
CORPORATE RESPONSIBILITY

ANNUAL REPORT 2017



AF GRUPPEN

CORPORATE SOCIAL RESPONSIBILITY THROUGH SUSTAINABLE ENTREPRENEURSHIP

The 17 sustainable development goals adopted by the United Nations is the world's common global work plan to eradicate poverty, combat inequality and stop climate change by 2030. The sustainable development goals apply to us all and specify the global societal challenges that we must collectively solve. If we are to achieve good results, both the public and private sectors must contribute to good, sustainable solutions. At AF, we call this sustainable entrepreneurship.


Sustainable entrepreneurship is an integral part of our corporate culture, which is founded on an uncompromising attitude towards health and safety, the environment and ethics. Growth must never be at the expense of these absolutes. More detailed information on our foundation can be read on p. 4 (health and safety), p. 6 (the environment) and p. 8 (ethics).

AF Gruppen is a member of the United Nations Global Compact and considers compliance with the principles 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 p. 9.

SUSTAINABLE ENTREPRENEURSHIP

There is a fundamental connection between business activities and society, and we have a special responsibility in which society's challenges can be related to our business activities. The purpose of our business is to create value for our customers, owners, employees, suppliers and society. By offering services required by society, sustainable entrepreneurship will be a source of growth and profitability in addition to benefiting society.

A number of the services offered by AF are solutions 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 per cent of contaminated materials that would have traditionally been sent to a disposal

 We assume corporate social responsibility at AF through sustainable entrepreneurship. This means that we carry out our operations in a sustainable manner and contribute at the same time to solving the societal challenges of our time.

site. The EU has defined specific goals related to waste management that Norway has also undertaken to comply with. AF will continue to develop the environmental centres in order to meet the environmental challenges of tomorrow. Read more on p. 6 (the environment).

AF also offers energy conservation solutions for buildings and environmentally friendly removal of offshore installations. AF Miljøbase Vats is one of Europe's most modern reception facilities for decontamination and source separation of decommissioned offshore installations. We allocate a great deal of resources to source separation of building materials for recycling. AF has dedicated employees in the Civil Engineering business area who follow up the impact of the projects on the external environment. Information on our services are presented in our description of the environmental area on p. 6.

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/her respective business areas. Executive Vice President Eirik Wraal has specialist responsibility for corporate social responsibility. The organisation shall ensure that the units comply with the requirements and guidelines adopted in laws, regulations and our own corporate policy and the associated guidelines.

SOCIETAL CHALLENGES



HEALTH AND SAFETY ARE OUR NUMBER ONE PRIORITY

 Our goal is that no one should become ill or get injured from working at AF. 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 absence due to personal injuries and illness that is attributed 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, for which AF's employees receive thorough training. A key element of the system 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. The reporting frequency is increasing, and in 2017, more than 25,000 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 imposes the same strict safety requirements on its subcontractors as on its own organisation.

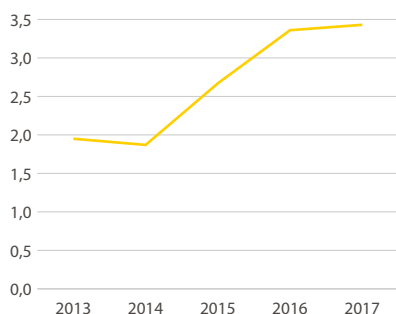
A SAFE WORKPLACE

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

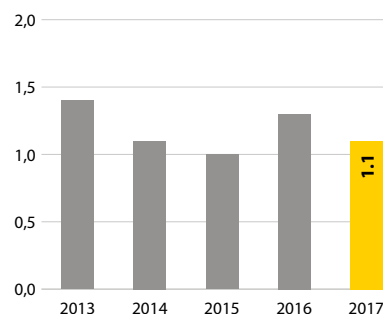
analysis, possible undesired incidents and their causes can be identified. Preventive barriers are subsequently established so that the risk is eliminated or reduced to an acceptable level. If undesired incidents nevertheless occur, they are followed up to find the underlying causes, so that preventive measures can be implemented. The most severe 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 rate is defined as the number of injuries resulting in absence per million man-hours. Personal injuries at subcontractors are included in the calculation. 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 1.1 (1.3) for 2017. This represents 13 lost time injuries in 2017. AF classifies personal injuries in accordance with their degree of severity, and even if the LTI rate is lower than last year, the number of serious injuries has not declined. Each and every one of these serious personal injuries is testimony to the fact that we have not achieved our target, and it is a reminder of what the target of an LTI rate of zero means to us. In spite of continuous safety work, AF must

REPORTED INCIDENTS AND CIRCUMSTANCES (RUI) PER MAN-YEAR



LTI-1 RATE



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.

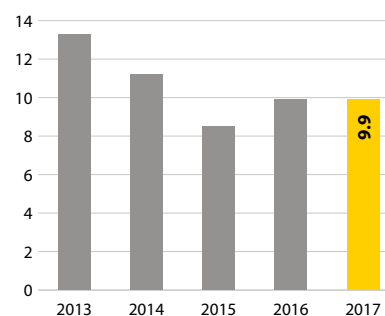
HEALTHY EMPLOYEES

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 for our health work. Absence due to illness was historically low in 2017 at 3.0% (3.7%).

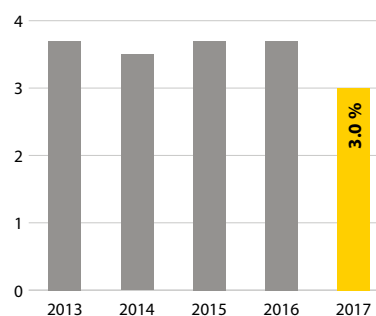
AF has an internal corporate health service that assists with preventive health work. They monitor employee health through regular health check-ups, and they assist the absence due to illness committees that have been established in the business units to ensure that everyone with absence due to illness 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-2 RATE



ABSENCE DUE TO ILLNESS



ENVIRONMENTAL CHALLENGES ARE A RESPONSIBILITY AND AN OPPORTUNITY

AF's goal is to reduce emissions from its operations, improve the efficiency of the resources used in its projects and create new business opportunities in the area of waste management.

One of our time's greatest societal challenges is climate change. As a consequence of this, the European Commission has launched a plan of action for a circular economy. A circular economy is based on the reuse and recycling of materials, so that as few resources as possible are lost. Key to the EU's plan of action is the Framework Directive on Waste. Norway is obligated to observe the Framework Directive on Waste through the EEA Agreement. The EU's Framework Directive sets a goal of reusing or recycling 70 per cent of construction and demolition waste by 2020. If we look at construction waste as a whole, the industry needs good contributions in order to meet this goal.

GREATER ENVIRONMENTAL AWARENESS PROVIDES NEW BUSINESS OPPORTUNITIES

AF has chosen a commercial approach to the increasing environmental challenges and scarcity of resources in society. AF's environmental work starts at the project and business unit level. Here environmental aspects are identified and ranked. We seek to optimise our operations to create the smallest possible footprint.

The three business areas, Environment, Offshore and Energy are all based on services that solve environmental challenges. AF's offshore demolition activities were established based on an increasing need for the safe and environmentally friendly removal of offshore installations. AF's environmental base at Vats outside of Haugesund is one of Europe's most modern reception facilities for the decontamination and recycling of decommissioned offshore installations.

AF's environmental centres are another example of the development of future-oriented environmental services. Using new technology, the environmental centres decontaminate and recycle 80 per cent of the contaminated materials that would have otherwise ended up at traditional disposal sites. In 2018, Norway's most modern and high-tech environmental centre will

be operative at Nes in Akershus. In accordance with the EU's goals, the environmental centres will enable a substantial increase in the reuse of raw materials and a significant reduction in the volume of materials that need to be disposed of.

AF focuses on environmental conditions that we can influence. The projects are planned so that as little waste as possible is created, and so that the waste can be sorted for recycling to the greatest possible extent. To facilitate recycling, the source separation rate at all our business units is measured, and this rate represents how much of the waste from the activities is sorted for recycling. The source separation rate at AF as a whole is well above the current regulatory requirements.

AF is at all times prepared to minimise damage to and losses in the external environment if an accident or incident with a pollution potential were to occur. 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. AF is a control member of Green Dot, an international scheme that is to help ensure the financing of return schemes for used packaging.

USE OF DIESEL IS THE GREATEST SOURCE OF CO₂ EMISSIONS

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. Our climate accounts show that the consumption of diesel by construction machinery accounts for the greatest share of AF's greenhouse gas emissions. In 2017, AF saw a 45 per cent increase in greenhouse gas emissions. This increase is attributed to increased use of construction machinery in our transport infrastructure projects.

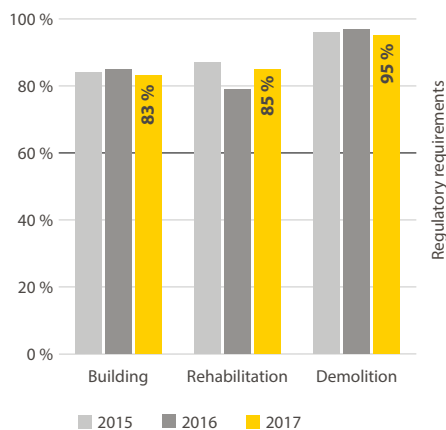
ENERGY AND CLIMATE ACCOUNTS 2017

Category	Consumption	Energy equi. (MWh) ¹⁾	2017 Emissions (tonnes CO ₂ e) ²⁾	2016 Emissions (tonnes CO ₂ e) ²⁾
Petrol (l)	7 440	71	17	22
Diesel oil (l)	13 567 577	144 203	36 207	24 272
Propane (kg)	33 247	456	98	32
Total direct emissions		144 730	36 322	24 326
District cooling (kWh)	21 400	21	-	-
District heating (kWh)	36 517	37	2	5
Power (kWh)	21 623 211	21 623	1 124	1 409
Total indirect emissions from own activities		21 681	1 126	1 414
Air travel (passenger km)	na		2 459	2 124
Car travel (km)	1 238 664		179	210
Waste (tonnes)	3 806		1 888	670
Total indirect emissions from others			4 526	3 004
CO₂ emissions (tonnes CO₂e)			41 974	28 743
Carbon footprint (tonnes CO₂e per NOK 1 million revenue)			4.5	3.1

¹⁾ Energy equivalents are calculated for the core operations (direct and indirect emissions) in order to illustrate the annual energy intensity of AF Gruppen's activities.

²⁾ Greenhouse gas emissions with warming potential equivalent to CO₂

SOURCE SEPARATION RATE



Total amount of mass
separated at source 2017
(tonnes)

324,370

ETHICS REPRESENT THE BACKBONE OF ALL OUR ACTIVITIES

AF's credibility and competitiveness are based on trust. We have an uncompromising attitude regarding ethics and clear demands that apply to everyone we cooperate with.

CORPORATE CULTURE IS THE KEY

Our employees represent AF Gruppen in all business contexts, and it is essential that all the employees identify with AF's Code of Conduct. Suppliers and subcontractors are also required to observe the Code of Conduct through AF's Supplier Statement. In the assessment of candidates for acquisition, decisive importance is placed on whether the company's corporate culture and core values are in accordance with those of AF.

AF participates in competitive tenders, and there is therefore a 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.

In 2017, AF has established better routines for the notification of censurable conditions. Notification can be carried out through a new notification portal to a notification committee that will ensure that the condition reported is followed up properly. The notification portal is available on our website to both our own employees and partners.

MEASURES AGAINST 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 related to work-related crime, A-krim. The purpose of the forum is to learn from each other, and to maintain and develop common barriers against work-related crime. AF offers courses about work-related crime at least twice a year.

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 therefore work proactively and reactively to ensure compliance with our ethical guidelines among our suppliers. Routines are used proactively for the prequalification 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 potential 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.

See the table on page 9 and 10 with answers to the UN Global Compact

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. These documents have been revised and updated in 2017.
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 per cent 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. 38 in the Annual Report.</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 2017, 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. 8.</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. 8.</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 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. In 2017, a working group has been formed that is to look at how AF is organised in order to ensure equal career options for women and men. <i>See p. 38 in the Annual Report.</i>

UNITED NATIONS GLOBAL COMPACT (CONTINUED)

PRINCIPLES

Relevance for AF

Measures

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 2017. *See p. 44 in the Annual Report.*

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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. *See p. 6.*

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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. *See p. 6.*

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 2017. 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. AF has established a better routine for whistleblowing in 2017. Whistleblowing can now occur at a new web portal. *See p. 8.*