-up and investigation of the concern. The tool is designed to secure reports, protect all related data and protect the identity of the whistle-blower, including the possibility of dialogue between an anonymous whistle-blower and the investigator. All concerns relating to an actual or suspected breach of law, internal policies, procedures or general ethical standards are to be reported through the whistleblowing channel.

All reports are received and managed by SVP Corporate Support & General Counsel, who will classify the report and initiate necessary follow-up or investigation together with Kvaerner's investigation board. Strict confidentiality is applied to all reports and their investigations.

Reports of grievances about employees' personal employment situation that are not categorised as whistleblowing according to the Working Environment

Act are handled and followed up by the Human Resource department together with line management. Closing of a report subject to investigation in accordance with Kvaerner's procedure for follow-up and investigation of whistleblowing reports is monitored by the Board of Directors Audit Committee.

#### **Ambitions and initiatives for 2020**

For 2020 the following ambitions have been identified:

- Develop and provide annual business integrity and compliance refresher e-learning course to all employees with specific focus on human and labour rights and supply chain.
- Continuously identify, monitor, manage and follow up integrity due diligence conducted on potential new cooperation partners and/or subcontractors including face-to-face presentations of Kvaerner's expectation of its business partners regarding integrity and ethics.



# Company information

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

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