



Corporate social responsibility

Report 2015



KVÆRNER™



Contents

Introduction	4
About Kvaerner and CSR work	6
Caring about our people	11
Caring about HSSE	16
Caring about business integrity	22
Caring about the community	29
About this report	30
Company information	30

Introduction

Corporate Social Responsibility (CSR) is an integrated part of the management responsibility within Kvaerner. Our corporate goals and activities within CSR are anchored at the Board of Directors level and each business area is responsible for their implementation. The Kvaerner Code of Conduct summarises our values and standards of behaviour in all types of activities, everywhere. It covers all areas within corporate social responsibility: human rights, prevention of corruption, employee rights, health, safety, security and the working environment, discrimination and natural environment, community-work and sponsorships.

In our Code of Conduct and policies we describe how we shall run our business, including how we shall work with our partners, subcontractors and suppliers. New CSR key performance indicators are set every year with separate targets for each operational area. Kvaerner is proactively recognising and managing risks to achieve our CSR targets. We work closely with our customers and suppliers to achieve our goals and understand risks and to optimise the way we deliver our projects

Kvaerner's ambitions within HSSE are not only part of the company's core values, but are regarded as our licence to operate. We continuously strive to achieve our goal of zero harm to people, the environment, property and non-material assets, and we work systematically to improve our HSSE culture and performance. Despite our HSSE efforts, we experienced a tragic fatality in March 2015 where we lost one of our colleagues at the Draugen decommissioning project. Any accident is unacceptable and should not happen in Kvaerner. Our independent investigation team identified the main causes for the accident. They also defined a number of recommendations that were put into action in order to strengthen our clear safety rules and HSSE performance in all phases of Kvaerner's operations.

In 2015, Kvaerner had high activity in our operations and all projects were progressing as planned. In April, the 22 000 tonnes topside for the new offshore platform for the Edvard Grieg field was ready for delivery, as agreed

with Lundin three years earlier. The Nyhamna project for Shell completed several milestones, the largest being a 40 day successful turn-around. In Newfoundland, Kvaerner is constructing the Hebron gravity based structure for Exxon-Mobil together with Kiewit. We continue to focus on delivering projects with safe execution, predictable schedule and agreed quality. During 2015 Kvaerner signed several contracts with Statoil for the Johan Sverdrup field development, confirming our position as a leading contractor within the oil and gas industry.

During the year, Kvaerner continued its work on international business opportunities, some of these in Russia with high inherent corruption risks. It is acknowledged by all levels of management in Kvaerner, that doing business in countries like Russia requires us to give special attention to issues of Compliance and have a high focus on risk assessment and implementing effective proactive risk reducing actions.

In our Code of Conduct it we state that Kvaerner commits to monitor the performance of our suppliers and subcontractors and will take immediate and relevant remedial steps in cases where the ethical performance of its business partners comes into question. During 2015 Kvaerner extended its integrity due diligence work and executed several audits among our suppliers, in particular in the area of labour conditions which lead to several improvement actions being implemented by the suppliers.



In 2016 we will continue to strengthen the proactive focus on new opportunities and continuous improvements within CSR. We believe this is the basis for conducting our business in a way that makes people proud to work with, and for, our company.

Jan Arve Haugan
President & CEO



About Kvaerner and CSR work

Kvaerner is headquartered in Oslo, 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 in 2015

The Kvaerner organisation includes specialised fabrication yards and offices for engineering and procurement in Norway, Canada, UK, USA, Russia, Finland and China. A typical project involves several hundred first line suppliers. Kvaerner uses many large subcontractors; several of these are located in Poland.

We plan
and execute
demanding
EPC projects

Kvaerner was in 2015 organized into four different business areas. As of 31 December 2015, the total Kvaerner workforce comprised 3 262 individuals, including 2 811 permanent employees and 451 contract staff. (For more information – see chapter Caring about our People).

Globally, the oil and gas industry is faced with reduced markets and all companies are taking actions with both significant and lasting effects. It will be fundamental for Kvaerner's ability to continue to be successful and win new projects that we also continue to improve our productivity and reduce our cost base. From 1 January 2016, Kvaerner changed to a matrix based organisation model with enhanced focus on project execution. The business area structure was removed and the revised operating model will provide clearer roles and accountabilities. The aim is to increase productivity through better internal cooperation and use of common resources. Simultaneously, cost savings can be enabled by fewer man-hours spent on internal processes.

Major project execution activities in 2015

Kvaerner's workload in 2015 consisted of several large projects with different customers:



THE EDVARD GRIEG PROJECT

In April 2015 the 22 000 tonnes topside for the new offshore platform for the Edvard Grieg field was ready for delivery, in line with the contract awarded three years earlier. Lundin Norway is the operator of the field and ordered the topside as a complete EPC delivery from Kvaerner in 2012. In addition to delivering the topside as agreed, the project also had a high share of work performed in Norway. The Norwegian value creation from both Kvaerner and subcontractors totals around 70 percent of the delivery. In November 2015 Lundin announced that the new Edvard Grieg offshore platform on the Norwegian continental shelf had started production as scheduled. The project has provided significant positive effects for both more than 150 suppliers and the communities where they are based. At peak, the project involved more than 7 500 personnel.



THE NYHAMNA PROJECT

Kvaerner was the main contractor for the initial development of the Nyhamna onshore gas treatment facility, and was in April 2012 awarded a frame agreement for modifications and projects at the Nyhamna/Ormen Lange onshore facilities the Nyhamna Expansion project. The Nyhamna gas plant processes natural gas from the Ormen Lange gas field located in the southern part of the Norwegian Sea. The contract scope includes all modifications and projects on the Ormen Lange/Nyhamna facility and is established to meet the expected, significant increased project activity over the next five to ten years. A major milestone was reached on the project in June 2015 when the complex turnaround of the hot plant was successfully completed in 40 days. This was achieved due to both excellent planning and execution in close cooperation with all involved parties.



THE HEBRON PROJECT

In March 2013 ExxonMobil Canada Properties released the option for Kvaerner's joint venture company Kiewit-Kvaerner Contractors to provide the full scope of engineering, procurement and construction (EPC) services for the Hebron gravity based structure (GBS). This will be the second largest GBS ever constructed. The Hebron oil field is located offshore Newfoundland and Labrador in the Jeanne d'Arc Basin southeast of St. John's. The construction activities at the Bull Arm deep water site in Newfoundland continue in 2016. The latest slip form operation, the Centre Shaft was successfully completed in December 2015 as scheduled. Mechanical outfitting activities in the centre shaft is also ongoing. The project now stands at more than 19 million man-hours without a lost time incident.



JOHAN SVERDRUP PROJECTS

Kvaerner will be delivering the three largest of the four steel jacket substructures for Johan Sverdrup, in addition to one of the utility and living quarters (ULQ) platform topsides. The steel jackets will be delivered in the spring of 2017 and summer of 2018. The ULQ-platform is one of four platforms to the Phase One development of the Johan Sverdrup oil and gas field on the Norwegian continental shelf. The Kvaerner-KBR joint venture will execute the engineering, procurement and construction (EPC) for the ULQ topside as one complete delivery. The agreement also includes an option for commissioning assistance and off-shore hook-up for the platform.

"Our corporate goals and activities within CSR are anchored at the Board of Director level and each business area is responsible for their implementation"

Studies and business development activities

In December 2015, Statoil awarded Kvaerner, as one of two suppliers, a study contract for concept development of four separate unmanned platforms, the new Kvaerner "Unmanned Wellhead Platform/Subsea on a Stick®" product for phase 2 of the Johan Sverdrup field. The work will be performed by the Kvaerner engineering offices in Verdal, Trondheim and Oslo.

Kvaerner is also exploring business opportunities internationally. Kvaerner has during 2015 worked on several pre-study projects in Russia. Kvaerner has strong experience from previous large projects in Russia – the Sakhalin 2 and Sakhalin 1 projects. It is acknowledged by all levels of management in Kvaerner, that doing business in countries like Russia requires us to give special attention to issues of Compliance. In 2014, several countries, including the United States, European Union and Norway introduced restrictions on certain dealings with Russia and with selected Ukrainian and Russian nationals and companies. Kvaerner is closely monitoring this and maintains a dialogue with the Ministry of Foreign Affairs in Norway on the development. During 2015, there have been signs on potential upcoming lifting of the Iran sanctions. Kvaerner monitors project opportunities and will evaluate how the company can offer value adding solutions if relevant prospects should arise.

In chapter 4 we describe the particular risks for Kvaerner within business integrity and how we manage these.

Our Corporate Social Responsibility standards

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

The Code of Conduct available at the Kvaerner external website <http://www.kvaerner.com/Environment--Society/Kvaerner-Code-of-Conduct/summarises> the group's values

and standards of behaviour in all types of activities, everywhere. It covers all areas within corporate social responsibility: human rights, prevention of corruption, employee rights, health, safety, security and the working environment, discrimination and natural environment, community-work and sponsorships. Kvaerner is a significant part of some of the societies in which we operate, both locally and globally.

Kvaerner has several Joint Venture Partners around the world. All entities where Kvaerner has more than 50 percent ownership are considered part of the Kvaerner group and shall be operated in accordance with Kvaerner Policies. In joint ventures or subsidiaries where Kvaerner ASA directly or indirectly controls 50 percent or less of the voting interest, Kvaerner shall ensure that the main principles of this policy are incorporated in the governing documents of the subsidiary or joint venture.

A typical Kvaerner project involves >300 first line suppliers. In the Kvaerner Code of Conduct Kvaerner commits to monitoring the performance of its suppliers and subcontractors and will take immediate and relevant remedial steps in cases where the ethical performance of its business partners comes into question.

Kvaerner has a very restrictive policy when it comes to the use of third party representatives. All are required to complete an Integrity Due Diligence process and get final approval from Corporate VP Compliance, SVP Legal and President & CEO.

The People Policy sets out Kvaerner's fundamental principles for ensuring the ability to attract, engage and retain a workforce with the right skills, attitudes and behaviour. With several thousands of employees around the world, representing many cultures, religions and ethnic groups, Kvaerner's focus is to help each employee realise his or her potential and to look after his or her own and other's health and safety. Kvaerner efforts are guided by a commitment to protect the human rights (including labours rights)

of the employees, contract staff as well as our partner, subcontractor and supplier staff.

The Business Integrity Policy which is available at Kvaerner's external website under the Code of Conduct section <http://www.kvaerner.com/Environment--Society/Kvaerner-Code-of-Conduct/covers> human rights, corruption and improper payments and fraud. The company shall conduct its business in accordance with the fundamental human rights stated in the United Nations Universal Declaration of Human Rights (1948) which defines a number of fundamental principles on religious, political, cultural, economic and social rights. Business integrity extends beyond legal compliance and Kvaerner aims to conduct its business in a manner that makes people proud of working with and for the company.

The Health, Safety, Security and Environment (HSSE) Policy sets out Kvaerner's fundamental principles within these four areas. Kvaerner focus on employee health and on continuously improving the work environment. Kvaerner employees are entitled to a workplace which is safe and secure. Kvaerner has a zero incident mind-set, meaning that the target is zero personal injuries and zero cases of work related illness. Kvaerner continuously works to reduce the environmental footprint of its operations and products and the methodology for reporting environmental impact derives from the Greenhouse Gas Protocol – GHG, and Global Reporting Initiative – GRI. Moreover, the Norwegian yards are certified according to the ISO 14001 environmental standard. Due to the global nature of Kvaerner's operations, the company is exposed to changes in the global security risk situation. Kvaerner has a separate procedure in place for Corporate emergency response.

The Kvaerner Supply Management Policy describes the supplier qualification system, which is mandatory when engaging suppliers and subcontractors. The Kvaerner supplier

and subcontractor declaration describes the conduct that suppliers have to comply with. As part of the pre-qualification process, all suppliers and subcontractors have to sign the Kvaerner supplier Declaration and complete the qualification questionnaire which contains a range of questions within the different CSR areas.

Reporting concerns - whistleblowing:

Kvaerner employees have many ways of addressing concerns. Kvaerner employees are encouraged, when ever possible and feasible, to raise questions and report issues to their line managers and representatives of senior management. Any allegation of potential violation of the Kvaerner compliance policies can also be reported confidentially or anonymously to the Corporate Compliance function via the whistleblowing channel available at the Kvaerner external website www.kvaerner.com and through the Kvaerner intranet. Statistics for 2013, 2014 and 2015 are included in chapter four.

Opportunities and risks

Input from the Board of Directors and our owners, the Executive management representing each operational unit as well as our customers are taken into account to identify and priorities material business and the strategy for these.

In 2014 Kvaerner performed an in-depth People Survey which con-



"Kvaerner has a zero tolerance for corruption and will only work with local partners and suppliers who have the same policy"

tained several CSR related questions. The next People Survey will be performed in 2016. CSR is on the agenda in regular meetings with the Executive Management as well as with the Board of Directors. Kvaerner performs an Annual strategy session with the Board of Directors which includes also an annual risk review within each CSR area with respect to the CSR targets.

Kvaerner relies on our reputation as a top performer within CSR both to attract new employees and to retain our employees. A solid CSR performance and focus on continuous improvement represent also an opportunity to contribute to the sustainable development of the communities where we operate. In all Kvaerner projects we seek to employ and train local staff. On a typical Kvaerner project we use a large portion of hired-ins and typically more than 300 first line suppliers. Kvaerner believes that by improving our focus in particular on human rights and labour conditions in the supply chain we will strengthen our supplier relationships and that this also will increase the project efficiency (see more in chapter 2, 4 and 5).

The Kvaerner projects are characterized by a

large portion of construction work with inherent high safety risks. Kvaerner had one fatal incident in 2015 and several near-misses with four red incidents. In 2011 one employee lost his life after a fall-incident on the Sakhalin-project in Russia. At Stord, one person died 10 years ago at the Kristin-project. Focus on reducing risks within safety is the number one priority for Kvaerner in all our activities. In the Annual risk review with Board of Directors for 2015 our ability to deliver a consistent and continuous HSSE performance was on the Top 5 list of the Company risks (see more in chapter 3).

For many years, Kvaerner has chosen to operate in countries with high inherent corruption risks, such as Russia and Kazakhstan. The ministry of trade in Norway expects Norwegian companies to be leading in CSR. It is well understood by all level of management that the compliance risks in these countries are high and that operating in these countries require a very high focus on preventive compliance actions. In the Annual risk review with Board of Directors for 2015 risks within our business development activities in Russia and Iran was ranked as the number one risk area within business integrity (see more in chapter 4).

Kvaerner continuously works to reduce the environmental footprint of Kvaerner's operations and products. In our Supplier Declaration, which all suppliers to Kvaerner has to sign in order to be pre-qualified, the suppliers commit to work to minimise negative impacts on the environment, taking into consideration the full life cycle of their products. Kvaerner continuously work to improve the follow-up of our suppliers in this area (see more in chapter 3).

New CSR key performance indicators are set every year with separate targets for each operational area. This report contains in the end of each chapter the Key Performance Indicators used in 2015 within the specific area with the achieved result.

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 results of team efforts. In the end, our results are dependent on the skills and motivation of our employees and contract staff. During 2015 a separate project was established to work on a more efficient organisation model.

Organisation

The downturn in the oil- and gas industry had some effect on Kvaerner's workforce. Fluctuating workload at the Stord and Verdal yards has caused periods of temporary leave for some categories of employees and has further caused a significant reduction in use of temporary personnel. To further improve competitiveness, Kvaerner changed to a matrix based organisation model from 1 January 2016 with enhanced focus on project execution. The current business area structure was removed and the revised operating model will provide clearer roles and accountabilities. The aim is to increase productivity through better internal cooperation and use of common resources. Simultaneously, cost savings can be enabled by fewer man-hours spent on internal processes.

Improvement goals from People survey 2014 delivered

In 2015, Kvaerner's organisation focused on delivering the improvement goals which were defined and concluded after the People Survey 2014. The status of the improvement work has been thoroughly followed-up with bi-monthly reporting. Regular status update has been provided to the employees. Approximately 80 percent of the improvement actions from the 2014 People Survey have been completed through 2015.

Internal communication, leadership and business integrity was the top three prioritised areas as a result of the People survey. Kvaerner's business areas have improved the communication content on strategy and provided the strat-

egy information on regular basis to the employees. In order to strengthen leadership performance, adequate leadership training has been provided. The use of performance dialogues has been revitalised, and completion of the dialogues has been highly prioritised and followed-up. Within the field of business integrity, training and information on reporting concerns on censurable conditions has been provided. Furthermore, Kvaerner has strongly focused on avoiding any form of discrimination, harassment and bullying by providing appropriate training of employees and managers. In this regard, 70 percent of Kvaerner's employees have completed eLearning course on discrimination, harassment and bullying through 2014 and 2015.

Diversity and equal opportunities

As the nature of Kvaerner's operations calls for employees from different operating entities and geographical regions nationally and internationally, the principles of equal opportunity are (well) established throughout the group. No differences shall exist based on genders, nationalities or ethnic groups. Our commitment is clearly outlined in the Code of Conduct, the Business Integrity Policy, People Policy and in the Global Framework Agreement for the development of good working relations, a three-party framework agreement with national and international trade unions.

The 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 also chapter four on Caring about integrity) through equal opportunity training with employees.

Due to fluctuating workload, temporary personnel from abroad have been engaged for periods in Kvaerner's yards. The work for improving the cultural competence and awareness among leaders and employees, together with information in all relevant languages and well working welfare have been continued from 2014 offerings to secure good integration of the personnel.

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. Kvaerner still need to improve within this area. Currently, women account for 15 percent of Kvaerner's workforce, same as in 2014. Some 20 percent of senior Kvaerner managers compared to 16 percent in 2014. As of 31 December 2015 one of the company's four shareholder-elected Director positions- are held by women, whereas two women left the Board of Directors during 2015. In the course of 2014 and 2015 there has been limited recruitment of new employees and the recruitment base for the actual vacancies have consisted of less women than men. In 2015 26 percent of women in senior management positions completed company leadership development training programmes compared to four percent in 2014. Leadership training is vital in increasing the number of females promoted to managerial positions. Employment conditions and compensation packages are based on responsibility and personal performance, irrespective of gender.

Due to the market situation, recruitment of new employees has been limited in 2015. Kvaerner's equal opportunity principles are consistently applied when evaluating individuals either for recruitment from external or for appointment to management positions.

"Kvaerner seeks to motivate young people through apprenticeships at its yards and works consistently with technology students at the universities"

Recruitment and retention

Kvaerner is focused on the retention of an experienced workforce and the employment of apprentices. Kvaerner recruited 45 new employees in 2015 compared to 228 new employees in 2014. About 20 percent of these were below 30 years of age compared to 43.5 percent in 2014, 30 percent were above 50 years compared to 13 percent in 2014. The total voluntary employee turnover was 3 percent in 2015 compared to 4 percent in 2014.

Despite the 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 a high degree of teamwork and good individual career and development opportunities.

Kvaerner depends on the constant convergence of skilled operators, thus maintaining high level of core knowledge and experience at its two yards, Stord and Verdal. Kvaerner's continuous focus on recruiting new apprentices is key to replenishing major yard positions and professional competence. At year end 2015, there were 121 apprentices at the Stord and Verdal yards in total compared to 172 apprentices in 2014. Kvaerner seeks to motivate young people through apprenticeships at its yards. Furthermore Kvaerner works consistently with technology students at the universities. Kvaerner 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 2016 it is planned to recruit 31 new apprentices. Due to the market situation, the general recruitment of new employees in 2016 will be limited to 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. Safe and high quality operations for customers, employees, shareholders and other stakeholders are made possible through a strong focus on continuous project management education and the practical training of leaders, employees and teams at all levels. All training is based on the company's core values, the Code of Conduct and the leadership principles. HSSE is one of Kvaerner's core values and central to all training activities (see also chapter 3).

Developing project management competence and awareness: Outstanding project management is a crucial success factor for Kvaerner. To maintain and upgrade formal project management qualification, Kvaerner provides post-qualifying education and certification for selected managers in projects. From 2012 to the end of 2015, Kvaerner has developed 47 certified leaders spread across all International Project Management Association (IPMA) competence levels. The majority of the certified leaders are on the 'C' (project manager) and B (senior project manager) competence levels. The certification process ensures a focus on project management planning and control.

Utilising awareness and knowledge: All project deliveries reflect collaborative team efforts. The Project Execution Model (PEM) is, together with highly skilled and fully aligned project teams, a key to success. The Training Centre trains project management teams in the practical application of PEM through predefined workshops. The workshops have participation from both representatives of our Executive Management Team and the Project Management teams where alignment is the key focus.

Leadership training and development: The Leadership Training programme (KLT), established in 2011, provides practical leadership training for first time and first line managers. This is the basic programme for leadership in Kvaerner. The majority of the participants will take on leader positions in projects. The Leadership Alignment Programme model (LeAP) has been developed with the pur-

pose of securing that Kvaerner's values and leadership principles are applied in all projects. The programme is applied both internally and together with our customers and subcontractors.

Educational pathway programmes: In order to secure a consistent inflow of engineering competencies, the company, through its Business areas, has implemented educational pathway programmes to help motivated, qualified, and skilled Kvaerner workers and operators complete engineering degrees. The pathway consists of three steps: Technical College, University College and University. The aim is to increase the number of practical engineers able to prepare for, follow-up and manage construction activities. The two-year formal technical study coincides with ordinary work. Workers/students are placed in a fixed rotation – two weeks work and one week study – and complete the study within the same timeframe as full-time students. Since 2011, the Technical College has started three mechanical and automation classes, attracting in total 56 Kvaerner students by end of 2015.

The programmes on engineering students in the Jackets Business area with start-up and completion of their apprenticeships at Verdal yard has been carried out in 2015 and will continue in 2016. Following certification, students are granted leave to complete a Bachelor's or Master's Engineering Degree at a selected University. Likewise, the project assignments and theses during their studies are defined and accomplished in collaboration with Kvaerner.

Throughout 2015, four Leadership Training programmes (KLT) have been completed compared to three in 2014, with a total of 66 participants compared to 60 in 2014, and 185 have participated in the Leadership and Alignment Programme (LeAP) in projects compared to 209 in 2014. The LeAP consists of three modules, of which one is dedicated to cross cultural awareness and understanding. This particular module has been very well received and Kvaerner has managed to train four new instructors on cultural aware-

"Temporary employees are invited to participate in all social events arranged by the projects"

ness ready for continuing this particular training through 2016. Participation in LeAP applies both for permanent and temporary employed leaders at all levels.

Temporary employees are invited to participate in all social events arranged by the projects. Site representatives for the major companies providing temporary workforce to Kvaerner, are present at the yard. The site representatives serve as the connecting link between the temporary employees and Kvaerner as well as helping and assisting the employees with various practicalities. In 2015 Stord yard appointed a welfare officer with the responsibility for establishing and organising a various range of welfare offerings for temporary employees.

Kvaerner aims to maintain its strong focus on developing people and teams in 2016, and ensure that its training programmes meet the changing requirements in the industry. Kvaerner will continue to secure certification of project managers and, programmes in the Training Centre, as well as the Leadership Training Programme (KLT) and Leadership and Alignment Programme in projects (LeAP). 20 individuals are planned to complete the KLT while 280 individuals are planned to participate in the LeAP in 2016.

New students have been invited to sign up for engineering studies at the Stord Technical College and the Jackets Business area will continue the graduate programme. A new group of apprentices will be recruited over the course of 2016.

In August 2015 welders from Kvaerner participated in the WorldSkills welding competition and reached an impressive 10th place which was the best Nordic and second best European participant. The leader of WorldSkills Norway said that Norway's vocational national team did the best performance in WorldSkills ever.

Work-life balance

An important factor in ensuring the health and wellbeing of employees is the provision of a sound balance between

work and private life, as set out in the People Policy. The company's business areas are encouraged to create practices based on work patterns that suit the employee and the business and, as a minimum, complying with local legislation and practices. Examples of such work patterns are typically staggered hours, flexi-time, working out of the office with remote access to computer systems, and a compressed

working week. Focusing on a positive work-life balance should benefit everyone concerned.

No specific additional actions have been initiated on work-life balance in 2015. Kvaerner has not seen any increase in stress related illnesses during 2015. The work-life balance practice from previous years will be continued in 2016.

Key Performance Indicators

Key staff figures

<i>Number of employees</i>	2013	2014	2015
Kvaerner employees	2 832	3 049	2811
Contract staff (at year end)	1 324	1 589	451
Full time/Part time	2 832/76	3 049/77	2811/57
New employees	227	228	45
Age of new Kvaerner employees			
<30	104	100	9
30-50	89	100	23
>50	34	28	13
Gender of new Kvaerner employees - M/F	227/16	189/39	39/6
Employee turnover	4%	4%	3%
Gender distribution:			
- Number of females in percentage on total workforce	17%	15%	15%
- Number of males in percentage of total workforce	83%	85%	85%
- Share ratio in percentage - females holding senior management positions	16%	16%	20%
- Earnings female vs male	Not reported	Not reported	Not reported

Office locations as of 31 December 2015 (alphabetic order)

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

Employees per country as of 31 December 2015

<i>Number of employees</i>	2013	2014	2015
Own employees	2 832	3049	2 811
Staff per country:			
Norway	2 722	2932	2732
Finland	33	34	26
England	9	7	4
USA	15	14	9
Canada	13	13	15
Russia	18	20	23
Kazakhstan	6	2	0
China	13	27	2

Parental leave Norway in 2014 and 2015

<i>Number of employees</i>	Female	Male	Total
Total employees in Norway	404/2732	2328/2732	2732
Number of employees who took parental leave	24/404	76/2328	100/2732
Number of employees returning after parental leave	24/404	76/2328	100/2732

Overview of benefits for permanent employees - 2015

Country	Norway	England	Finland	USA	Canada	Russia	China
Life insurance	X	X	X	X	X	X	
Health care	S	X	S	X	X	X	S
Disability/incapacity coverage	X	X	X	X	X	X	S
Retirement pension plan	X	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.

Training programmes

	2013	2014	2015	Target 2016
Employee Training*				
Kvaerner Leadership Training (number of participants)	88	53	66	20
Kvaerner Leadership and Alignment Programme (LEAP) (number of participants)	N/A	209	185	280
Certification of project managers (number of employees)	28	37	47	TBA
Induction training (% completed)	98%	98%	98%	98%
Graduate Programmes				
Total number of apprentices (Verdal and Stord yards)	160	172	121	TBA
Technical College, Stord (number of employees)	12	14	11	6
Total number of students conducting theses	14	13	TBA	TBA

Caring about HSSE

Care for Health, Safety, Security and the Environment (HSSE) is a core value of Kvaerner and expressed in the Just Care™ mind-set. HSSE is a fundament to all Kvaerner 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 deliver a consistent and continuous high HSSE performance are silent deviation, high risk acceptance and limited risk awareness and Kvaerner continuously focus to perform proactive preventive actions in these areas.

The HSSE operating system

The HSSE Operating System 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.

The HSSE Operating System

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

Clear expectations

In order to measure HSSE performance, key HSSE performance indicators (KPIs) have been implemented (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 of HSSE performance. The Just Rules, part of Kvaerner's HSSE Operating System, are established to control the most safety-critical activities in the operations. The Just Rules are a mandatory part of Kvaerner's safety training for all employees, also 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, skill and behaviour to perform their work safely. To reach out to all employees in an efficient way, Kvaerner uses dedicated training programmes at business area and project levels, as well as eLearning programmes for key areas within HSSE. Training packages at project level are tailored to individuals, both in terms of content and language. Line managers are trained to be role models and to drive HSSE improvements through specific safety academy programmes.



Just Rules

Our lives are too important to let an injury get in the way

STOP THE JOB
if it can't be done safely!



Hjerte- lungeredning

VOKSNE

- 1** Hva har skjedd?
Reagerer pasienten?
Tenk på egen sikkerhet for du undersøker pasienten!
Er pasienten? Er god? Er god nok?
- 2** Sørg for frie luftveier og sjekk om pasienten puster normalt!
Sjekk halsen!
Sjekk for fri luftveier!
Sjekk brystet!
Sjekk halsen!
Sjekk halsen!
Sjekk halsen!
Sjekk halsen!
Sjekk halsen!
- 3** Skaff hjelp!
Ring 113
Ring 113!
Sjekk halsen!
Sjekk halsen!
Sjekk halsen!
- 4** Ingen tegn til liv?
Start hjerte-lungeredning 30:2!
Trykk 30 ganger med 2-fingeren 30 ganger med en hånd på ca 300 per minutt.
Sjekk for livs tegn med 2-fingeren.
Fortsett med 30:2

JUST CARE **KVAERNER**

Sharing of best practices and learning from our incidents and near miss incidents

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 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, packages focusing on lessons learned are produced and shared 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. The annual one-day HSSE summit hosted by the Kvaerner President and CEO gathers key personnel from Kvaerner, our sub-contractors, suppliers and clients.

Proactive HSSE focus activities

In order to further establish its proactive approach to HSSE, Kvaerner utilises a number of leading key performance indicators (KPI) to monitor and further enhance HSSE performance. The benefits of utilising the leading indicators can be seen in further improvement of the lagging indicators. The use of leading indicators provides an accurate and continuous picture of the 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, and thereby provide sufficient time to remedy the situation.

Kvaerner has chosen to focus on inspections and task-risk analyses. In 2015 the number of documented risk observations was 66 300/7.1 observations per man-year worked, compared to 69 534 observations in 2014/6.7 observations per man-year worked.



"The use of leading indicators provides an accurate and continuous picture of the status of the control measures needed to prevent major incidents"

During 2015 1.2 percent of total worked hours were invested in HSSE training compared to 1.23 in 2014. Training programmes and KPIs have been established to promote observation, interaction and intervention in the areas of HSSE.

HSSE Keystone Award

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

The HSSE Keystone Awards are given out in three categories: Individual, Project and programme/unit and the winners received their prize in September 2015.

- > The individual prize award was given to Qiam Emamoddin. When a worker fell ill at Kvaerner Stord on the morning of 26 July, Emamoddin took action and saved the man's life.
- > The project award price was given to the Hebron Project. The Hebron project accomplished 14.3 million hours without Lost Time Injury in 2014, which is impressive. The project has succeeded with implementing effective proactive risk reducing actions.
- > The programme/unit award price was given to the Kvaerner Stord sick-leave reduction programme. The sick leave in 2014 ended at a record low 4.07 percent. The yard at Stord started systematically recording sick leave statistics in 1988.

Health

Total sick leave for Kvaerner in 2015 was 220 852 for own employees compared to 20 1701 sick leave hours in 2014. This constitute 5.1 percent in 2015 compared to 4.4 percent in 2014 of total man-hours. Kvaerner companies in Norway have signed the More Inclusive Working Life (IA) agreement. The IA Agreement is an instrument aimed at reducing sick leave and to increase the focus on job presence. The company's sponsorship of and participation in the Aker Active programme are examples of health initiatives focusing on physical exercise and nutrition.

Safety

Kvaerner's President & CEO challenged in 2014 the HSSE network to start a Kvaerner crane forum. The main purpose was to share, learn and provide preventive measures to avoid any further crane incidents. The crane forum decided to establish a common Kvaerner standard for crane, lifting and transport operations. The procedure is at present available in Norwegian, English and Polish.

We started the year with a tragic HSSE setback. Early Saturday morning on 7 March 2015, we received devastating message that one of our colleagues on the Draugen decommissioning project had been in a fatal accident at the project. Any accident is unacceptable and should not happen in Kvaerner. It is important for us to know exactly what happened and what led up to this tragic accident. Kvaerner's independent investigation team has concluded its report and identified the main causes for the accident as well as defined a number of recommendations. These recommendations have been put into action in order to strengthen our clear safety rules and HSSE performance in all phases of Kvaerner's operations. The purpose of the investigation report is to promote learning, improvements and sharing of knowledge within Kvaerner and related parties.

At year-end 2015, a lost time incident frequency (LTIF) of 0.28 and a total recordable incident frequency (TRIF) of 2.5 was recorded, compared to corresponding 0.35 and 2.3 for 2014. These figures also include Kvaerner's subcontractors and are calculated per million man-hours worked. We had five lost time incidents in



"Due to the global nature of Kvaerner's operations, the company is exposed to changes in the global risk situation"

2015. This was two hand and fingers injuries and three foot injuries.

An additional challenge to the Nyhamna project has been working close to hydrocarbons in an operational plant (brown field). During 2015 the project experienced multiple incidents with falling objects. In November 2015 the Norwegian Petroleum Directorate decided to initiate an expanded investigation ("utvidet tilsyn") of these incidents and we are awaiting the report.

In October 2015 Kvaerner launched our new procedure for crane, lifting and transport operations. The new Kvaerner procedure is based on recognized international standards, which our clients use and accept. We have added our own experience and the adjustment deemed necessary to meet the general needs of the industry, and the new Kvaerner standard governs any local HSSE related crane-procedures.

Security

Due to the global nature of Kvaerner's operations, the company is exposed to changes in the global risk situation. Its projects operate in a wide range of areas, which means that potential security threats may arise., Kvaerner is linked to International SOS, which provides a global tool for risk assessment and risk control. To mitigate possible risk situations all employees can be provided with a reliable and up-dated risk assessment and have access to information, as well as to local contacts and an existing network, at all times. Currently Kvaerner have no continuous operations in areas with high or extreme risk as classified by International SOS. For our operations in China, Kazakhstan and Russia special security measures are implemented. Specific end-to-end Security audits from corporate level at both our China locations as well as our Moscow Office were performed in 2014 and the recommendations and improvement actions identified in these audits were followed up and implemented in 2015.

Kvaerner has a separate procedure in place for corporate emergency response. This procedure describes the corporate emergency response, including organisation, the mobilisation process, and key responsibilities. The procedure applies only to emergencies that qualify as a corporate emergency. The procedure shall ensure that the emergency response organisation level is defined and that information and communication services related to emergency response are effective and well managed.

Environment

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

The Kvaerner methodology for reporting environmental impact derives from the Greenhouse Gas Protocol - CHG, and the Global Reporting Initiative-GRI. The two Norwegian yards at Stord and Verdal are certified according to the ISO 14001 environmental standard.

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

The HSSE leadership development initiatives, eLearning and the management system, incorporate clear components that focus on the environment. Collectively, these contribute to continuous improvements in environmental awareness and attitudes among managers and employees. This inspires the organisation to achieve further gains in environmental performance in Kvaerner's own activities, and to assist customers in making environmental improvements through the products developed and projects executed.

Never leave personal items unattended

Keep your property and identity safe

Protect your credit cards and account numbers

Be aware of who's sitting next to you

SECURITY is not complete without U

KVAERNER

"The HSSE leadership development initiatives, eLearning and the management system, incorporate clear components that focus on the environment"



Flag at half-mast at Kvaerner's HQ at Vækerø after the fatal accident at the yard at Stord 9 March 2015.

The main energy consumption, carbon emissions and waste disposal vary according to activities at the yards. Total energy consumption by the business in 2015, based on recorded use of oil, gas and electricity, amounted to 59 300 megawatt-hours compared to 70 500 megawatt-hours in 2014. Carbon emissions relating to this use are estimated at 4 700 tonnes in 2015 compared to 4 500 tonnes in 2014.

Waste recorded in connection with the business totalled 3 950 tonnes in 2015 compared to 3 900 tonnes in 2014, of which 85 percent was recycled in 2015 compared to 69 percent in 2014.

Key Performance indicators

Health, Safety, Security and the Environment	Actual 2013	Actual 2014	Actual 2015
Incidents - fatalities	0	0	1*
Incidents - serious with disablement	0	1**	0
Risk Observations, including Positive Observations (in total/per man-year worked)	57 927/5,9	69 534/6.7 Target: 9 Actual: 6.7	66 300/7.1 Target: 8.5 Actual: 7.1
Sick leave rate (%)	4.2	Target: <4.3% Actual: 4.4%	Target: <4.5% Actual: 5.1%
HSSE training as percentage of total worked hours	1%	Target: >0.9% Actual: 1.23%	Target: >0.9% Actual: 1.2%
HSSE Inspections - in total/per man-year worked	39 386/4	30 328/2,9 Target: >2 Actual: 2.9	40 561/4.3 Target: >2 Actual: 4.3
HSSE Task Risk Analyses - in total/per man-year worked	265 884/27	235 895/23 Target: >15 Actual: 23	172 143/18.4 Target: >15 Actual: 18.4
Total man-hours worked (staff and contractors)	18 957 176	20 159 343	17 948 085
Lost Time Incident Frequency (LTIF), including suppliers and sub-contractors (per 1 million worked hours)	0.5	Target: 0 Actual: 0.35	Target: 0 Actual: 0.28
Total Recordable Incident Frequency (TRIF) including suppliers and subcontractors (per 1 million worked hours)	2.6	Target: <1 Actual: 2.3	Target: <1.5 Actual: 2.5
Energy Intensity (MWH per million worked hours)	62 260	44 013	39 564
CO ₂ emissions (tonnes per million worked hours)	8 300	2 889	3 026
Total waste (tonnes)	8 535	3 913	3 977
Recycling factor (%) (*within own sites)	61	70	85

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

** Workers foot got hit but pipe behind steel tip of safety shoes, resulting in amputation of part of the three middle toes.



Caring about business integrity

Kvaerner has local offices and activities in many countries around the world. In each country, Kvaerner is working to build a strong business integrity culture. A typical project execution involves several hundreds of suppliers of resources and materials. The way Kvaerner work within business integrity has therefore not only a high impact for our own employees, but also a significant impact among the employees of our suppliers around the world.

The Kvaerner Business Integrity Programme

In 2012 Kvaerner established the "Business Integrity Programme". The programme is owned by Corporate VP Compliance. The Kvaerner Executive Management Team and the Board's Audit Committee shall conduct annual reviews of the Business Integrity Programme. Leaders are expected to actively lead, promote and implement the Business Integrity Programme, as well as being role models. Kvaerner has chosen to combine human rights and anti-corruption activities into the same programme, as ethics and integrity are key drivers for both areas. In 2012, the main focus was to establish solid governing documentation within business integrity and make sure all employees were trained in order to integrate business integrity competence and processes at all levels in the organization. The Kvaerner Business Integrity Policy was established and in each employee was trained in this Policy. If an employee is uncertain of how to resolve a particular situation, the employee shall contact his/her line manager and seek guidance.

In 2013, the Corporate internal audit team was established and Kvaerner Corporate started to conduct specific audits related to business integrity – both as a preventive and detective tool.

The Business Integrity Programme covers the following areas:

- **Human Rights:** freedom of expression, freedom of association and collective bargaining, labour standards, forced labour, child labour, minority rights, harassment and discrimination, and purchase of sexual services.
- **Corruption and improper payments:** corruption and bribery, facilitation payments, gifts, entertainment expenses, conflict of interest, charitable donations and sponsorships, and contribution to political organisations, fair business competition, maintaining accurate and truthful books and financial records.
- **Fraud:** The term 'fraud' comprises several irregularities that have breach of integrity as a common denominator.

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 on how to build up an anti-corruption program, as well as best practices collected from other companies and organisations. The key activities within each of these three areas are shown in the following table.

The Business Integrity Programme

Prevention	<ul style="list-style-type: none"> ➤ Clear communication of expectations at all levels in the organisations ➤ Continuous risk assessments at all levels and Annual Risk Review with Board of Directors ➤ Solid governing documents ➤ Extensive training programmes ➤ Risk-based integrity due diligences of partners, third party representatives, suppliers and subcontractors ➤ Learning from other companies and organisations – share own experiences
Detection	<ul style="list-style-type: none"> ➤ Effective channels for reporting of concerns/whistleblowing ➤ Risk-based inspections, reviews and audits ➤ Close monitoring, follow-up of improvement actions
Response	<ul style="list-style-type: none"> ➤ Investigation of all reported concerns/whistleblowing ➤ Consistent implementation of response actions

"Caring about business integrity involves promoting human rights and combatting corruption "

Violations of law and policies may be a result of unfortunate conditions within the organisation. In Kvaerner we focus heavily on the following three important topics:

- > **Watch your pressure:** Pressure may for example arise in connection with winning a contract, achieving a project milestone where any delays must be avoided, meeting stretched financial targets
- > **Avoid and remove fear and silence:** Fear of reprisals from management, fear of reprisals from colleagues
- > **Watch out for complacency:** Avoid pretending that violation is solely occurring in other companies, in developing countries and vice versa

During 2014 and 2015, Kvaerner has in particular worked on strengthening the integrity due diligence procedures of external parties and on working more proactively in the field with our suppliers to ensure that human rights and anti-corruption is in focus. Kvaerner has introduced a more robust follow-up monitoring of the suppliers and subcontractors after the initial integrity due diligence.



Business integrity risk assessments of external parties (JV Partners, third party representatives, suppliers and customers)

Company	<ul style="list-style-type: none"> > Type of company structure, ownership, who is actually in control of the company? > Length of relationship > Governing structure and programmes > Known issues: both ongoing criminal investigations and past convictions > Allegations in mass media and social media
Criticality	<ul style="list-style-type: none"> > Contract value/volume > Dependency > Strategic importance
Country	<ul style="list-style-type: none"> > CPI index (transparency international) > Human rights track record
Nature of services	<ul style="list-style-type: none"> > Contact with officials? > Use of agents? > Procurement? > Logistics?

Communication with stakeholders

The Corporate VP Compliance participates regularly in meetings with the Executive Management Team and the Board's Audit Committee. In these meetings the Corporate VP Compliance presents the ongoing preventive risk reducing activities within the Compliance area as well as status on corporate internal audits and whistleblowing

"In 2015 Kvaerner particularly worked on strengthening the integrity due diligence procedures of external parties. "

cases. In 2015 Corporate VP Compliance participated in meetings with the "Verneombud" at the different sites in meeting.

In 2014 Kvaerner performed a People Survey with all our employees, including questions regarding business integrity. The responses were anonymous. The People survey identified that Kvaerner has strong employee loyalty, combined with a need to reduce use of overtime, to further encourage Kvaerner's culture for encouraging employees to raise their concerns in the field of business integrity, and for management to further strengthen the message that discrimination, harassment or bullying is unacceptable. It is extremely important that all our employees can report concerns without being worried that this action will imply any negative effects for them. All units have focused in 2015 on using the survey's employee feedback to make improvements. The next People Survey will be executed in 2016.

During 2015, 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 within the labour conditions area.

Sharing experiences with other companies and organizations is essential. Kvaerner participates in the Norwegian "speilkomite" for the development of the ISO WD 37001 Anti-bribery management system. In 2015 Kvaerner also participated in meetings with NORAD.

Whistleblowing

Kvaerner encourages its employees, as well as hired-ins, partners, suppliers and customers, to report any concerns in terms of compliance with law and/or ethical standards. In 2015 Corporate Compliance received 18 whistleblowing reports compared to 13 reports in 2014, 12 in 2013 and 4 in 2013 and 2012 respectively. The majority of the whistleblowing reports are related to labour conditions, discrimination and bullying/harassment. Each report was investi-

gated according to established investigation procedure. The results of some of the investigations led to disciplinary actions being taken, while others led to improvement actions being implemented in processes in Kvaerner and among suppliers. In some cases, the investigation did not establish any facts supporting the allegation.

Corruption and improper payments

Kvaerner has local offices and activities in many countries around the world. In each country Kvaerner is working to build up a strong corruption resistance culture. In 2015 Kvaerner particularly worked on strengthening the integrity due diligence procedures of external parties.

Kvaerner is involved in several pre-study projects in Russia and working on several business development activities. It is acknowledged by all levels of management in Kvaerner, that doing business in Russia requires us to give special attention to issues of Compliance, including possibilities of improper payments and illegal information brokering.

The Moscow Office represents all of Kvaerner's business areas in Russia, and has through 2015 reported to Kvaerner Concrete Solutions management in Oslo. Kvaerner has a local Compliance officer based at the office in Moscow and Kvaerner needs to have and has had a strong focus on building a robust compliance and corruption resistance culture in the Moscow team. We also need to be able to pick up potential compliance issues as quickly as possible in order to be able to make effective preventive interventions. The Moscow compliance officer works on securing that the business integrity programme receives strong attention. On-the-job risk assessments, readiness and awareness training performed are performed. The areas with particular high focus within compliance are:



Corporate internal audit in Moscow, November 2015.

- > Securing compliance with trade restrictions.
- > Bribery and other forms of commercial irregularity (e.g. fraud)
- > Conflicts of interest in relation to clients, suppliers and partners
- > Illegal Information Brokering

In November 2015, Kvaerner executed an audit of the Russian activities with focus on finance, procurement and regulatory compliance. In 2014, several countries, including the United States, European Union and Norway introduced restrictions on certain dealings with Russia and with selected Ukrainian and Russian nationals and companies. Kvaerner is closely monitoring this and maintains a dialogue with the Ministry of Foreign Affairs in Norway on the development. During 2015, there have been signs on potential upcoming lifting of the Iran sanctions. Kvaerner monitors project op-

portunities and will evaluate how the company can offer value adding solutions if relevant prospects should arise. Corporate Compliance and Legal has consequently worked closely with the business developers to ensure that sufficient preventive risk reducing actions are implemented – such as in-depth integrity due diligences and trainings.

Kvaerner has during 2015 increased the focus on supplier performance within anti-corruption by strengthening the integrity due diligences and bringing the topic high up at the agenda in the dialogue with the suppliers.

Human rights

The Code of Conduct states that all Kvaerner employees shall be entitled to a workplace which is free from harassment and discrimination. The People Survey which was executed in 2014 showed that there are employees in Kvaerner who answers that bullying, harassment and discrimination exist. All business areas have focused on using the survey's employee feedback to make improvements. Unit specific actions have been implemented and are ongoing, including special workshops on harassment with support from external experts. Some new cases of alleged harassment have been reported and followed-up within the organisation in 2015, hence this item is kept on the Top 5 risk list. A continuous high focus is required by the top management in each unit.

Kvaerner has in 2015 continued to strengthen the pre-qualification and follow-up routines of suppliers with respect to human rights. The supplier qualification information database has been extended to all type of companies Kvaerner buy services or products from. All companies have to sign the Supplier Declaration and answer the Supplier Questionnaire with questions within the business integrity area. For Russia, Concrete Solutions has developed extended procedures in Russian which have been implemented in 2015.

Corporate Compliance and Procurement meet regularly to discuss potential new companies. Depending of the outcome of the risk assessment, different risk reducing actions are initiated, including extended background checks and on-site audits. During 2015, Kvaerner has experienced an increased focus from our clients with regards to both the pre-qualification and the follow-up of suppliers. On the Nyhamna project an extensive audit was performed in 2015 on labour conditions among the hired-in workers.



Key Performance Indicators

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

Topic	2013	2014	2015	Comments
% Employees trained in in-depth face-to-face courses	100%	Target: All new in exposed roles Actual: 94%	Target: All new in exposed roles Actual: 90%	<ul style="list-style-type: none"> > Mandatory training > Training performed by Corporate VP Compliance and HR resources.
% New employees and contract staff trained in Induction training	98%	Target: 98% Actual: 98%	Target: 98% Actual: 98%	<ul style="list-style-type: none"> > Mandatory trainings performed by HR resources

Business integrity eLearning modules

Topic	2014 Completed in % of target	2015 Completed in % of target	Target 2016	Comments
Kvaerner own developed modules:				
> Corruption, bribery and facilitation payments	100%	Target: all new employees	Target: all new employees	<ul style="list-style-type: none"> > Mandatory trainings > All modules in English, two modules also available in Norwegian > Line Manager and HR follow-up with each employee
> Gifts and entertainment	60%			
> Discrimination, harassment and bullying	57%			
> Conflict of interest	64%			
> Labour conditions	95%			
Aker ASA module on corruption - launched in 2015	NA	Target: 100% Actual: 100%		<ul style="list-style-type: none"> > Mandatory training > Office based employees

"All Kvaerner's business areas have focused in 2015 on using the survey's employee feedback to make improvements"

Corporate internal audits within business integrity

Year	Scope	Comments
2013	Target: 2. Result: 2 Completed: 1. Audit within labour conditions and HSE among contract staff/suppliers (the two main resource providers audited) 1. Audit within gifts and entertainment	<ul style="list-style-type: none"> > The background for audit within labour conditions was the assessed need from Top Management for an increased focus on labour conditions in the supply chain. Several improvement areas were identified both on supplier side and on Kvaerner own routines. > The audit within gifts and entertainment focused on knowledge and adherence to the Kvaerner policy. The audit resulted in several improvements within the authorization, documentation and control routines.
2014	Target: 2 Result: 2 Completed: 1. Audit within bribery and facilitation payments related to import of materials and passport/visa/working permits 1. Audit within bribery and conflict of interest related to selection of suppliers and subcontractors	<ul style="list-style-type: none"> > Both audits were focused on knowledge and adherence to the Kvaerner policy. The audit resulted in several improvements within the authorization, documentation and control routines.
2015	Target: 1 Result: 1 Completed: 1. Audit of Russia activities with focus on finance, procurement and regulatory	<ul style="list-style-type: none"> > The audit was focused on evaluation of readiness for potential upcoming activities in Russia (assuming sanctions lifted). The audit resulted in several improvements within the control routines.

Year	2012	2013	2014	2015	Comments
Number of reported concerns via the whistleblowing channel to the Corporate VP Compliance	4	12	13	18	<ul style="list-style-type: none"> > All whistleblowing reports are investigated by the Corporate investigation team according to the Kvaerner procedure > The majority of the whistleblowing reports are related to labour conditions and bullying/harassment.



Caring about the community

Kvaerner employees are challenged to look for opportunities that benefit the society and our business. During 2014 and 2015 this has resulted in several local initiatives initiated by Kvaerner employees. 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. - All suppliers and subcon-

tractors must sign a Supplier and Subcontractor Declaration, outlining requirements relating to human rights, freedom of association, working hours and wages, minority rights, employment practices, and HSE.

In February 2015 Kvaerner received a grant from the Research Council Norway. The grant will partly fund the research project "Durable Advanced Concrete Solutions". The research project is a joint project where a number of companies and research institutions contribute.

In November 2015, a respectful commemoration of the

fatal Concem accident in 1985 took place at Jättåvågen outside Stavanger. Relatives of several of the 10 deceased were present, as were also previous colleagues, Stavanger's major, management from Kvaerner, Aker Solutions, as well as the media." The 30 year commemoration is a good opportunity for us to reflect on how this tragic accident is a part of the history behind today's concrete business. It is a moment to again show respect for both the deceased and their relatives. It is also a solemn reminder for the importance of our focus on HSE, to make sure that something similar will never happen again" said the Kvaerner executive vice president of Concrete Solutions.

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 gain. On the corporate level, Kvaerner has, since 2011, been the main sponsor of the roller ski event Oslo Skishow. Profit from the event goes to Aktiv mot kreft, a Norwegian association working on the prevention of cancer by motivating and enabling people to exercise. In addition, several charitable donations were made to benefit local society, charity organisations or other non-profit organisations during 2016. The main areas for these donations were education, health, sports, culture, support to nongovernmental organisations, and other social welfare causes. Religious or political groups or organisations shall not under any circumstances be sponsored by, or receive donations from, Kvaerner. Furthermore, charitable donations and sponsorships shall always be provided in accordance with the provisions of relevant laws and regulations, as well as internal policies.

Kvaerner family day with Storm Weather Shanty Choir at Stord.



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