







# Corporate social responsibility report 2018

# User guide

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# About Kvaerner and how we work with corporate social responsibility (CSR)

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

## Our people, portfolio and major project execution activities

The Kvaerner organisation includes offices in Norway, Canada, United Kingdom, Russia, Finland and China. A typical project also involves a couple of hundred first-line suppliers. Kvaerner also uses several large subcontractors.

Kvaerner's workload in 2018 consisted of several large projects. The most significant of these are presented on page 8 and 9.

## Studies and business development activities

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

Kvaerner business development activities are mainly directed towards North Sea prospects and the Norwegian sector in particular. In addition, Kvaerner is also working for clients in Canada based on our track record there. The company has pursued business opportunities in Russia for several years and in 2017 was awarded the Nord Stream 2 Russian Landfall contract.

All Kvaerner pursuits and operations in Russia are carefully considered against applicable sanctions and trade restrictions in the EU and US and other applicable

jurisdictions. While the EU sanctions are directly applicable to Kvaerner through Norwegian law, the US sanctions apply indirectly and require Kvaerner to monitor and assess our activities in line with our main financial partners and other principal US-based stakeholders. The main scope of the applicable sanctions concerns deliveries and services to Russian offshore Arctic and deep-water oil projects and onshore shale oil projects.

In May 2018 Kvaerner suspended business development activities in Iran.

## Our corporate social responsibility standards and implementation

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

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

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

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

CSR key performance indicators (KPIs) are established each year with separate targets for each operational area. In the chapters of this report we describe the opportunities and risks within each area. At the end of each chapter the KPIs within each area used in 2018 are described with the achieved result.

# Selected projects

## The Johan Sverdrup project

In June 2015, Kvaerner, in a joint venture with KBR, won the contract for the complete delivery of the utility and living quarters (ULQ) topside. In addition, Kvaerner is responsible for the deliveries of three of the four steel jacket substructures for this phase of the Johan Sverdrup development. All four projects, the topsides and the three steel jackets, have progressed according to schedule throughout 2018. The remaining two jackets were delivered on schedule, and the ULQ topside was accepted mechanical complete (MC) 1 October 2018. In October Kvaerner signed the EPC contract for the jacket on Johan Sverdrup Phase 2 project.

## The Njord A future project

During March 2017 Kvaerner was awarded the EPC call off from the project framework agreement (PFA) for execution of the Njord A upgrade. Two new pontoons, reinforcement of existing pontoons and surface treatment of existing tanks in the pontoons were finalised according to schedule and Njord was floated out of the dock on 8 September. Main activities in 2018 have been prefabrication and installation of structures needed for increased load capacity (blisters and column top extension, lifeboat structures). In addition to refurbishment and reinstallation of a heave compensation unit and an upper derrick, inspection under the main deck and truss work have been completed, as well as continuation of surface treatment and the reinforcement of columns.

## The White Rose project

In October 2017 Husky Energy awarded Kvaerner a contract to tow and install the concrete gravity structure (CGS) for the West White Rose project offshore Canada. The installation is scheduled for second quarter 2021. Kvaerner will perform engineering, analysis, planning and execution of marine operations relating to tow and installation of the CGS. At its final location offshore on the Grand Banks,

Kvaerner will be responsible for installing the GBS on the seabed. Main activities in 2018 have been the engineering and undertaking of model tests. The award of the White Rose project is important for Kvaerner in order to keep a strong presence in the offshore business in Canada.

The project team executing this project comprises local personnel who have been trained and accumulated valuable experience on previous Kvaerner projects in the region.

## The Nord Stream 2 project

In December 2017 Kvaerner was awarded the Landfall Russia Onshore Construction Agreement by Nord Stream 2 AG for the work and services necessary for building the Pig Trap Area (PTA) in Russia, at the Russian export Land Fall side of the Nord Stream 2's two 48" gas pipes for transporting gas from Russia to Europe. The scope of work includes procurement, shop/construction engineering, fabrication, installation and mechanical completion and pre-commissioning of the PTA, and two 2 km-long 48" onshore pipelines between the PTA and the Baltic Sea. The main activities in 2018 were start-up of the project, preparation of the PTA site, and commencement of permanent works. The project staffing is Russian with the exception of two Norwegian expatriates, which is adding value to the local contribution.

The PTA site is located next to the Kurgalsky Nature Reserve area outside St. Petersburg. Kvaerner together with the customer have placed great emphasis on all environmental aspects with activities such as site clearing, earthworks and earth reinstatement plan; pollution prevention; waste management; biodiversity management; and sediment, hydrology and erosion control.

The Nord Stream 2 project has encountered some political controversies in the EU. The project has also been identified as a potential target for trade restrictions by the US. So far the Nord Stream project has not been targeted by either EU or US authorities. Kvaerner is constantly

monitoring the political and judicial development and has in place contractual mechanisms with both its customers and suppliers to ensure an orderly close-out in the event that restrictions are enacted.

## The Miller Decommissioning project

In December 2016, Kvaerner signed a contract to perform the demolition of the BP Miller platform with Saipem. The Miller platform was installed in 1991 and production ceased in 2007. The topside weight is 28 000 tonnes and the jacket weight 12 000 tonnes. Kvaerner is responsible for all engineering and method development for the receipt and deconstruction of the structures. Main activities in 2018 were receipt of all structures in a safe and controlled manner, make safe, remove hazardous and non-hazardous waste and start the deconstruction of the modules. All materials have been disposed of according to governing rules and regulations. The planned recycling of materials has reached 99 percent. Kvaerner has a high focus on handling of materials, periodic controls and reporting in order to secure the environment. We also conduct regular meetings with the local community in order to inform and discuss ongoing and upcoming activities.

## The Stord Yard Development project

In February 2018 Kvaerner decided to invest NOK 370 million in a new quay at the company's facility at Stord. The objective for this upgrade is to make the facility more flexible. The investment will strengthen competitiveness, and position Kvaerner for deliveries of new solutions to both oil and gas projects and other market segments. The project started in April 2018 and will be completed in the second quarter of 2020. One of the key project activities in 2018 was cleaning up the current harbour basin and the removal of polluted materials. This was successfully completed in second quarter 2018 with an approval from regional authorities.

# Caring about our people

**A competent, capable and motivated workforce, striving towards and achieving common goals, is vital to Kvaerner's success. All major achievements are the result of team efforts and leadership skills. Ultimately, our results are dependent on the skills and motivation of our individual employees and contract staff. Kvaerner wants its employees to continuously to develop and enhance their skill sets, and in 2018 we have extended our course offerings through Kvaerner Academy to meet this strategic focus.**

## Organisation

After several years in a highly demanding market with low employment, Kvaerner's workforce is now growing slightly. However, due to fluctuating workloads in the regions of Western, Mid and Eastern Norway, there has been a clear decrease in use of external consultants.

## People Survey 2018

At the beginning of 2018 Kvaerner initiated a new People Survey to measure the sentiment and moral throughout the organisation. The response rate was 92 percent. Through our People Survey, Kvaerner has given the employees the opportunity to provide clear feedback on how we live our values, the experience and quality of our managers and how people perceive the working environment. The results of this survey have been communicated to all employees in staff meetings and through our intranet in November and December. We will also ensure that all departments and teams discuss the results in smaller groups and agree and commit to clear goals and actions to follow up on the results, mitigate risk and proactively work to towards continuous improvement.

Since the last People Survey was conducted in 2016, several initiatives have been carried out throughout the company. A special focus has been on improved communication of Kvaerner's business strategy, preventing

harassment, bullying and discrimination in the work place, and ensuring a faster completion rate of performance appraisals.

The results from the People Survey will provide valuable insight into how to ensure further improvement in a high performing company. Based on the findings, clear follow-up plans and activities will be initiated.

## Diversity and equal opportunities

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

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

- promoting human rights and combatting corruption) through equal opportunity training of employees.

Due to a fluctuating workload, temporary personnel from abroad have been engaged for periods in Kvaerner's projects. The work to improve cultural competence and awareness among leaders and employees, combined with information in all relevant languages and labour welfare, has continued through 2018 in our strategic leadership development programmes.

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. Currently, women account for 15 percent of Kvaerner's workforce. Two of the nine executive management team (EMT) members are women and two of Kvaerner's five shareholder-elected Directors are women. All of the employee elected Directors are men.

Leadership training is an important contribution towards increasing the number of women promoted to managerial positions. In 2018, 21 percent of women in middle management positions completed first level leadership training, KLT1, compared to 20 percent in 2017.

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



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

### Recruitment and retention

Kvaerner focuses on the retention of an experienced high-performing workforce and the employment of apprentices. Kvaerner recruited 116 new employees in 2018 compared to 39 new employees in 2017. 20 of these were below 30 years of age. The total voluntary employee turnover was four percent in 2018, one percent more than in 2017.

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

Kvaerner depends on the continued professional development of skilled operators, maintaining a high level of core knowledge and experience at its two fabrication facilities, Stord and Verdal. The company's continuous focus on recruiting new apprentices is crucial to replenishing professional competence. At year-end 2018, there were a total of 115 apprentices at the Stord and Verdal facilities, compared to 80 apprentices at the end of 2017. Kvaerner seeks to motivate young people through apprenticeships at its yards. Furthermore, Kvaerner works consistently with technology students at universities, and continues to develop its relationships with relevant vendors of contract employees in order to secure the availability of this workforce during peak project activity. In 2019, Kvaerner plans to recruit approximately 55 new apprentices.

The requirement for skilled operators is still high at Stord and Verdal, and the competition for apprentices is fierce. For 2018, this has resulted in less recruitment of apprentices than needed, and we have recruited more

skilled operators in addition to the apprentices.

Recruitment of new employees in 2019 will depend on Kvaerner's project portfolio, but will mainly be focused on experts within selected disciplines and new segments, as well as necessary replacements.



*Kvaerner's values.*

### Learning and development

To execute some of the industry's most demanding projects, Kvaerner must attract, retain and develop talented and motivated employees who understand our customers' needs and requirements. Training and development are essential measures to enable safe, high-quality operations for customers, employees, shareholders and other stakeholders. Last year, Kvaerner established the Kvaerner Academy, which is focused on HSSE, leadership, project and contract management, technical knowledge and multidisciplinary skills, and operators' skills. In addition, Kvaerner Academy also covers general topics such as commercial awareness, business integrity, data privacy, communication, negotiating skills and human resource management. The Kvaerner Academy is now a critical institution in all competence development conducted in Kvaerner.

All training is based on the company's six core values, code of conduct and leadership principles. HSSE is a prioritised focus area and one of Kvaerner's core values, hence HSSE is consistently incorporated in all training and development activities. (See [chapter 3](#), Caring about health, safety, security and the environment).

### HSSE training

In 2018 Safety leadership training has been undertaken by top management, construction management including first line managers, and safety representatives. The main topic was reflection and discussions relating to safety leadership and experience transfer from the Hebron project's HSSE journey.

For 2019 the training will be followed up by conducting HSSE leadership training for first-line managers and safety representatives.

### Sick leave program

In April, Kvaerner initiated a sick leave programme for the period 2018-2022. The aim of this programme is to facilitate a faster return back to work for employees who have been absent on sick leave. Through effort, we aim to achieve a two percentage point improvement from 2018 to the end of 2022 (from 5.4 percent to 3.5 percent). The estimated financial effect of a two percent point sick leave improvement is 20 million NOK per year.

The programme is anchored with the Board of Directors, executive managers, key leaders, union representatives and safety delegates throughout the Kvaerner organisation.

During the fall of 2018, training in rules and regulations and sick leave follow-up has been undertaken by leaders at all levels as well as union representatives and safety delegates.

### Leadership training

There are currently two formal levels of leadership training in Kvaerner; KLT1 and KLT2. KLT1 is the basic leadership programme and emphasises the common processes across the company, providing practical leadership training for first-line managers.

The majority of the participants will take on leadership positions in projects. The leadership alignment programme model (LeAP) has been developed with the purpose of ensuring that Kvaerner's values and leadership principles are incorporated in project execution. The programme is applied both internally and with our customers and subcontractors.

The next level of leadership training, KLT2 focuses on development of managers in senior positions and candidates for succession to senior positions. The course endeavours to build conscious leaders for leading change and future corporate development. Conscious leaders will seek good results through utilising and building best practice based on our common management system (PEM).

### Project management

For succession planning and documentation of project management competence, Kvaerner has established a programme for in-house education leading to a project management certificate. From 2012 to the end of 2018, Kvaerner has developed 99 certified leaders spread across all International Project Management Association (IPMA) competence levels. In 2018, 20 candidates received training for certification.

### Project management processes

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

### Technical knowledge and skills

Non-office personnel are normally recruited through apprenticeships. Professional programmes customised to the operations at our facilities in Verdal and Stord ensure intake of a high number of apprentices every year. Programmes for operators, in all relevant trades, are designed in accordance with relevant laws and regulations. These are implemented regionally at our yards, with focus on developing a highly skilled and productive workforce. Most non-office employees have received multi-disciplinary training beyond the content of their original trade, enabling them to handle various complex work tasks.

In order to ensure a consistent inflow of personnel possessing practical, technical skills, the company has implemented an educational pathway covering all steps from apprenticeship to engineer. This is designed to encourage and motivate qualified and skilled Kvaerner employees and operators to complete an engineering degree. The education is provided in cooperation with high schools, a technical institute, and a college of engineering. The pathway allows the students to work and study in parallel, providing employees with a flexible opportunity to take further education.

### Team management and team working

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

### Maintaining a strong focus on people and teams

As one of our core values, Kvaerner has maintained a strong focus on developing people and teams during 2018. The Kvaerner Academy has revitalised programmes and courses, developed new programmes and focused on new challenges in the industry. Leaders in the organisation are drivers for development of personnel in the right directions. They are supported by experts within learning and development to assure quality in professional development.

### 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.



## Key performance indicators

### Key staff figures

| Topic                        | 2016     | 2017     | 2018            |
|------------------------------|----------|----------|-----------------|
| Kvaerner employees           | 2 663    | 2 659    | <b>2 727</b>    |
| Contract staff (at year end) | 428      | 841      | <b>1311</b>     |
| Full time/Part time          | 2 605/58 | 2 601/58 | <b>2 675/52</b> |
| New employees                | 39       | 77       | <b>116</b>      |

### Age of new Kvaerner employees

|  |      |       |              |
|--|------|-------|--------------|
| <30                                    | 11   | 17    | <b>20</b>    |
| 30-50                                  | 15   | 44    | <b>74</b>    |
| >50                                    | 13   | 16    | <b>22</b>    |
| Gender of new Kvaerner employees - M/F | 35/4 | 64/13 | <b>95/21</b> |
| Employee turnover                      | 3%   | 3%    | <b>4%</b>    |

### Gender distribution

|   |                 |                 |                        |
|---|-----------------|-----------------|------------------------|
| # of females in percentage of total workforce   | 15%             | 15%             | <b>15%</b>             |
| # of males in percentage of total workforce   | 85%             | 85%             | <b>85%</b>             |
| Share ratio in percentage - females holding senior management positions (L2, L3 and L4. L1=President & CEO) | 16%             | 18%             | <b>22%</b>             |
|   | (18 out of 109) | (20 out of 111) | <b>(24 out of 110)</b> |

### Office locations as of 31 December 2018 (alphabetic order)

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

### Employees per country as of 31 December 2018

| Employees per country    | 2016  | 2017  | 2018         |
|--------------------------|-------|-------|--------------|
| Own employees            | 2 663 | 2 659 | <b>2 727</b> |
| <b>Staff per country</b> |       |       |              |
| Norway                   | 2 596 | 2 601 | <b>2 638</b> |
| Finland                  | 21    | 24    | <b>17</b>    |
| UK                       | 4     | 2     | <b>2</b>     |
| USA                      | 5     | 2     | <b>2</b>     |
| Canada                   | 12    | 11    | <b>13</b>    |
| Russia                   | 23    | 17    | <b>53</b>    |
| China                    | 2     | 2     | <b>2</b>     |

### Overview of benefits for permanent employees - 2018

| Country                        | Norway | UK | Finland | USA | Canada | Russia | China |
|--------------------------------|--------|----|---------|-----|--------|--------|-------|
| Life insurance                 | X      | 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

### Parental leave Norway in 2018

| Topic                                     | Female | Male | Total |
|---|--------|------|-------|
| #Employees who took parental leave        | 23     | 62   | 85    |
| #Employees returning after parental leave | 12     | 51   | 63    |

### Training programmes

| Kvaerner Academy<br>- Strategic leadership development programmes <sup>1</sup> | 2016 | 2017 | 2018         |
|--|------|------|--------------|
| Kvaerner Leadership Training 1 (# of participants)                             | N/A  | 20   | <b>120</b>   |
| Kvaerner Leadership Training 2 (# of participants)                             | N/A  | N/A  | <b>24</b>    |
| Kvaerner Training Center (# of training programmes)                            | N/A  | N/A  | <b>342</b>   |
| Contract management (# of participants)  | N/A  | N/A  | <b>120</b>   |
| IPMA Certification of project managers (# of employees)                        | 59   | 70   | <b>20</b>    |
| Data Privacy Principles (GDPR)   | N/A  | N/A  | <b>1 636</b> |
| <b>Graduate programmes</b>   |      |      |              |
| Total # of apprentices (Verdal and Stord yards)                                | 80   | 96   | <b>115</b>   |
| Technical College, Stord (# of employees)                                      | 5    | 14   | <b>18</b>    |
| Total # of students conducting theses  | 2    | 0    | <b>5</b>     |

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

# Caring about health, safety, security and the environment

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

## Kvaerner management system

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

### Clear expectations

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

(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 continuing improvements in HSSE performance. The KPIs were reviewed at the end of 2018 and will be updated for 2019 as a part of the development of the HSSE and quality management (QM) plan for 2019. Just Rules, part of Kvaerner's HSSE management process, have been established to control the most safety-critical activities in our operations. Just Rules are a mandatory part of Kvaerner's safety training for

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

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

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

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

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

## The HSSE management process

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

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

#### Proactive HSSE focus activities

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

#### HSSE Keystone Award

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

There are three HSSE Keystone awards: individual, project and programme/unit and the winners received their award in June 2018.

#### Health

Total sick leave for Kvaerner in 2018 was 5.27 percent of total person-hours worked, compared to 5.43 in 2017, but still higher than the target of 4.8 percent. Kvaerner has rolled out a programme to improve the working environment and reduce sick leave. Procedures are updated and training is performed for all managers, safety delegates and union representatives. Kvaerner have signed a letter of intent covering a more inclusive work life (the IA agreement). The IA agreement is an instrument aimed at reducing sick leave and increasing the focus on job presence. Relevant improvement activities

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

#### Safety

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

Several good initiatives have been introduced in 2018, such as an app for incidents reporting, team commitment regarding compliance, training programmes in risk awareness and safety leadership, and HSSE development of subcontractors.

Digitalisation of HSSE work has also started with an improved app for reporting incidents and non-conformities, and the digitalisation was a part of improvement initiatives in 2018.

At year-end 2018, a lost time incident frequency (LTIF) of 0.5 and a total recordable incident frequency (TRIF) of 2.9 were recorded, compared to 0.5 and 2.5 for 2017. These figures also include Kvaerner's subcontractors, and are calculated per million person-hours worked. The company had four lost-time injuries in 2018. These injuries were mainly cuts to hands and fingers. In 2018, eleven serious incidents or serious near misses were identified and thoroughly investigated. Actions for improvement have been identified and implemented. Following serious incidents, lessons-learned packages are 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 HSSE targets. These awards provide positive incentives and are connected to high scores in inspections, housekeeping, and reporting rates of HSSE observations.

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

#### Security

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

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

#### Environment

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

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



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

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

There are several energy efficiency initiatives underway within the company including environmental monitoring of dust, water, sediments and noise. Safe handling of polluted sediments and collection of plastic from blasting activities have had a high focus in the Stord Yard Development project. The demolition site at Stord has been

upgraded with more concrete pads with membranes for environmental purposes.

Primary energy consumption, carbon emissions and waste disposal vary according to activities at the yards. Total energy intensity was 5 295 (MWh per million worked hours) in 2018 compared to 4 578 in 2017. The energy intensity (MWh per million worked hours) has increased in 2018 due to higher activities at Kvaerner's yards compared to the previous year. CO<sub>2</sub> emissions (tonnes per million worked hours) were 538 in 2018 compared to 167 in 2017. This was due to higher activity at the yards. Waste recorded in connection with the business totalled 7 836 tonnes in 2018 compared to 6 321 tonnes in 2017, of which 65 percent was recycled in 2018, compared to 51 percent in 2017. Kvaerner has actively participated in clean the beach day at Kvaerner's locations.

#### Main HSSE direction going into 2019

The key HSSE focus areas for 2019 will build on those from 2018: personal engagement, compliance and leadership and subcontractors and partners. It is important to continue

working with a culture that has this mind-set 24/7 and demonstrates caring about each other, our families and friends. This will be achieved through our key processes:

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

## Key performance indicators

| <i>Health, safety, security and the environment</i>  | Actual 2016                     | Actual 2017                   | Actual 2018                              |
|--|---------------------------------|-------------------------------|--|
| Incidents - fatalities <sup>1</sup>  | 0                               | 0                             | <b>0</b>                                 |
| Incidents - serious with disablement <sup>2</sup>  | 0                               | 0                             | <b>1</b>                                 |
| Risk observations, including positive observations (in total/per man-year worked)                              | Target: 7.0<br>Actual: 4.5      | Target:5<br>Actual: 5.2       | <b>Target:5<br/>Actual: 8.1</b>          |
| Sick leave rate (%)  | Target: <4.8%<br>Actual: 5.75%  | Target: <4.8%<br>Actual: 5.4% | <b>Target: &lt;4.8%<br/>Actual: 5.3%</b> |
| HSSE training as percentage of total worked hours (%)  | Target: >0.8%<br>Actual: 1.03 % | Target: >0.8%<br>Actual: 1.2% | <b>Target: &gt;0.8%<br/>Actual: 1.2%</b> |
| HSSE task risk analyses - in total/per person-year worked  | Target: >15<br>Actual: 19.2     | Target: >10<br>Actual: 19.5   | <b>Target: &gt;10<br/>Actual: 19.6</b>   |
| Total person-hours worked (staff and contractors)  | 14 097 795                      | 10 026 259                    | <b>8 591 327</b>                         |
| Lost time incident frequency (LTIF), including suppliers and sub-contractors (per 1 million worked hours)      | Target: 0<br>Actual: 0.28       | Target: 0<br>Actual: 0.5      | <b>Target: 0<br/>Actual: 0.5</b>         |
| Total recordable incident frequency (TRIF) including suppliers and subcontractors (per 1 million worked hours) | Target: <2<br>Actual: 1.92      | Target: <2<br>Actual: 2.5     | <b>Target: &lt;1.8<br/>Actual: 2.9</b>   |
| Energy intensity (MWH per million worked hours)  | 2 635                           | 4 578                         | <b>5 295</b>                             |
| CO <sub>2</sub> emissions (tonnes per million worked hours)  | 104                             | 167                           | <b>537</b>                               |
| Total waste (tonnes)   | 3 940 <sup>2</sup>              | 6 321                         | <b>7 836</b>                             |
| Recycling factor (%) (*within own sites)   | 91                              | 51                            | <b>65</b>                                |

1 Fatality at Kvaerner's demolition site Eldøyane at Stord

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



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

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

## The Business Integrity Programme

Kvaerner's Business Integrity Programme is owned by the SVP Corporate Support & General Counsel. The programme is described in Kvaerner's Business Integrity policy, shown in the table below. The Business Integrity Programme is divided into preventive, detective and responsive activities. The programme is built upon the key principles set out in the UK Bribery Act, guidance given by Transparency International, as well as best practices collected from other companies and organisations. Key activities within each of these three areas are shown in the table below.

The executive management team and the Board's Audit Committee conduct regular reviews of the Business Integrity Programme and the progress of ongoing actions. Leaders are expected actively to lead, promote and implement the Business Integrity Programme, in addition to acting as role models.

In 2018, Kvaerner's Code of Conduct, Business Integrity policy and Supplier and Subcontractor Declaration were updated to clarify and strengthen the company's commitment against human trafficking, and give clearer guidelines for security arrangements, accommodation conditions, community impact, access to remedy and data protection.

## Training programmes

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

During Q4 2018, Kvaerner rolled out an updated mandatory eLearning campaign for all employees summarising Kvaerner's business Integrity policy, followed up by practical cases and a quiz within the respective modules.

## Risk-based integrity due diligence

As part of our Business Integrity Programme Kvaerner is committed to performing risk-based integrity due diligence (IDD's) of external parties including partners, suppliers, subcontractors and clients. The purpose is to familiarise with a new party and ensure that we uncover any adverse information about the company its owners or its track

record which deviate from our values. The IDD process extends into the full business relationship and requires continuous monitoring.

During 2018 Kvaerner continued to increase its efforts both in the pre-qualification and the follow-up of suppliers and subcontractors. Kvaerner has implemented an external compliance search tool; BVD Compliance Catalyst. Catalyst is applied on a risk-based basis to obtain updated ownership data including registered findings on enforcement actions and other adverse information which is relevant for Kvaerner's assessment of new partners.

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

## Reporting of concerns – whistleblowing

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

anonymous reports. Kvaerner has established procedures to allow for an efficient, balanced and confidential handling and decision of reported concerns.

## Human Rights

### Labour conditions

In 2018 Kvaerner implemented clarifications in our Code of Conduct about our commitment to ensure adequate accommodation conditions for employees on our own sites and those of our subcontractors. Kvaerner also amended our Supplier Qualification procedure to clarify the selection and execution of audit/verifications of our subcontractors to ensure compliance with our values.

In 2018 Kvaerner conducted several verifications to strengthen the prequalification and follow-up routines of suppliers and subcontractors with respect to human rights, in particular within the area of labour conditions. The verifications are conducted in cooperation with a third party verification service provider. Kvaerner selects targets for verifications based on a risk assessment of factors including country and industry risks, known issues, scope of work operations involved, labour intensity and the proportion of hired-in labour etc. The verifications are prepared by defining a set of areas, criteria and questions to be addressed. The verification is conducted by reviewing governing documents, selected samples of specific data (e.g. employment contracts, wage receipts), visits to the site offices, fabrication areas, accommodation and by interviews with employees, officials and labour representatives. Visits and interviews are minuted and recorded by pictures as appropriate. The findings are summarised in a report including findings which require corrective action or other consequences.

### Harassment, bullying and discrimination

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

A specific procedure to prevent harassment, bullying and discrimination was issued in 2017. Managers, union representatives and safety delegates are trained accordingly.

### Corruption and improper payments

Kvaerner has local offices and activities that engage suppliers and subcontractors from many countries around the world. The company does not tolerate violations of the company's Code of Conduct, Business Integrity policy and supplier and subcontractor declarations, and demands that its business partners, suppliers and subcontractors of any tier operate by the same principles.

During 2018, Kvaerner continued its work on international business opportunities, some of these in Russia and Ghana, where the risk of corruption is inherently high. It is acknowledged by all levels of management in Kvaerner that doing business in countries like Russia and Ghana requires special attention to issues of 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 IDD of third parties as well as close monitoring, documentation and verification of transactions. Kvaerner has not employed any third-party representatives.

Neither in 2018, has there been any development which involves Kvaerner in any care, or which indicates a need for actions from the company in this matter.

### Kvaerner's Business Integrity policy:

#### A: Caring about people:

- > Legal framework
- > Freedom of association and collective bargaining
- > Forced labour
- > Child labour
- > Accommodation
- > Purchase of sexual services

#### B: Human rights:

- > Legal framework
- > Freedom of expression
- > Minority rights
- > Discrimination, harassment and bullying
- > Human trafficking

#### C: Corruption and improper payments:

- > Corruption - legal framework
- > Facilitation payments - extortion
- > Gifts
- > Entertainment expenses
- > Conflict of interest
- > Charitable donations and sponsorships
- > Use of third party representatives, including agents and lobbyists
- > Market behaviour
- > Export control and sanctions
- > Other financial crime
- > Data protection

#### D: Access to remedy

### Kvaerner's Business Integrity Programme

#### Prevention

- > Clear and visible communication 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 and internal lessons transfer programmes
- > Risk based integrity due diligences of external parties: partners, third party representatives, suppliers, subcontractors and customers
- > Learning from other companies and organisations

#### Detection

- > Effective channels for reporting of concerns/whistleblowing
- > Risk-based inspections, reviews and audits
- > Close monitoring, follow-up of improvement actions

#### Response

- > Adequate investigation of all reported concerns/whistleblowing
- > Consistent implementation of response actions
- > Provide adequate remedy for affected parties

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

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

### Business integrity eLearning modules

| Topic  | 2015                                       | 2016  | 2017   | 2018  |
|--|--|---|--|---|
| <b>Kvaerner own developed modules:</b> <ul style="list-style-type: none"> <li>&gt; Corruption, bribery and facilitation payments</li> <li>&gt; Gifts and entertainment</li> <li>&gt; Discrimination, harassment and bullying</li> <li>&gt; Conflict of interest</li> <li>&gt; Labour conditions</li> </ul> | <b>Target:</b> all new employees           | <b>Target:</b> 100%<br><b>Actual:</b> 41% Note: deadline extended due to heavy project activity load in November and December 2016. New target was 100% completion by Q1 2017 | Business integrity e-learning campaign concluded<br><br><b>Target:</b> 100%<br><b>Actual:</b> ~88% | Updated comprehensive business integrity e-learning campaign developed.<br><br><b>Target for 2019:</b> Roll out for 100% of exposed employees |
| Aker ASA module on corruption - launched in 2015   | <b>Target:</b> 100%<br><b>Actual:</b> 100% | N/A   | N/A  | N/A   |

# Caring about the community

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

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

All sponsoring relationships shall be strategic and aligned with Kvaerner's values. Furthermore, all sponsoring relationships shall be structured as "win-win" situations, whereby both parties achieve some benefit. Several charitable donations were made to benefit local society, charity organisations or other non-profit organisations during 2018. The main areas for these donations were education, health, sports, culture, support to nongovernmental organisations, and other social welfare causes.



# Company information

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

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