



# **CORPORATE RESPONSIBILITY**

– Entrepreneurship  
and growth

**ANNUAL REPORT 2018**

# CORPORATE SOCIAL RESPONSIBILITY THROUGH SUSTAINABLE ENTREPRENEURSHIP

Corporate social responsibility means taking responsibility for the organisation's impact on people, society and the environment, and contributing to positive social development through the creation of value that can help solve societal challenges. AF has a particular corporate social responsibility in which societal challenges can be related to our business activities. We have therefore defined AF's corporate social responsibility as sustainable entrepreneurship.

## SUSTAINABLE ENTREPRENEURSHIP

Our corporate social responsibility can be divided into two parts: first and foremost we must manage our own projects in a sustainable manner. This means that our employees must have a safe and good working environment, that our business operations observe ethical guidelines, laws and regulations, and that we must minimise our impact on the external environment. This is fundamental to all of our operations, and we have defined this through four main categories: health, safety, the environment and ethics.

In addition, we have a responsibility to contribute to positive social development by providing services that society requires. We can contribute innovation, creativity and skills development to create services that can meet the challenges of today and tomorrow.

Through a solid foundation that ensures responsible and sustainable project execution, as well as the continuous development of new business concepts, AF creates value for our society. This is our contribution to work with the UN sustainable development goals.

## UN SUSTAINABLE DEVELOPMENT GOALS

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 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.

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

The sustainable development goals that are relevant to AF's business activities are related to equality, decent workplaces and a good working environment for our employees, ethical behaviour and protection of worker rights, as well as combating corruption and work-related crime. In addition, the UN has goals related to the development of infrastructure, responsible consumption and the processing of waste, as well as access to clear energy. The achievement of these goals by society is dependent on companies like AF developing their range of services further and creating new solutions for these challenges.

## 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

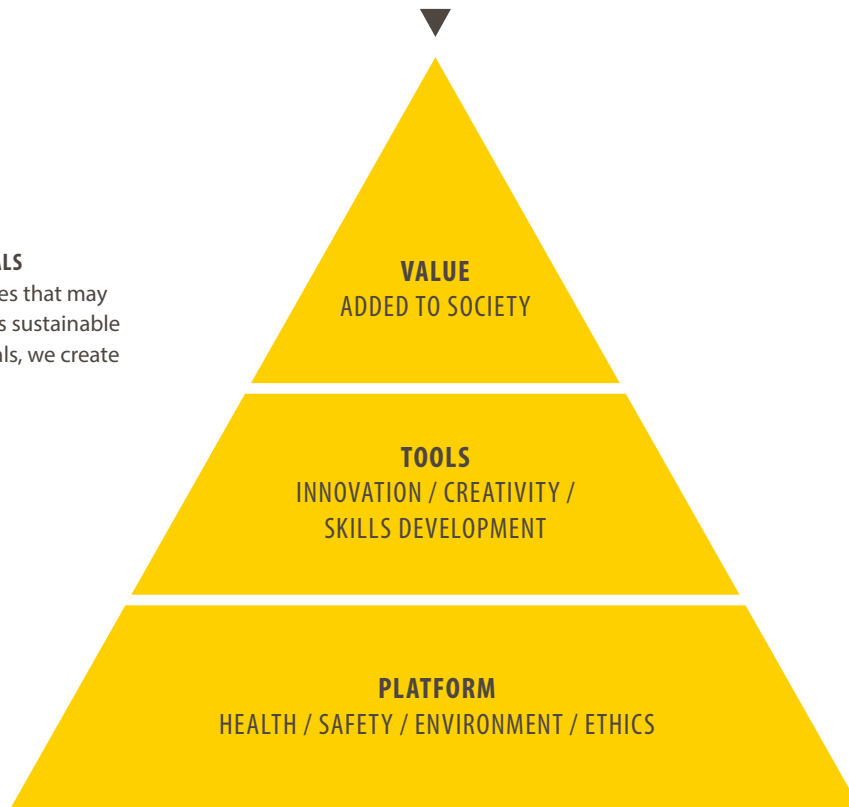
CEO Morten Grongstad is responsible for AF's corporate social responsibility and this follows his line management. Each executive vice president is responsible for his/her respective business areas. Executive Vice President Eirik Wraal has specialist responsibility for corporate social responsibility. 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.

AF Gruppen's management system contains the plans, risk assessments, procedures and other system components that are required to ensure uniform management of the various projects, and that the activities are carried out in accordance with the regulatory framework, the Group's framework conditions and other requirements by stakeholders.



**UN'S SUSTAINABLE DEVELOPMENT GOALS**

By offering services that may help fulfil the UN's sustainable development goals, we create value for society.



**SAFETY (P. 4)**

AF's employees shall have a safe workplace. Everyone should come home just as healthy as when they left for work.

**GOAL:** No one should become ill or get injured from working at AF.

**STATUS:** A low LTI-1 rate of 0.8 shows that we are headed in the right direction. In 2019, we will implement a safety boost that will make everyday life even safer for those who work for our projects.

**HEALTH (P. 6)**

AF shall have a good working environment. Any harmful affects that one can be exposed to at work shall be minimised.

**GOAL:** No one should become ill or get injured from working at AF.

**STATUS:** AF reported low absence due to illness of 3.3 per cent in 2018 and scores well in employee satisfaction surveys. Measures have been implemented to improve the gender balance in the company.

**ENVIRONMENT (P. 8)**

Our project activities impact the external environment, and it is our responsibility to ensure that this impact is minimised.

**GOAL:** AF shall carry our projects in such a manner that the external environment is affected to the least possible extent.

**STATUS:** The source separation rate in our projects is around 90 per cent, which is well above the government requirement of 60 per cent, and AF is now carrying out its first construction project with a fossil-free building site.

**ETHICS (P. 11)**

AF Gruppen has zero tolerance for corruption, work-related crime and other unethical conduct.

**GOAL:** Act ethically correct in everything we do, and only cooperate with professional actors.

**STATUS:** Good systems and routines have been established to ensure ethical operations. AF has not identified any incidents of corruption or work-related crime in our projects in 2018.

# SAFETY IS 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 has a structured and uniform system for health and safety work. All undesired incidents and circumstances are registered and dealt with in the non-conformance system Synergi Life 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 2018, close to 36 700 (24 500) 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

AF's goal for health and safety is to avoid injuries, diseases and complaints attributed to the working environment. For safety, it is about avoiding work accidents, particularly accidents that result in serious personal injury and absence.

The basic idea behind safety work at AF is that all undesired incidents have a cause, and that they can therefore be avoided. Potential undesired incidents are identified through risk analysis, and preventive barriers are 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 improvement measures can be implemented. AF is always prepared for serious accidents and is organised with an emergency preparedness system for each project, in addition to an overarching

system at the corporate level, the purpose of which is to manage and reduce the harmful effects and ensure good follow-up. The most serious incidents are followed up by subsequent investigations in which the Corporate Management Team participates.

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 from AF and our subcontractors per million man-hours. The injury frequency rate has shown a positive trend through the years, from an LTI-1 rate for the Norwegian operations of around 20 in the early 90s, to an LTI-1 rate of 0.8 (1.1) for 2018. This rate represents 12 lost time injuries, one of which was fatal. An employee of a subcontractor was exposed to so much energy that he died from the injuries two days after the accident.

## SAFETY BOOST

In spite of a historically low LTI rate, we are still seeing too many personal injuries. AF is, therefore, implementing a safety boost in 2019. This safety boost consists of six corporate measures: (1) expansion of the definition of LTI-1 so that it also applies to serious personal injury without absence, (2) establishment of a corporate goal of LTI-2 < 5, (3) expansion from one category to two categories for incidents with a high loss potential and ensure that the strictest category receives thorough follow-up, (4) mandatory use of safety gloves and safety glasses for everyone who is present at the projects, (5) strengthen risk management by introducing "Personal Safety Involvement (PSI)" methods, as well as (6) strengthen learning from incidents through digitalisation.

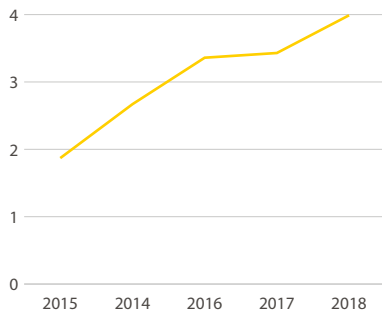




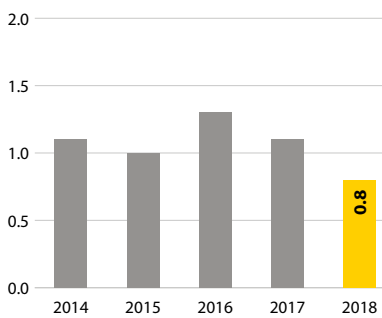
**Decent work and economic growth**

The UN’s goal is that worker rights shall be protected, and that all employees shall have a safe and secure working environment. AF’s goal is that no one should become ill or get injured from working at AF. The health and safety of our employees and subcontractors is our number one priority.

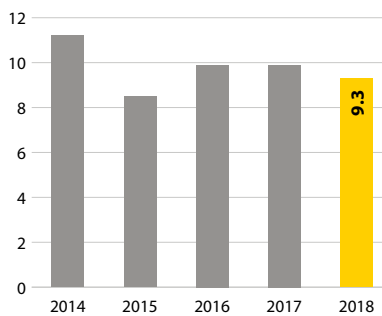
**REPORTED INCIDENTS AND CIRCUMSTANCES (RUI) PER MAN-YEAR**



**LTI-1 RATE**



**ABSENCE DUE TO ILLNESS**



**Safety boost for the correct use of protective equipment**

Cuts and eye injuries are the most frequent types of injuries at AF Gruppen. As much as 33 per cent of all registered LT1-2 injuries can be linked to improper or incorrect use of safety gloves or safety glasses. With the correct use of protective equipment, several injuries could have most likely been avoided. As of 2019, AF is introducing mandatory use of gloves and glasses for everyone who is on the building site.

# HEALTH AND JOB SATISFACTION

AF's goal is to provide our employees with a working environment that contributes to their continued health and happiness, and that they get the opportunities they strive for.

AF's goal for health and safety is to avoid injuries, diseases and complaints attributed to the working environment. For health work, it is about avoiding exposure to health hazards in everyday work life, related, for example, to ergonomic conditions, chemicals, noise, dust, pressure, harassment, etc.

## HEALTHY EMPLOYEES

AF works continuously to ensure that all employees experience job satisfaction and well-being. Absence due to illness is an indicator of health work, and in 2018 it was 3.3 (3.0) per cent. AF's absence due to illness is considered low in the building and civil engineering industry. Some of the absence due to illness is work-related, and systematic, long-term work to achieve the goal of a "healthy situation" has, therefore, high priority.

AF has an internal corporate health service that assists with preventive health work. They monitor employee health through regular health check-ups, and assist the absence due to illness committees 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 employees can be exposed to while working, and what measures can prevent health injuries, AF has health cards for the 16 most relevant types of exposure available in several languages. In addition, AF has developed and implemented a Health Risk programme, which enables us to better identify and influence health risks.

## EMPLOYEE SATISFACTION

The employee satisfaction survey that was conducted in 2017 shows that our employees are very satisfied with their own work and with AF as their employer. Personal development, job content and the company's goals and values, as well as the terms and conditions, are strong drivers for satisfaction. AF receives over 10,000 job applications annually, and this is a

strong indicator that AF is also regarded as an attractive workplace externally.

AF has an employee representative and safety organisation that ensures that the employees have an opportunity to influence their working conditions. There is a special Works Council and Working Environment Committee with representatives from the Corporate Management Team, the employees and senior employee representatives. New guidelines that entered into force in 2018 ensure that salaried workers, skilled workers and both genders represent the employees on the Board of Directors.

## THE BEST PEOPLE

Developing the knowledge and competence of our employees is the most profitable investment we make. The most important tool for promoting professional development is practical training in the line. However, AF also offers an internal management development programme over several levels and external continuing education. The breadth of AF's centres of expertise also provides a good foundation for professional development and career opportunities throughout the Group. AF has a decentralised decision-making structure in which capable employees are given an opportunity to accept responsibility at an early stage. AF's goal is to develop managers through internal training, and around 80 per cent of today's managers have been recruited internally.

One of AF's corporate initiatives is to attract and develop the best managers and technical expertise in the industry. An important measure is to increase the percentage of women. AF wants to invest in the best people, and it is, therefore, important to recruit from both genders. AF set a goal in 2018 to increase the percentage of women to 20 per cent. A working group has been established that will work with measures to ensure that both genders have equal opportunities to pursue a career at AF.



**Equality between the genders and decent work**

The UN want to ensure women full and genuine participation and equal opportunities for leading positions at all levels in important decision-making processes, and to protect worker's rights and ensure all employees a safe and secure working environment. At AF we want to have "the best people", regardless of gender. Both women and men must have equal opportunities to pursue a career at AF. AF has set a goal to increase the percentage of women to 20 per cent. AF's goal is also to secure a good working environment for our employees.

ESS AF Gruppen 2017

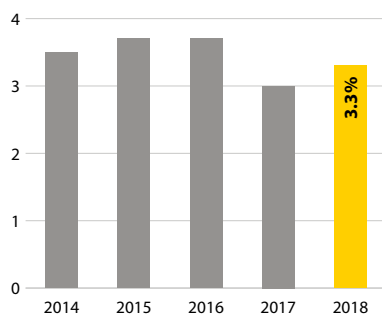
Scale 1-6

5.2

Percentage of women at AF

8.7%

ABSENCE DUE TO ILLNESS



**Unconscious gender discrimination on the agenda**

On 15 March 2018, 160 employees participated when AF sent out invitations to a discussion on unconscious gender discrimination in collaboration with #ShesGotThis. Collaboration with #ShesGotThis is one of several measures AF is working on to get more women to choose AF as their workplace and take on managerial positions in the Group. Discussions on unconscious discrimination have also been held in our projects, including Tvedestrand-Arendal.

# THE ENVIRONMENT – A SHARED RESPONSIBILITY

Our projects shall be carried out in a way that minimises negative effects on the environment.

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, which ranks measures to reduce the volumes of waste, reduce the waste that is produced, reuse resources, recycle materials and use waste for the production of energy before the disposal of any waste that cannot be used.

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 at least 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.

## RESPONSIBLE AND SUSTAINABLE PROJECT EXECUTION

AF's environmental work starts at the project and business unit level. Environmental risks are identified and ranked here. Together with laws, regulations and specific contractual requirements, analyses form the basis for the goals of the projects and units for the external environment. Several of AF's business units, both in Building and Civil Engineering, have employed resources with environmental expertise to work on optimising the projects' environmental impact. The goal is for the footprint of the project activities to be as small as possible.

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.

Follow-up of the parameters source separation rate, an environmental factor that AF can influence, is an extra driving force in AF's environmental work. The source separation rate shows how much of the waste from AF's business activities that is sorted. The purpose of sorting waste is to facilitate recycling. In 2018, a total of 512,401 (324,270) tonnes of waste from our projects was separated. In addition, our environmental centres have recycled a total of 219,005 (179,163) tonnes of mass in 2018.

## USE OF DIESEL IS THE GREATEST SOURCE OF CO<sub>2</sub> EMISSIONS

AF's impact on climate is measured continuously in the form of the volume of greenhouse gas emissions in tonnes of CO<sub>2</sub> equivalents. A CO<sub>2</sub> 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 2018, AF saw a 2.5 per cent increase in greenhouse gas emissions. This increase is attributed to increased use of construction machinery in our transport infrastructure projects.

There are many exciting developments in electric construction machinery. They reduce the level of noise and have significantly lower CO<sub>2</sub> emissions. In 2018, AF started using several electric machines in projects, including concrete injection machines. These machines are used, for example, in tunnels, and they result in cleaner air and better working conditions in tunnels, in addition to saving the global environment. AF started its first fossil-free civil engineering project in 2018 at the Grefsen Base.

[See page 10 of the climate accounts](#)





**Responsible consumption and production and stopping climate change**



The UN's goal is to achieve a more environmentally friendly management of all forms of waste throughout their entire life cycle, and to combat climate change and its consequences to limit any harmful effects on human health and the environment by 2030. It is the responsibility of AF to carry out projects in such a way that the environmental impact is minimised.

Total amount of mass recycled in the environmental centres in 2018

(tonnes)

**219,005**

Total amount of mass separated at source in 2018

(tonnes)

**512,401**

SOURCE SEPARATION RATE



**Fossil-free building sites with electric machinery**

At Grefsen in Oslo, AF is renovating a railway workshop and offices for Sporveien. The project is part of Sporveien's "Clean Journey" strategy, which is to contribute to achieving the goal of the City of Oslo to reduce the city's greenhouse gas emissions by 50% by 2020. The building site will be fossil-free. This means that all the construction machinery, vehicles and equipment will be electric, a hybrid and/or run on biofuel. For example, electric vans and lifts, electric building heating and battery-operated vibrators are used. In addition, most of our own employees and key subcontractors will use electric cars, hybrid cars or public transport.

# CLIMATE ACCOUNTS

## ENERGY AND CLIMATE ACCOUNTS 2018

Category	Consumption	Energy equi. (MWh) <sup>1)</sup>	Emissions (tonnes CO <sub>2</sub> e) <sup>2)</sup>	
			2018	2017
Petrol (l)	17 660	169	41	16
Diesel oil (l)	13 833 795	147 025	37 120	36 202
Propatne (kg)	23 731	325	70	98
<b>Total direct emissions</b>		<b>147 519</b>	<b>37 231</b>	<b>36 316</b>
District cooling (kWh)	17 774	18	-	-
District heating (kWh)	142 595	143	6	2
Power (kWh)	21 598 446	21 598	927	1 107
<b>Total indirect emissions from own activities</b>		<b>21 759</b>	<b>933</b>	<b>1 109</b>
Air travel (passenger km)	na		2 858	2 266
Car travel (km)	1 019 909		143	170
Waste (tonnes)	3 218		1 610	1 882
<b>Total indirect emissions from others</b>			<b>4 611</b>	<b>4 318</b>
<b>CO<sub>2</sub> emissions (tonnes CO<sub>2</sub>e)</b>			<b>42 775</b>	<b>41 743</b>
<b>Carbon footprint (tonnes CO<sub>2</sub>e per NOK 1 million revenue)</b>			<b>4,5</b>	<b>4,5</b>

<sup>1)</sup> 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.

<sup>2)</sup> Greenhouse gas emissions with warming potential equivalent to CO<sub>2</sub>

# ETHICS – GOOD BUSINESS PRACTICES IN OUR BACKBONE

AF's credibility and competitiveness are based on trust. We have an uncompromising attitude regarding ethics and clear requirements 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 they 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 has zero tolerance for price collusion and corruption. Our Code of Conduct forbids the company's employees to discuss, propose or enter into agreements with competitors that may affect the competitive situation.

In accordance with AF Gruppen's corporate policy, all contracts shall be in writing and signed by at least two representatives of AF. This reduces the risk that individuals will be offered, or choose to accept, bribes.

## TRAINING FOR ALL EMPLOYEES

All new employees at AF are given an introduction to our Code of Conduct and core values at a mandatory introductory course. The course ensures that all the employees are aware of what requirements and expectations apply, and it is an important instrument for building a corporate culture with high ethical standards.

AF has an operations supervisor course that covers subjects such as purchasing, HSE and personnel management. The management courses at AF include "dilemma training" and other attitude-forming tasks to ensure that AF Gruppen's guidelines are practised uniformly.

AF arranges a self-developed course in the prevention of work-related crime at least twice a year.

## COMPLIANCE THROUGH THE USE OF MANAGEMENT SYSTEMS

AF has introduced organisational and structural measures to ensure that AF only cooperates with serious actors. Among other things, there is a position 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, WR crime.

Intercompany network organisations have been established to create arenas for cooperation and the transfer of experience across the various units and to ensure compliance with the requirements throughout all of AF:

- HSE Forum for questions related to HSE legislation
- Personnel Forum for safeguarding employee rights
- Seriousness Forum "WR Crime" for work to counteract work-related crime
- Purchasing Forum for questions related to business ethics

All of AF's business units have management systems, and many of them are ISO-certified. The management system contains the plans, risk assessments and procedures that are required to ensure uniform management of the various projects, and that the activities are carried out in accordance with the Group's ethical framework conditions.

## NOTIFICATION OF CENSURABLE CONDITIONS

AF has procedures and routines related to the notification of censurable conditions, including the violation of laws and ethical guidelines. Both our own employees, contracted personnel and external parties are entitled to whistleblow, and the whistleblower shall be protected from retaliation. Whistleblowing can be open or anonymous, and both the whistleblowing and identity of the whistleblower will be handled confidentially. Whistleblowing can be to an immediate superior in the line organisation, to a manager at a higher level, by e-mail to the Whistleblowing Committee, or by sending an electronic form from [www.afgruppen.no/varsling](http://www.afgruppen.no/varsling). An internal whistleblowing committee will follow up any notifications received. For anonymous notifications, the notification will be processed by an external company first.

## MEASURES AGAINST WORK-RELATED CRIME AND SOCIAL DUMPING

The purchasing of goods and services accounts for around 70 per cent of the revenues of AF. AF is responsible for the entire contract

pyramid for our projects. We work, therefore, proactively and reactively to ensure compliance with our ethical guidelines among our suppliers. Prequalification routines are used proactively: AF only permits two levels of subcontractors. We use StartBANK, as well as a proprietary prequalification module in StartBANK to assess potential suppliers. 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 activities are carried out in accordance with the regulations and the applicable guidelines, by verifying pay and working conditions, among other things. The most important verifications we carry out are:

- Internal audits are conducted at all levels of the organisation
- Safety rounds are conducted weekly for all projects to ensure compliance with the regulations for the working environment
- Audits of subcontractors and suppliers are conducted to ensure that they have good systems with respect to the working conditions and ethics
- Control of pay and working conditions among suppliers, subcontractors and staffing companies, both by the projects themselves and with the assistance of AF Gruppen's permanently employed WR Crime Adviser.

If "red incidents" are uncovered, i.e. indications or incidents of work-related crime among our subcontractors, this will have consequences. Incidents will be investigated and the agreement with the subcontractor may be terminated. Since the seriousness initiative in 2014, we have uncovered two red incidents in AF projects. AF wishes to reject unprofessional actors, and we hope that unprofessional actors reject us.

#### ZERO TOLERANCE FOR ECONOMIC OR FINANCIAL CRIME

AF Gruppen has introduced strict requirements for invoice processing as a barrier to embezzlement and financial irregularities. Incoming invoices are processed electronically, and they must be approved and authorised in accordance with an authority matrix. Payments must also be approved by two persons.

AF Gruppen has a special policy related to price-sensitive information and maintains ongoing control of transactions with shares in AF carried out by the Company's employees and their related parties. Abuse of price-sensitive information will result in police charges and a dismissal.

See the table on pages 13–14 with answers to the UN Global Compact



#### PEACE AND JUSTICE

The UN's goal is for the world to achieve a significant reduction in all forms of corruption and bribery, and that institutions shall be developed so that they are well-functioning, responsible and transparent at all levels. AF's activities, employees and subcontractors shall be distinguished by good ethical conduct, and we have zero tolerance for corruption and bribery.



#### Access control to prevent social dumping

AF conducts regular inspections to ensure that only authorised personnel have access to the building sites and that they have pay and working conditions that are in accordance with the laws and regulations. We register everyone who is on our building sites, when they are there, how much they work and what pay they receive. This is important in order to prevent social dumping on the building site.

AF has its own "labour inspection authority" that maintains ongoing control of the building sites. Several units have introduced MSREG, a tool that coordinates the systems for manpower registration, documentation and the follow-up of subcontractors in the projects.



## 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

<p><b>1</b> Businesses should support and respect the protection of internationally proclaimed human rights; and</p>	<p>AF Gruppen complies with all applicable laws and respects internationally recognised human rights, irrespective of where we operate.</p>	<p>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.</p>
<p><b>2</b> make sure that they are not complicit in human rights abuses.</p>	<p>AF does not trade with companies that are in any way involved in violations of human rights.</p>	<p>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></p>

#### WORKING CONDITIONS

<p><b>3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>AF enables employees to unionise and the right to conduct collective bargaining is recognised and respected.</p>	<p>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.</p>
<p><b>4</b> the elimination of all forms of forced and compulsory labour;</p>	<p>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.</p>	<p>AF has procedures for verifying the pay and working conditions of subcontractors and staffing agencies. In 2018, 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>Read more on page 11 (Ethics).</i></p>
<p><b>5</b> the effective abolition of child labour; and</p>	<p>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.</p>	<p>employment contracts of employees of subcontractors and staffing agencies as a result of Seriousness Initiative. <i>Read more on page 11 (Ethics).</i></p> <p>We have not identified any suspected or actual cases of child labour in any of our projects or with any of our suppliers.</p>
<p><b>6</b> the elimination of discrimination in respect of employment and occupation.</p>	<p>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.</p>	<p>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.</p> <p>A specific goal in the strategy towards 2020 is to increase the percentage of women at AF. It was set a target in 2018 to increase share of women in AF to 20%. <i>Read more on page 6 (Health and Job Satisfaction).</i></p>

## PRINCIPLES

## Relevance for AF

## Measures

## ENVIRONMENT

<p><b>7</b> Businesses should support a precautionary approach to environmental challenges;</p>	<p>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.</p>	<p>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 2018. <i>Read more on page 18 (Risk Management) in AF Gruppen's annual report for 2018.</i></p>
<p><b>8</b> undertake initiatives to promote greater environmental responsibility; and</p>	<p>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.</p>	<p>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>Read more on page 8 (Environment).</i></p>
<p><b>9</b> encourage the development and diffusion of environmentally friendly technologies.</p>	<p>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.</p>	<p>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>Read more on page 15 (Societal Duty).</i></p>

## ANTI-CORRUPTION

<p><b>10</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>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.</p>	<p>It is expected that all employees comply with principles that are embedded in our Code of Conduct, which includes principle against corruption. No instances of corruption, including extortion and bribery, were identified in 2018.</p> <p>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>Read more on page 11 (Ethics).</i></p>
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# OUR SOCIETAL DUTY – CREATION OF VALUE FOR SOCIETY

AF has chosen a commercial approach to the increasing environmental challenges and scarcity of resources in society. The UN has sustainable development goals related to the development of clean energy, building of solid infrastructure, responsible consumption and the circular management of waste.

In order for society as a whole to be able to achieve the UN goals, new services must be developed to provide a solution for our environmental challenges. Corporate social responsibility is not just a duty for AF, it is an opportunity to create sustainable solutions as well.

## TOOLS FOR CREATING VALUE LIE WITH THE EMPLOYEES

AF's most important tools for managing sustainable entrepreneurship are the promotion of innovation, creativity and skills development. By innovation, we mean improving the existing processes and services. We want to develop new concepts and services that society needs through innovation. Innovation and creativity is a priority area for AF.

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.

## SOCIETY'S NEEDS GIVE US NEW BUSINESS OPPORTUNITIES

A number of the services already offered by AF are solutions to specific societal challenges. The Energy & Environment and Offshore business areas are both based on services that provide solutions for 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. The environmental base processes and prepares a large volume of contaminated material for recycling. Read more about AF Miljøbase Vats on p. 19.

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. The EU has defined specific goals related to waste management, and Norway is obligated to meet these goals. AF will therefore continue to develop our environmental centres to meet the demand in Norway. Read more about the newest environmental centre, the Nes Environmental Centre, on p. 17.

AF also offers energy conservation solutions for buildings based on renewable sources of energy. AF's business unit AF Energi & Miljøteknikk works continuously to improve our solutions for customers and has, for example, developed a new business concept that will reduce the risk of environmental investments for our customers, which will in turn make energy-efficient solutions more attractive in the market. Myrvoll Energi AS is an example of this new concept. Read more about this on p. 18.

In the Building and Civil Engineering business areas, there are also many opportunities for developing solutions that will contribute to a more sustainable society. BREEAM expertise, solid wood and renewable energy can be mentioned as examples here, and new forms of contract in which the planning phase is based on interaction with the clients gives AF an opportunity to develop solutions that are comprehensive and sustainable.



### CLEAN ENERGY FOR ALL

The UN aims to significantly increase the share of renewable energy in the world's overall consumption of energy. AF provides energy conservation services and builds energy-friendly buildings.



AF Gruppen is building a new coffee plant for Joh. Johansson Kaffe. In addition to building the actual plant, AF is responsible for the technical installations, solar cell system and outdoor installations. The building will have a strong environmental profile and will be built using solid wood and certified in compliance with Breeam Excellent. Wood is a renewable raw material that binds

CO<sub>2</sub> and requires little energy to produce. It has high strength relative to its weight and provides good insulation and indoor climate. Solar cell panels are integrated into the wood in the façade walls of the coffee processing plant in Vestby. A total of 1 280 panels will be installed with a combined output of 365 kWp, which will be used internally in the building. The estimated annual production is approxi-

mately 218 000 kWh, which corresponds to the power consumption of 12 modern single family homes for a year. The solar cell panels are to function as a "weather skin" that will withstand wind, rain and snowfall. The placement of the panels has been coordinated with the architect to achieve harmony between the aesthetics and technology. The façade will otherwise be made of solid wood.



### INNOVATION AND INFRASTRUCTURE

The UN's goal is to build solid infrastructure and restructure the business sector so that it is more sustainable, with more efficient utilisation of resources and increased use of environmentally friendly technology and industrial processes. AF is focusing on innovation and new technology to minimise environmental challenges that follow from the development of infrastructure.



AF Anlegg is building a 18.6 km four-lane motorway between Kristiansand West and Mandal East that will improve the practicability and safety of this section. The new E39 will require the felling of hardwood forest, which is

a red-listed habitat. As a compensatory measure and to preserve the diversity of species and improve the prerequisites for rare forest-related organisms, several "tree cemeteries" will be established along this section. Old,

large, trees from different important tree species will be felled in their entire length and placed back in untouched nature. They will resemble fallen trees and create fertile ground for fungus and a habitat for many insects.





### Responsible consumption and production

The UN's goal is to achieve a more environmentally friendly management of all forms of waste throughout their entire life cycle, and to reduce emissions of chemicals and waste to limit harmful effects on human health and the environment by 2030. Services provided by AF Gruppen make it possible to clean and reuse different materials.



#### Nes Environmental Centre

AF Gruppen, Esva Environmental Centre and Gunnar Holth Grusforretning have established Eastern Norway's first environmental centre for the recycling of contaminated materials at Nes in Akershus. The goal is to recycle 80% of the materials by means of new environmental technology. Establishment of the

new Environmental Centre represents a pioneering restructuring of a disposal site that has been in operation at Esva for more than 40 years. The new facility will contribute to safer waste management and disposal in the area. Materials that piled up at disposal sites earlier are now treated and become new clean raw materials. The City of Oslo spread almost

40 000 tonnes of sand on slippery winter roads last year, for example. Everything ended up at a disposal site, as opposed to major cities such as Stockholm and Trondheim that recycle their sand. The Nes Environmental Centre can solve this problem in a sustainable manner.



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**Locally-sourced and innovative heat generation:** Heat is recovered at Myrvoll Station from sewage water in a specially designed pipe.

### Myrvoll Energi

Myrvoll Energi marks the start of a new business model, in which AF will shift from delivering and operating energy plants to co-ownership in the plants as well. This reassures the customers that AF will design and deliver solutions that are optimal in a long-term ownership perspective. Co-ownership in energy plants is channelled through the AF company Enaktiva, which

is also responsible for development of the entire concept.

Myrvoll Energi will deliver heat to the Myrvoll Station project in Oppegård, which is being developed with approximately 850 residential units and broad service offerings. JM Norge, which is the largest developer in the area and Enaktiva, each own 50 per cent here. AF Energi

& Miljøteknikk has comprehensive responsibility in the project to design, install and operate the energy plant. By organising the energy plant as a separate company, the developers are able to convert development costs into ownership interests in an energy company, while the residential buyers will be assured of a supply of heat from a professional actor.



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#### AF Miljøbase Vats

Decommissioned platforms are disassembled and source separated at the environmental centre AF Miljøbase Vats in Rogaland. In 2018, 19,000 tonnes of steel were recycled, and additional contracts were signed that will generate activity at the facility from 2020. The environmental centre is the most modern of its kind in Europe, and the work here observes strict safety and

environmental requirements. Through the OSPAR Convention, Norway has undertaken to remove and recycle offshore installations that are no longer in use. AF Miljøbase Vats is custom-built for such contracts. Up to 98 per cent of the steel on the platforms that arrives at AF Miljøbase Vats is recycled for reinforcement steel, among other things. AF Offshore Decom has a discharge

permit from the Norwegian Radiation and Nuclear Safety Authority at AF Miljøbase Vats. AF Offshore Decom/ AF Miljøbase Vats have been certified by DNV GL in accordance with ISO 9001 Quality Management System and ISO 14001 Environmental Management System. The operations are inspected regularly to ensure that the standards we have undertaken to meet are upheld.