



UN Global Compact Communication on Progress 2018 Aibel AS

Statement of continued support by the Chief Executive Officer

To our stakeholders:

I am pleased to confirm that Aibel reaffirms its support of the United Nations Global Compact. We do our utmost to conduct our business in line with the ten principles related to human rights, labour standards, environment and anti-corruption.

In this annual Communication on Progress, we describe our actions to continuously improve the integration of the Global Compact and its principles. In order to take sustainability to the next level in our organization, we have initiated systematic sustainability reporting in line with the internationally recognized Global Reporting Initiative (GRI) standard. Our second sustainability report is included in the 2018 annual report, which is available at our website.

I am convinced that visualizing and communicating efforts and results under the topic of sustainability will lead to many new opportunities to excel and improve in years to come.

Sincerely yours,

*Mads Andersen
President and CEO*

Human rights

Assessment, policy and goals

At Aibel, we promote a culture based on equal treatment of employees, mutual respect and trust. We offer our employees fair and reasonable working conditions and we do not discriminate. This is affirmed in Aibel's HR Policy. We comply with the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work 1998, and we respect the freedom of employee association and the right to collective bargaining. These principles relate to the rights to freedom of association and collective bargaining, the elimination of forced labour, child labour and discrimination in the work place, and are reflected in Aibel's Code of Conduct, in our policy on Corporate Responsibility and in our dedicated policy on human rights and child labour.

Aibel requires all suppliers to sign a Supplier Code of Conduct prior to entering into any business relationship with us. The Supplier Code of Conduct covers Human Rights, Child Labour, Forced Labour, and Labour Standards, as well as other topics such as anti-corruption.

Aibel performs a Country Risk Assessment of all markets in which the company wishes to establish business operations. The assessment includes a review of Human Rights related risks.

In recent years, we have seen an increased industry-wide focus on human rights. Aibel welcomes this development since a common focus throughout the value chain makes it easier for us to develop effective efforts within this area. Aibel's handling of human rights and working conditions in the supply chain has been assessed by outside auditors as best practice in terms of both hands-on dilemma training on business integrity, on ethics and on annual retraining of personnel.

For 2018, Aibel achieved the identified goals. For 2019, the following key goals are established:

- We will conduct a Human Rights Assessment of all our operations.
- We will update our code of conduct to further embrace and specify our commitment to Human Rights.
- Zero tolerance for discrimination or harassment, particularly on the grounds of gender, religion, political views, race, skin color, national or ethnic origin, sexual orientation or choice of cohabitation.
- Aibel will continue its work on human rights due diligence, improving internal processes as well as seeking industry-wide solutions in cooperation with our clients and peers.

Implementation

Aibel has a global Whistleblower reporting mechanism available to all employees worldwide. The channel is anonymous and is available 24/7, either online or via smartphones/QR codes. We also have standard grievance mechanisms through our employee manual, with points of contact in our Compliance Department and our Human Resources Department.

Aibel provides annual e-learning courses to all employees and hired-in staff covering our Code of Conduct. This training is a mandatory annual course and includes awareness of Human Rights and Labour Standards. In addition, classroom sessions are provided to certain key staff members, which have been selected for a more in-depth training course.

Aibel considers itself a growth company and will therefore continue to be present in developing countries where we might be faced with Human Rights related risks. Therefore, we have included appropriate terms in our policies and contractual agreements, obliging suppliers and contractors to comply with the modern slavery act (UK Modern Slavery Act of 2015).

Operating in high-risk areas demands a clear description of how to handle situations related to Human Rights issues and Child Labour. Hence, Aibel has established a mandatory remediation procedure in the unlikely event that Child Labour is discovered within our own operations or with one of our suppliers. Aibel's Human rights and Child Labour Policy was subject to review during 2018, and a revised policy was published in March 2019 to reflect the new procedures.

Our GRI report is published on the Aibel website along with our Sustainability Report

Measurements of outcomes

One of the 2018 goals was to pass all customer and authorities' audits on Human Rights and labour issues, but no such audits were conducted during the year. Aibel has, however, bolstered the focus on Human Rights issues and has started a process to amend the compliance audit checklist to include a broader scope of Human Rights and labour related questions and topics. In the process of auditing potential new associates, we sometimes choose, in close cooperation with our clients, to enlist the aid of Human Rights specialist auditors to conduct audits on our behalf, as a supplement to our own compliance audit.

Aibel has not been involved in any investigations or legal cases related to Human Rights. Aibel's Chief Compliance Officer, supported by the Compliance Committee, would handle any potential incidents. The Compliance Committee encompasses senior representatives from Compliance, Legal, Human Resources, Finance, as well as one Employee Representative.

Labour

Assessment, policy and goals

At Aibel, we promote a culture based on equal treatment of employees, and mutual respect and trust. We offer our employees fair and reasonable working conditions and we do not discriminate. Aibel's HR Policy affirms this. We comply with the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work 1998. We also respect the freedom of employee association and the right to collective bargaining. The principles of rights to freedom of association and collective bargaining, the elimination of Forced Labour, Child Labour and discrimination in the work place, are reflected in Aibel's Code of Conduct, in our policy on Corporate Responsibility and in our dedicated policy on Human Rights and Child Labour. Aibel is certified according to OHSAS 18001, Occupational Health and Safety System.

Aibel has a zero injuries and incidents philosophy. We believe that all incidents can be prevented, and this philosophy is the key to the company's work within health and safety. Promoting a zero incidents philosophy, we are also committed to our employees having safe working conditions and always returning home safe and sound after work.

The following key goals for 2019 have been established:

- We will follow through on Aibel's HSSE action plan
- Aibel will have zero Serious Lost Time Injuries and;
- 0 Serious Lost Time Injuries and illness
- < 0.2 Serious Incident Rate (*measured per million worked hours*)
- < 2.2 Total Recordable Injury Rate (*measured per million worked hours*)
- < 0.2 Falling Object Frequency (*measured per million worked hours*)
- 100% pro-active reporting in all of our projects
- Average Sick leave below 3.5%

Implementation

Aibel promotes employee involvement and we seek to build models for cooperation with employee representatives in all business units to involve employees in the development of the company. In Norway all workers are legally free to organise themselves or not, i.e. to belong or not belong to a union or any other type of workers' organisation. In Singapore, workers and employers are free to form their own organisations to represent their interests and there are legal provisions that protect their rights. The Industrial Relations Act regulates collective bargaining activities of unions and employers. Aibel believes that it is important that all employees have an opportunity to influence and contribute in developing the company. Therefore, we survey the employees to see whether we need to take any further actions to ensure this. Freedom of association and collective bargaining is not prohibited in Thailand, where the Labours Relations Act regulates collective bargaining activities of unions and employers. However, there are no trade unions registered in Aibel Thailand. To promote employee involvement, a Welfare Committee consisting of elected employee representatives have quarterly meetings with management representatives. They monitor the welfare and wellbeing of employees and propose welfare initiatives. In addition, an HSE committee consisting of both management and employee representatives has monthly meetings with a view to improving safe working conditions and ensuring a good working environment.

Please refer to the section on Human Rights for a description of our grievance mechanisms (i.e. whistleblowing channel).

At any given time, Aibel has around 100 apprentices occupied, and during 2018, we had 50 new skilled workers qualified from the apprentice scheme. More than 380 apprentices have earned their certificates through the apprenticeship scheme at Aibel since 2010. We make a conscious choice to invest in our apprentices because we believe that they represent an important source of skilled labour, and in addition this contributes to the education and training of future workers.

Aibel invests much effort, time and resources into monitoring and improving the safety for our workers and our safety performance. The following activities were carried out in 2018.

- A HSE campaign in cooperation with one of our customers “Always home safely” has been in effect at our locations since the start of 2018.
- During 2017 Aibel implemented a new HSSE reporting system, called PIMS HSSE. The systems has been actively used since then, providing analyses, concrete action lists, and identifying improvement areas. We always seek to improve, and have been customizing additional modules within the system. In 2018, five new modules were implemented. These were “HSE Meetings”, “HSE inspections”, “Lessons learnt”, “Emergency Drills” and “Other issues”. Having the ability to implement targeted improvements to prevent incidents and to promote people who act as good examples are equally important measures in the development of Aibel`s HSE performance.
- One key focus area in the 2018 and 2019 activity plans is the psychosocial working environment. The campaigns "Look after yourself" and "Be a good colleague" highlights important topics that concern us all.
- New training sessions focusing on reduced work related illness have been carried out for all managers responsible for following up resources.
- In addition, new nano training lessons for modules in PIMS HSSE were developed and distributed to all employees.
- A new version of the programme “HSE My responsibility” was rolled out for all employees in 2017. Some 10,000 workers have completed the training between October 2017 and December 2018. This amounts to 95 % of everyone enrolled into the course.
- Aibel introduced the HSE award in 2018 as a means by which to acknowledge outstanding efforts to improve health, safety, security and the environment (HSSE) for employees in Aibel. This is an award, which intends to inspire the entire organization.
- All emergency Line 2 units (locations and Yards) and Line 3 have carried out training and drills in 2018. The “proactive emergency management” method according to NOG 002 (Norsk Olje og Gass) is implemented as the emergency management tool in Aibel.
- In 2018 we launched the security campaign “On the safe side” to enhance our own security culture, highlighting four tabs: *conduct, access, travel and IT*. The simple measures presented in the campaign will make a difference. The message is clear: Pay attention and take action.

Measurements of outcomes

Aibel continuously monitors the Health and safety performance, and improvement actions are developed and implemented.

Aibel conducts an annual salary survey to ensure fair and competitive terms in all locations. Benchmarking by use of Korn Ferry Hay statistics is another effort, comparing wage levels with peers to ensure that salaries reflect market level. For 2018 conclusion was that our wages are competitive compared to our peers.

In 2018, there were no Investigations, legal cases, rulings, fines and other relevant events related to the Global Compact Labour principles.

Environment

Assessment, policy and goals

Aibel is committed to minimizing its environmental footprint. All our business operations shall make all reasonable efforts to reduce the consumption of resources including energy, water and raw materials. At the same time, we see that our main environmental impact will come in the interaction with our customers – both through green initiatives such as investing in shore power facilities, as well as participating in novel projects related to wind parks. Applying our environmental competence jointly with our customers, we can design our projects to increase net positive effects on the climate.

As part of managing our environmental impact, Aibel is certified in accordance with the global environmental standard ISO 14001 (2015). The ISO certificate confirms that our management of environmental risks and opportunities is aligned with global expectations and, equally important, the process helps us identify and improve our environmental initiatives.

As part of the 2019 action plan, Aibel will work actively with transportation contractors to reduce their environmental footprint and CO₂ emissions in connection with delivery of services to Aibel. Further, we will work proactive towards our clients to reduce CO₂ emissions on the Norwegian Continental Shelf, e.g. through electrification of offshore installations and offshore wind projects.

For 2019, the following key goals have been established:

- Zero external incidents (yellow/red)
- > 80 % sorting of waste
- Minimum two energy reduction projects.
- Minimum two CO₂ reduction projects.

Implementation

Sponsored by contributions from Enova, Aibel invested in a new shore power facility with two 1000 kVA converters in Haugesund to provide electrical power to ships and platforms at the yard and thereby avoid the use of diesel generators. These convertors supplied approximately 1,305,000 kWh in 2018. More than 435,000 litres of diesel was saved, and a reduction of 1,157 tons CO₂ emissions was achieved. In addition to the obvious environmental gain, this also reduces noise for residents living nearby the yard. Finally, the onshore power facility will ensure lower-cost power, increasing our competitiveness and helping us secure jobs.

In 2018, Aibel completed the first converter station providing power from shore to the Johan Sverdrup field. The station is located at Haugsneset, just east of Kårstø in Rogaland. The client has estimated that shore power will result to reduced offshore CO₂ emissions of almost 20 million tons throughout the Johan Sverdrup field's lifetime compared to using local gas turbines. Mid 2018, Aibel won the contract for phase two of the onshore power facility at Haugsneset, entailing that Aibel will build a new converter substation with double capacity compared to phase one. This expansion of the power from shore capacity enables Johan Sverdrup to distribute power to other oil fields at Utsira High including Edvard Grieg, Gina Krog, and Ivar Aasen, thereby reducing the CO₂ emissions further.

The vessel North Sea Giant, owned by North Sea Shipping in Austevoll, docked at Aibel's yard in 2018 for extensive modifications. The ship was modified to use hybrid power with a view to aligning with the new offshore market. The work entailed reconstruction and establishment of new transformer chambers, cabinets and battery packs, as well as installation of these. The extensive rebuild reduces the use of fuel and thereby increases the ship's ability to compete for contracts. There is also the environmental aspect, with reduced CO₂-, NO_x- and SO_x-emissions.

During 2018, several energy saving projects have been performed at the yard in Haugesund. LED lamps have replaced the illumination in the largest workshops. 203 lighting fixtures were replaced and an annual saving of approximately 220,000 kWh is anticipated. In addition, the new LED provides much better illumination, resulting in an improved working environment and safer working conditions.

The Haugesund Yard Administration building has been equipped with new ventilation including a cooling and heating system, supported by Enova. The annual energy saving is estimated to represent approximately 1,200,000 kWh.

The central storage requires high temperature due to storage of sensitive equipment and goods. A new port with a quick-opening and quick-closing function has been installed to reduce the heat loss incurred as forklifts move goods into and out of the storage. An annual energy saving of approximately 100,000 kWh is anticipated.

Aibel has a focus on using video-meetings, collaboration rooms and Skype for business solutions to reduce travel cost and travel related emissions. During 2018, significant investments were completed to improve the quality and availability of the company's web based communication tools. The company measures the amount and distance of air travels. The total distance travelled in 2018 was 10,709,528 km. This represents a year-on-year reduction of approximately 23 % from 2017 to 2018. Consequently, the CO₂ emissions have been reduced from 2124 MT to 1636 MT in one year.

Aibel has a target of minimum 80% waste sorting. The 2018 result was 88%, increasing from 84% in 2017 and 80% in 2016. The continued improvement is considered satisfactory.

Measurements of outcomes

Aibel has a variety of different measuring and monitoring systems in place to ensure that we get the required information to evaluate and assess our environmental performance. The main measures are described above and in our goals for 2019.

Aibel has not been involved in any Investigations, legal cases, rulings, fines or other events related to the Global Compact environmental principles in 2018. In 2018, there was no significant incidents related to external environment.

Anti-Corruption

Assessment, policy and goals

Compliance with our Code of Conduct is a prerequisite for working at Aibel. It guides us in our day-to-day encounters with challenges; it helps us do what is right and thereby safeguards Aibel's reputation. These guidelines apply to all of us no matter where we are in the world, offshore as well as onshore, and managers as well as employees. We need to make daily efforts to fulfil the expectations we have set for ourselves. The Code of Conduct clearly states our commitment to integrity and transparency. Further, it defines mandatory legal and ethical standards for how the company shall conduct its business around the world.

In addition to the Code of Conduct, Aibel has dedicated policies for Anti-Corruption & Bribery and for Integrity Due Diligence of Third Parties. These policies command zero tolerance for all corruption, including facilitation payments.

Aibel requires all existing and potential suppliers to sign a Supplier Code of Conduct, which reflects our own policies as well as the established principles of international frameworks such as the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act. Currently, 1,347 of Aibel's high and medium risk third parties have signed our Supplier Code of Conduct.

All 2018 key goals were achieved. For 2019, the following goals have been set:

- Zero incidents of corruption
- 90% of our employees shall have completed e-learning or class-room training on Aibel's Code of Conduct
- All new business associates in 2018 shall be subject to an IDD screening, according to our internal risk based procedures
- A minimum of 10 onsite compliance audits on high-risk subcontractors and/or business partners.

Implementation

Aibel employees are required to complete an annual certification (e-learning) whereby they confirm that they understand and agree to comply with the principles of our Code of Conduct. For 2018, 91% of all eligible employees completed this training. In addition, a number of selected employees are required to attend classroom compliance awareness training every third year. During 2018, classroom-training sessions were conducted in all four major Norwegian locations Asker, Bergen, Haugesund and Stavanger. We also offered targeted training sessions for specific departments and project teams across Aibel locations to highlight contract specific customer compliance risks and requirements. To strengthen our compliance presence and efforts across multiple locations, compliance champions have been specifically trained and appointed. Their role is to act as a liaison between the local business unit and the corporate Compliance department, and to front compliance campaigns or handle topics locally.

To implement useful processes and tools related to anti-corruption and compliance, Aibel regularly conducts risk assessments of both internal and external factors. Business development activities in high-risk markets as well as third party risk have been identified as

Aibel's key compliance related risks. In addition to assessing internal risk areas, Aibel always includes compliance risk as part of the Risk Review Committee (RRC) process for potential new projects. We have an established Country Risk Assessment procedure, which requires Board approval prior to entering high-risk jurisdictions. Third-party integrity, due diligence and sanctions screening are all part of our risk assessment processes.

Aibel has an online Whistleblower channel, which allows employees to report anonymously either via intranet or from any computer or smartphone using an URL link. The channel allows us to have an anonymous dialogue with the whistleblower throughout the process from the initial report until the case is closed.

The Chief Compliance Officer (CCO) and the Compliance Department holds the overall responsibility for the company's anti-corruption efforts. The CCO has established a Compliance Committee, which discusses specific cases and provides recommendations for actions. The CCO has direct access to the Board of Directors.

Measurements of outcomes

In 2018, we investigated and closed thirteen cases related to alleged violations of the Code of Conduct. Five cases were reported via the whistleblowing channel and eight cases were reported through other channels. None of the cases was related to corruption or other serious breaches of our Code.

In 2018, we conducted risk-based integrity due diligence reviews of all new business associates, 231 in total. The majority of these were low- or minimal risk suppliers, subject to a standard desktop screening. High-risk third parties, for instance high-risk subcontractors, are subject to onsite compliance audits. Twelve such onsite audits were conducted during 2018. The results of the IDD and compliance audits are an imperative part of our decision-making process before awarding contracts to suppliers and subcontractors. Third parties unable to demonstrate a satisfactory compliance focus, and who lack a systematic approach, are handed a low compliance score and could accordingly risk not being awarded contracts.