

CORPORATE SOCIAL RESPONSIBILITY

– SUSTAINABLE ENTREPRENEURSHIP

The objective of AF's business activities is to create value for customers, owners, employees and society. Our corporate social responsibility, whereby we add value to society, is an integrated part of our culture, history and business model. We have a particular responsibility when societal challenges can be linked to our activities. Therefore, at AF, corporate social responsibility is referred to as sustainable entrepreneurship. Sustainable entrepreneurship is about creating competitiveness, while at the same time contributing to solving the social challenges of our time.

OUR PLATFORM

Sustainable entrepreneurship at AF is founded on our fundamental goals and values. AF has an uncompromising attitude towards health and safety, the environment and ethics. The values are integrated into all of our activities and processes and growth must never compromise these values. Detailed information about our platform can be found on page 26 (health and safety), page 28 (environment) and page 30 (ethics).

AF Gruppen is a member of the United Nations Global Compact and considers compliance with the principles in the areas of human rights, working conditions, the environment and anti-corruption to be a natural part of our sustainable entrepreneurship. The United Nations Global Compact is a voluntary framework for corporate social responsibility. Read more on page 31.

TOOLS

AF's most important tools for managing sustainable entrepreneurship are promoting innovation, creativity and skills development. By innovation, we mean improving existing processes and services. By creativity, we desire to develop new opportunities and services that society has a need for. Good specialist expertise is a vital source of innovation and creativity which can, over time, create new standards in our industry. Therefore, our combined expertise is decisive for long-term and sustainable value creation. Read more about skills development on page 32.

A well-functioning society is dependent on responsible business and industry that create value for society. Corporate social responsibility is not only of major importance from a societal perspective, but also because it provides opportunities for profitable growth. At AF, we call this sustainable entrepreneurship.

VALUE CREATION

There is a fundamental connection between business activities, society and the environment. The challenges society faces can therefore also provide us with new opportunities. We shall create value by supplying services that society needs, and thus sustainable entrepreneurship will also be a source of growth and profitability.

A number of the services AF already offers within the Energy, Environment and Offshore business areas are responses to specific societal challenges. Through our environmental centres, our technology contributes to the treatment, recycling and reuse of scarce resources. We have developed the technology ourselves and can treat and recycle up to 80% of materials that would otherwise have been sent to a disposal site. AF also offers energy efficiency solutions for buildings and environmentally friendly removal of offshore installations. Information about our services for the relevant business areas is presented on pages 44, 56 and 60 and also in our description regarding the environment on page 28.

FOLLOW-UP OF CORPORATE SOCIAL RESPONSIBILITY AT AF

With the support of the Board, AF Gruppen's corporate management team have stipulated general principles for corporate governance. The principles constitute the framework for business activities within all areas and at all levels of the organisation and are enshrined in the documents:

- ▶ Purpose– Goals– Values
- ▶ Code of Conduct
- ▶ Group Policy

CEO Morten Grongstad is responsible for AF's corporate social responsibility and this follows his line management. Each executive vice president is responsible for his respective business areas. Executive Vice President Eirik Wraal has specialist responsibility for corporate social responsibility. The organisation shall ensure that the units follow-up the requirements and guidelines that are stipulated in laws and rules, as well as Group policy with the associated guidelines.

SOCIETAL CHALLENGES



VALUE
ADDED TO SOCIETY

TOOLS
INNOVATION / CREATIVITY /
SKILLS DEVELOPMENT

PLATFORM
HEALTH / SAFETY / ENVIRONMENT / ETHICS

HEALTH AND SAFETY – PEOPLE FIRST

AF aims to have a working environment that promotes health and prevents injuries and illness among our employees. We achieve this through an uncompromising attitude towards safety and systematic and focused work on health.

AF's primary goal is to avoid all forms of work-related absence. Work-related absence includes both personal injuries that are so serious that they entail absence and absence attributable to negative exposure at work. Such exposure may be due to ergonomic conditions, chemicals, noise, dust or other health hazards that a person may be exposed to.

AF has a structured and uniform system for health and safety work, and AF's employees receive thorough training in both the basic principles and the systems. A key element is the fact that all undesired incidents and circumstances are registered and dealt with in the non-conformance system Synergi in order to find the underlying causes and measures for improvement. There is a strong willingness for continuous improvement, and the frequency of reporting is increasing. In 2016, more than 20,000 incidents and circumstances were reported (RUI).

Growth must not be at the expense of either health or safety. AF stipulates clear requirements for acquired companies, and assistance is offered to strengthen the system and culture related to health and safety work. AF also stipulates the same safety requirements for its subcontractors as for their own employees.

A SAFE WORKPLACE

The basic idea behind safety work at AF is that all undesired incidents have a cause, and that they can therefore be avoided. Through risk analysis, possible undesired incidents and their causes can be identified. Risk-reducing barriers are established such that the risk of undesired incidents is eliminated, or reduced to an acceptable level. If undesired incidents nevertheless occur, they are followed up to find the underlying causes, so that preventive measures can be established. The most serious incidents are followed up immediately in order to ensure the best possible help and support to those involved. Serious incidents are thoroughly followed up after the fact by investigations

in which the Corporate Management Team is also involved.

The most important measurable parameter for safety work at AF is the LTI rate. The LTI-1 rate is defined as the number of injuries resulting in absence per million man-hours. Personal injuries at subcontractors are included in the calculation of the LTI rate. The injury frequency rate has shown a positive trend through the years, from an LTI rate for Norwegian operations of around 20 in the early 90s, to an LTI rate of 1.3 (1.0) for 2016. This number represents 13 lost time injuries in 2016.

In spite of continuous safety work, AF must always be prepared for serious accidents. We are therefore organised with a preparedness system for each project and overall in the Group, which is to handle and reduce the harmful effects of serious accidents and provide good follow-up.

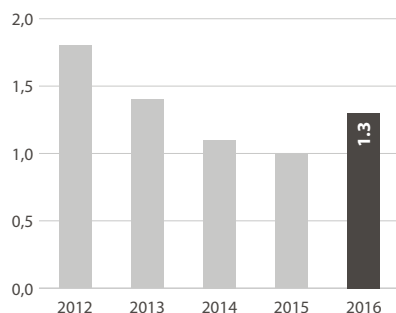
HEALTHY EMPLOYEES

No one should become ill from working at AF, and we work to ensure that all employees experience job satisfaction and well-being. Absence due to illness is an indicator of health work, and the target is an absence due to illness rate of less than 3%. In our opinion, this represents a normal situation, without any work-related illnesses. Absence due to illness in 2016 was 3.7% (3.7%).

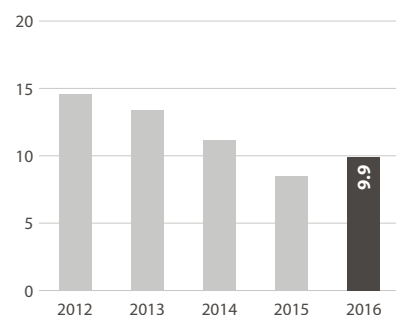
AF has an internal corporate health service that assists with preventive health work. They monitor employee health through regular health check-ups, and they assist the absence due to illness committees that have been established in the business units to ensure that everyone with absence due to illness is followed up well.

To ensure that there is knowledge of what one can be exposed to while working and what measures can prevent health injuries, AF has health cards for the 15 most relevant types of exposure. These cards are available in several languages. In addition, AF has developed and implemented a Health Risk programme that enables us to better identify and influence health risks.

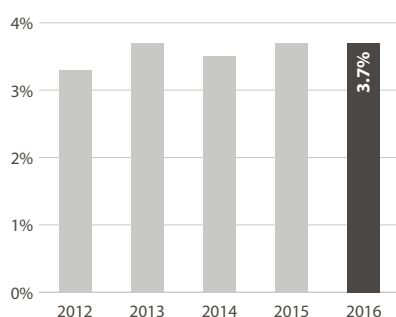
LTI-1 RATE



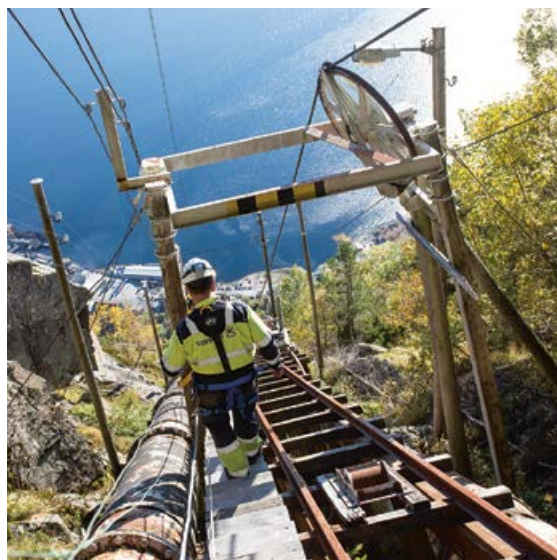
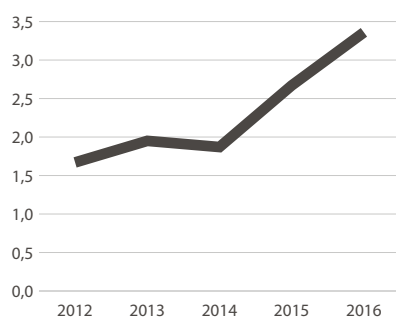
LTI-2 RATE



ABSENCE DUE TO ILLNESS



REPORTED INCIDENTS AND CIRCUMSTANCES (RUI)



NORTHERN EUROPE'S STEEPEST DEMOLITION JOB

The Old Bjølvo power station, which was constructed between 1915 and 1918, is located on a very steep mountain-side in Ålvik. When AF Decom started on the job in the spring of 2016, there were many challenges that had to be solved and considerations to be taken into account.

"At the steepest we were working at an incline of 62 degrees, so we had to remain vigilant and light on our feet", says Project Manager Agnar Eilif Haugen.

Statkraft's job was to remove everything from the top of the mountain down to the old power plant, a total of 3,000 tonnes of steel and metal. Around 20 AF employees participated in the project, which placed particularly high HSE demands on both the crews and the project organisation.

"Everyone was secured with rope and hooks at all times. We worked in very steep terrain, where there was also a risk of rock slides", he says. Fog and rough weather were also a risk factor.

"There were days when we could not transport the crews back down from the mountain. They then spent the night in a cabin at the top that we had made sure was equipped with whatever they might need. In spite of the challenges and the rough environment, it has been an incredibly exciting project to work with", he says.

THE ENVIRONMENT – A SHARED RESPONSIBILITY

Contracting operations have an impact on the external environment. The goal is to reduce AF's impact on resources and the environment.

All employees of AF shall have a fundamental understanding and acceptance of the idea that the impact on the environment must be minimised.

AF's continuous environmental work starts at the project and business unit level. Here environmental aspects are identified and ranked. Together with laws, regulations and specific contractual requirements, these analyses form the basis for project and unit goals for the external environment.

All business units at AF are measured to specific parameters related to the environmental impact: Source Separation Rate and Greenhouse Gas Emissions. The measurement parameters clarify AF's environmental profile, and are figures that can be influenced through our environmental work.

AF is at all times prepared to minimise damage to the external environment if an accident or incident with a pollution potential were to take place. The incident will be subsequently analysed in order to establish preventive barriers for future projects.

AF's management system for environmental work follows the principles in the environmental standard ISO 14001. In 2016, the Group became a control member of Green Dot, an international network that helps to ensure the financing of return schemes for used packaging.

AF has delivered several buildings that are BREEAM classified. BREEAM-NOR is the leading tool in Norway for the environmental classification of buildings. Certification is based on documented environmental performance.

WELL BEYOND GOVERNMENT REQUIREMENTS

AF manages waste by designing and planning projects so that there is as little waste as possible, and such that the waste that does arise is of a type that can be sorted and recycled.

In Norway, the government requirement for source separation is a minimum of 60%. The source separation rate indicates how much of the waste from operations is separated for the purpose of facilitating recycling. In 2016, the source

separation rate for building was 85% (84%), for renovation it was 79% (87%) and for demolition it was 97% (96%). A total of 507,198 tonnes (319,225 tonnes) were separated at source. These results are considered very good, and they are well above the government requirement.

AF's impact on climate is measured continuously in the form of the volume of greenhouse gas emissions in tonnes of CO₂ equivalents. A CO₂ equivalent is a unit that is used for comparison of the effects of various greenhouse gases on the climate. AF's climate accounts show that the consumption of diesel in the use of construction machinery accounts for the greatest share of greenhouse gas emissions. Among other things, we replace construction machines on an ongoing basis so that we have a modern fleet of machinery with lower emissions.

GREATER ENVIRONMENTAL AWARENESS GIVES US NEW BUSINESS OPPORTUNITIES

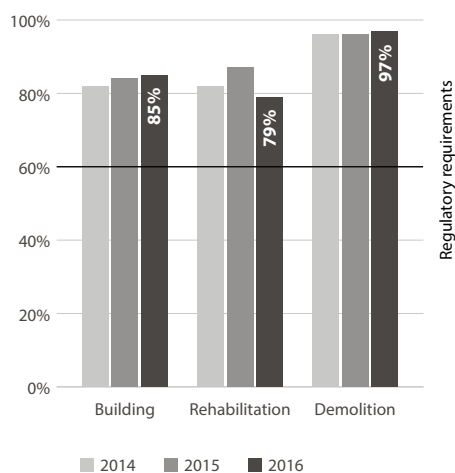
AF has chosen a commercial approach to the increasing environmental challenges and scarcity of resources in society. The three business areas, Environment, Offshore and Energy are all based on services that solve environmental challenges. Offshore and Environment in the area of demolition and recycling, and Energy in energy optimisation. The need for the removal of offshore installations was decisive for the establishment of AF's offshore demolition activities and the AF Environmental Base at Vats. The environmental base outside of Haugesund is one of Europe's most modern reception facilities for decommissioned offshore installations. Another example of future-oriented services that solve environmental challenges is the establishment of environmental centres. Using new environmental technology, Rimol Miljøpark decontaminates and recycles 80% of contaminated materials that would have otherwise ended up directly at a disposal site.

AF's goal is to continue to create competitiveness and develop services in accordance with the needs of society.

ENERGY AND CLIMATE ACCOUNTS 2016

Category	Consumption	Energy equivalent (MWh)	2016 Emissions (tonnes CO ₂ e)	2015 Emissions (tonnes CO ₂ e)
Petrol (l)	9 363	90	22	49
Diesel oil (l)	9 071 209	96 500	24 272	29 780
Propane (kg)	10 675	136	32	37
Paraffin (l)	70	1	-	-
Refrigerant gas HFC134a (kg)	-	-	-	270
Direct emissions		96 727	24 326	30 135
District cooling (kWh)	24 600	25	-	1
District heating (kWh)	207 835	208	5	23
Power (kWh)	25 164 281	25 164	1 409	1 983
Indirect emissions from own activities		25 397	1 414	2 007
Air travel (passenger km)	na		2 124	2 370
Car travel (km)	1 420 514		210	138
Waste (tonnes)	1 363		670	1 287
Indirect emissions from others			3 003	3 795
CO₂ emissions (tonnes CO₂e)			28 743	35 937
Carbon footprint (tonnes CO₂e per NOK 1 million revenue)			3,1	3,3

SOURCE SEPARATION RATE



Total amount of mass separated
at source 2016 (tonnes)

507 198



FLOWERS AND BEES ON THE PORTAL BUILDING

Maria Kristiansen was the BREEAM coordinator for the Portal Building at HasleLinje, the new head office of COWI.

"It has become a very green commercial building, even though many measures are not visible to the naked eye. We have, for example, drilled deep into the ground to supply the building with geothermal heat", she says.

"Among the most visual measures are the placement of two insect hotels on the roof, a large number of plant species surrounding the building and three roof terraces that are covered with sedum plants. Otherwise, there is indoor bicycle and electric vehicle parking, which also paid off in the environmental accounts", she says.

ETHICS

– GOOD BUSINESS PRACTICES IN OUR BACKBONE

AF's competitiveness and place in society begins and ends with the fact that the company is reliable. An uncompromising attitude towards ethics is part of the foundation of our business strategy.

AF's operations and employees shall be distinguished by good ethical conduct. This also applies to our subcontractors. AF does not want to be associated with fly-by-night partners, and we have therefore implemented barriers to prevent that our suppliers or subcontractors commit any economic or financial crime.

AF has acceded to the UN Global Compact, the world's largest initiative for corporate social responsibility.

CORPORATE CULTURE IS THE KEY

Our employees represent AF Gruppen in all business contexts, and it is essential that all the employees are familiar with and identify with AF's Code of Conduct. When they are hired, employees must sign a declaration that they are familiar with and comply with the Code of Conduct, and this is a topic that is covered at the introductory course for new employees. Suppliers and subcontractors are also required to comply with the Code of Conduct through AF's Supplier Statement. In the assessment of candidates for acquisition, decisive importance is placed on whether the acquired company's corporate culture and core values are in accordance with those of AF.

AF participates in competitive tenders, and there is therefore a potential risk that some individuals may enter into anticompetitive agreements or act in collusion with other companies. Our Code of Conduct forbids the company's employees to discuss, propose or enter into agreements with competitors that may affect the competitive situation. There is zero tolerance for price collusion and corruption.

MEASURES AGAINST WORK-RELATED CRIME

The procurement of goods and services accounts for around 70% of the revenues of AF. AF is responsible for the entire contract pyramid for our projects. We will only do business with suppliers that follow the same ethical guidelines as we do. AF's goal is to avoid all forms of work-related crime.

Efforts to prevent work-related crime were reinforced in 2014 through AF's seriousness initiative. Organisational and structural measures were implemented to ensure that AF only cooperates with serious actors. Among other things, a position was created in the Group that has work-related crime as its speciality, and each business unit has its own seriousness manager. They meet regularly through AF's network organisation for work-related crime. The purpose of the forum is to learn from each other, and to maintain and develop common barriers against work-related crime. AF offers work-related crime courses at least twice a year.

We work proactively and reactively to ensure compliance with our ethical guidelines among our suppliers. Routines are used proactively for the prequalification and approval of subcontractors. AF permits only two levels of subcontractors. We use StartBANK, as well as a prequalification module in StartBANK that we have developed ourselves, to assess our suppliers before they are approved. When subcontractors are approved and given access to a building site, they are followed up reactively through spot checks and controls to verify that the operations are carried out in accordance with the framework conditions by verifying pay and working conditions, among other things.

If "red incidents" are uncovered nonetheless, i.e. indications or incidents of work-related crime among our subcontractors, this will have consequences. The agreement with the actor in question will be terminated, and an investigation will be launched. Since the seriousness initiative in 2014, we have uncovered two red incidents in AF projects. AF wishes to reject fly-by-night actors, and in time we hope that the fly-by-night actors reject us. We will achieve this by being consistent in our treatment of any identified non-conformance.

UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is based on ten principles in the areas of human rights, working conditions, the environment and anti-corruption. Adherence to the UN Global Compact entails that companies do their utmost to operate their businesses in accordance with the ten principles.

THE TEN PRINCIPLES	Relevance for AF	Measures
HUMAN RIGHTS		
1 Businesses should support and respect the protection of internationally proclaimed human rights; and	AF Gruppen complies with all applicable laws and respects internationally recognised human rights, irrespective of where we operate.	AF has expressed its attitudes and principles regarding human rights in fundamental documents such as the Code of Conduct, Group Policy and Purpose–Goals–Values.
2 make sure that they are not complicit in human rights abuses.	AF does not trade with companies that are in any way involved in violations of human rights.	All subcontractors and suppliers must undergo a prequalification process. AF also follows up suppliers on a continual basis and disqualifies operators that we suspect of having unethical practices. <i>See also Principle 4.</i>
WORKING CONDITIONS		
3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	AF enables employees to unionise and the right to conduct collective bargaining is recognised and respected.	More than 90% of the skilled workers at wholly-owned AF entities are union members. AF conducts collective bargaining for all employees and at all levels where this is relevant. AF also has a well-functioning employee representative system. <i>See p. 32.</i>
4 the elimination of all forms of forced and compulsory labour;	AF's employees have pay conditions that are in accordance with national laws and agreements with trade unions. AF only uses suppliers that pledge to abide by our ethical guidelines and comply with statutory requirements, the requirements contained in collective wage agreements, and AF's internal requirements.	AF has procedures for verifying the pay and working conditions of subcontractors and staffing agencies. In 2016, AF disqualified specific operators that do not comply with AF's ethical guidelines for working conditions. The circumstances were uncovered before these suppliers were awarded assignments with AF. <i>See p. 30.</i>
5 the effective abolition of child labour; and	AF does not use child labour in its projects and we do not use companies (particularly transnational companies) that have goods and services chains that involve the financial exploitation of children.	AF reviews the employment contracts of all employees of subcontractors and staffing agencies. <i>See p. 30.</i> We have not identified any suspected or actual cases of child labour in any of our projects or with any of our suppliers.
6 the elimination of discrimination in respect of employment and occupation.	AF shall have a working environment in which there is no prejudice, discrimination, verbal abuse or persecution. AF's principles concerning discrimination are enshrined in the Code of Conduct.	All new employees are made aware of the Code of Conduct. All employees must sign the Code of Conduct when they are recruited, and participate in an introductory course at which the Code of Conduct is reviewed. A specific goal in the strategy towards 2020 is to increase the percentage of women at AF. <i>See p. 32.</i>
ENVIRONMENT		
7 Businesses should support a precautionary approach to environmental challenges;	AF continuously works to limit its impact on the environment. Each company and business unit at AF Gruppen has its goals for the external environment. AF shall also comply with the core principles in the environmental standard ISO 14001.	It is a requirement at AF that all projects must be subject to a risk analysis prior to commencement. Environmental risk is an element in this analysis. Risk analyses are carried out in accordance with the Group policy for 2016. <i>See p. 36.</i>
8 undertake initiatives to promote greater environmental responsibility; and	By focusing on the environment, energy and recycling, we will safely remove and eliminate materials, ground and energy solutions that are harmful to the environment. Our services and solutions shall make it possible for our customers to take greater environmental responsibility.	AF continually develops its range of services. The source separation rate and carbon footprint are measurement parameters for AF's projects and focus on these targets promotes greater environmental responsibility in the organisation as a whole. <i>See p. 28.</i>
9 encourage the development and diffusion of environmentally friendly technologies.	One of AF's core values is entrepreneurial spirit. Through our environmental expertise, we shall offer services and solutions that meet the environmental challenges of both today and the future.	AF has developed unique technology that makes it possible to treat and reuse contaminated materials. For offshore activities, the Environmental Base at Vats has been established as an approved and certified reception facility for recyclable materials. <i>See p. 28.</i>
ANTI-CORRUPTION		
10 Businesses should work against corruption in all its forms, including extortion and bribery.	AF must be trustworthy. The company has an uncompromising attitude towards safety and ethics. AF's Code of Conduct outlines our attitude towards corruption, price collusion and bribery.	No instances of corruption, including extortion and bribery, were identified in 2016. An approval requirement prior to engaging subcontractors and suppliers is that they have previously complied with applicable laws and rules relating to corruption, including compliance with tax laws. <i>See p. 30.</i>

EMPLOYEES – DEVELOPED FOR GROWTH

At AF, value and profitable growth are created through robust organisation in combination with the competence, commitment and willpower of each individual employee. It is then also AF's responsibility to replenish the employees.

A clear and value-driven corporate culture with a strong desire to achieve has been the foundation of profitable growth since the establishment of AF Gruppen. In 2016, AF announced new growth targets, which among other things entail an increase of 2,000 new employees, an increased percentage of women and strengthening the company's own technical expertise. AF has a decentralised decision-making structure in which employees at many levels have an opportunity to influence the execution of projects and their own development.

BUILDING CULTURE WITH COMPETENCE TRAINING

Developing the knowledge and competence of our employees is the most profitable investment we make. Therefore capable employees are given an opportunity to assume responsibility and strengthen their own competence early on. AF's goal is to develop managers through internal training, and around 80% of today's managers have been recruited internally. The breadth of AF's centres of expertise also provides a good foundation for professional development and career opportunities throughout the Group. This development is supported by practical training in the line, internal management courses and external continuing education. This offering will be intensified in the coming years to ensure that we have adequate management capacity.

All of the Group's courses and training programmes are combined under the AF Academy. In 2016, a total of 1,158 course days were offered through the AF Academy, of which 232 were related to management development.

SATISFIED EMPLOYEES

The employee satisfaction survey that was conducted in 2015 shows that our employees are very happy, have a high degree of job satisfaction and are proud to work for AF. The results were the best ever achieved at AF. AF also shows a positive trend on Universum's lists of the companies that

students regard as attractive workplaces.

AF offers a number of employee benefits, such as company sports, a corporate health service and good pension and insurance benefits. We believe that ownership in one's own workplace results in greater commitment, and therefore employees are offered the opportunity to buy shares in AF Gruppen at a discount of 20% off the market price. The idea is that as many employees as possible should be able to take part in the appreciation resulting from the common creation of value and development of the company. The employees of AF own approximately 14.3% of the shares in the company – which corresponds to a value of approximately NOK 2 billion.

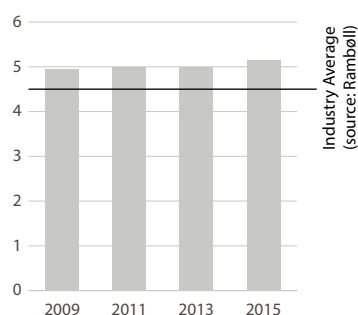
AF has a well-functioning employee representative structure and safety organisation, which ensures employees the right to participate in decisions concerning the working environment. There is a special Works Council and Working Environment Committee with representatives from the Corporate Management Team, the employees and senior employee representatives. AF also has salaried employee and skilled worker representatives on the Board of Directors.

MORE AF-ERS NEEDED

A new corporate strategy was presented in 2016. One of the group initiatives in the strategy is that AF shall attract and develop the best management and technical expertise in the industry, as well as increase the percentage of women in the organisation. With expected growth by 2,000 employees over the next four years, our recruitment team has enough to keep it busy. A new Employer Branding strategy was rolled out in the autumn of 2016. As a result of this, 20 employees have been trained to participate in AF's new ambassador programme, the purpose of which is to attract the very best students. The idea is that the employees are AF's best ambassadors. This is supported by a marketing film that plays on AF's "curiosity concept", and AF has increased its presence on social media.

Some of AF's employee growth will take place through acquisitions. AF seeks to acquire well-managed companies in which the employees have core values in common with AF. Common core values are a prerequisite for completion of the acquisition. In acquisitions, AF still considers employee ownership to be important, and seeks acquisition candidates in which the employees still want to remain on the ownership side.

EMPLOYEE SATISFACTION SURVEY (ESS)



AF gruppen 2015

Skala 1-6

5.15



MUST DEVELOP GOOD ROLE MODELS

AF's ambitions for growth will require many new employees. Towards the year 2020, it is expected that the number of employees at AF will increase to around 5,000, through both recruitment and the acquisition of new companies.

"We will recruit new graduates and ensure that we have the technical expertise that is required in order to take on larger and more complex projects", says Executive Vice President Bård Frydenlund, who is responsible for the group initiative.

The recruitment of more women and skilled workers, and an increased focus on the development of our own leaders, are initiatives that he emphasises to meet this growth.

"If we are to preserve the AF culture while growing at the same time, today's employees must lead the way as good ambassadors and role models. Then we must facilitate a high level of satisfaction and a good working environment, develop our employees and offer them ownership", he says.