



KVERNER™

KVERNER™

Corporate Social Responsibility Report 2014

Company information

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Introduction

Kvaerner is a significant part of some of the societies in which we operate, both locally and globally. Kvaerner's aim within Corporate Social Responsibility (CSR) is to ensure that we run our operations in line with our values, our Code of Conduct and policies, relevant laws and regulations and society's expectations – with integrity. Kvaerner continuously work to identify new opportunities and how we can further contribute to addressing society's sustainability issues.

Kvaerner has a global Code of Conduct and global policies common to all units. In our Code of Conduct and policies we describe how we shall run our business, including how we shall work with our partners, subcontractors and suppliers. Each year CSR key performance indicators are set with targets for each business area. Kvaerner is proactively recognising and managing risks to achieve our CSR targets. We work closely with our customers and suppliers to achieve our goals and understand risks and to optimise the way we deliver our projects. Each year Kvaerner conducts a risk review across all our activities. The result of the Annual Risk Review in 2014 was presented to the Board of Directors in September and is the basis for the improvement actions identified for 2015.

As of year-end 2014, our total workforce comprised more than 4 500 individuals, including more than 3 000 employees and around 1 500 contract staff. Our organisation includes specialised fabrication yards and offices for engineering and procurement in eight countries. Kvaerner's head office is located in Oslo, Norway. It is important for us to be a responsible employer, and we contribute to local value creation by facilitating a higher degree of competence for local employees, subcontractors, suppliers and local contract staff.

Caring about Health, Safety, Security and the Environment (HSSE) is a core value in Kvaerner. Good HSSE performance is not only our licence to operate, but is also an effective way to work. We continuously strive to achieve our goal of zero harm to people,

the environment, property and non-material assets, and we work systematically to improve our HSSE culture and performance. In 2014, our operations resulted in nearly 20 million man-hours worked, including subcontractor hours. In 2014, 18 serious incidents or serious near misses were identified and thoroughly investigated, one of these was a severe incident resulting in amputation of three middle toes. We will not be satisfied until we reach zero undesired incidents. However, I am proud to see that our focus on risk awareness, risk observations, risk dialogue and assessment are yielding results, illustrated by our improved HSSE performance in 2014, compared to 2013 and 2012. We also further strengthened our focus on security by reviewing and further developing our security-related processes, as well as increasing the number of emergency exercises and audits.

Our Business Integrity Programme covers anti-corruption, human rights and anti-fraud. The key focus in 2014 has been to further strengthen the risk assessment processes at all levels of the organisation and to make sure we put efficient risk reducing actions in place, in particular related to the pre-qualification and monitoring of our partners, subcontractors and suppliers. I am confident that the Business Integrity Programme has yielded a positive impact on our company culture and that we contribute to improvements also with our partners, subcontractors and suppliers.

In 2014 Kvaerner executed our first People Survey. This survey included a range of questions within CSR. The People Survey

demonstrated that knowledge of our values amongst our employees is good. The People Survey also identified some challenges, one of them being Kvaerner's culture for openness to employees' concerns in the field of business integrity. All Kvaerner's business areas have focused on using the survey's employee feedback to make improvements.

In 2015 we will continue to strengthen the focus on quality and continuous improvement within CSR will drive our achievements. We believe this is the basis for conducting our business in a way that makes people proud to work with, and for, our company.



Jan Arve Haugan,
President & CEO



This report

Kvaerner's Corporate Social Responsibility (CSR) report for the year 2014 was approved by the Board of Directors in February 2015. The published report coincides with our Annual report.

All Kvaerner activities worldwide are covered, both fully owned and Joint Ventures.

We have divided our CSR report into the following chapters – following the structure used in our Code of Conduct:

Chapter 2 - About Kvaerner and how we work with Corporate Social Responsibility

Chapter 3 - Caring about our people

Chapter 4 - Caring about integrity – promoting human rights and combating corruption

Chapter 5 - Caring about Health, Safety, Security and the Environment

Chapter 6 - Caring about the community

In each chapter we describe the on-going programmes within the specified area, the goals and achievements in 2014, the results of the Annual Risk Review presented to the Board of Directors in September 2014, and the goals for 2015. Each chapter contains tables with key performance indicators with targets and actual results as well as other statistics.

The report is written both for internal and external use: for our employees, hired-ins, customers, partners, subcontractors and suppliers. It is also written with the intention of sharing best practices and challenges with other companies and organizations.

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

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About Kvaerner and how we work with CSR

Kvaerner is an international contractor and preferred partner for oil and gas operators and other engineering and fabrication contractors. The company has decades of experience as an Engineering Procurement Construction (EPC) contractor, covering a wide range of technologies and solutions. Kvaerner has offices, facilities, projects, and management of key subcontractors and suppliers in about a dozen countries.

Our people, portfolio and experience

The Kvaerner organisation includes specialised fabrication yards and offices for engineering and procurement in Norway, Canada, UK, USA, Kazakhstan, Russia, China and Finland. Kvaerner's head office is in Norway.

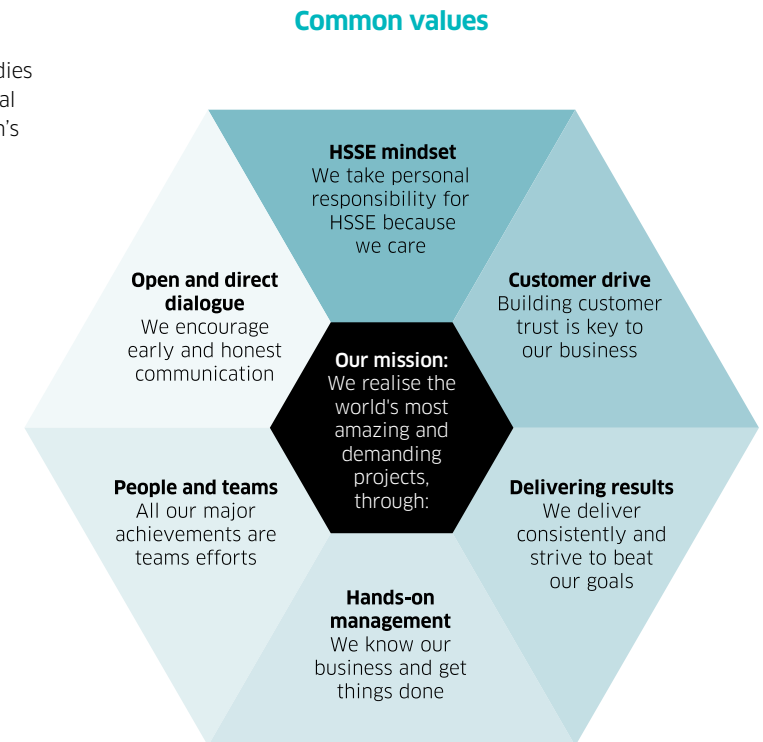
The Kvaerner and Aker groups have decades of experience as EPC contractors for onshore and offshore facilities, covering a wide range of technologies and solutions. The Kvaerner group has been established to further leverage the experience and expertise built up through project execution over more than 40 years. Based on this solid foundation, we have a clear objective for further growth.

Kvaerner has several Joint Venture Partners around the world and a typical project involves more than 300 first line suppliers. Kvaerner uses many large subcontractors; several of these are located in Poland.

Kvaerner was in 2014 organized into four different business areas:

- **Contractors Norway:** Contractors Norway has a long tradition of delivering offshore platforms and onshore facilities to oil and gas companies. Kvaerner's modern and compact fabrication yard at Stord on the Norwegian West Coast is one of the key assets. The unit for engineering, procurement and project management has experience and documented successes from several of the world's most challenging projects.
- **Jackets:** Jackets delivers conceptual and feasibility studies, front-end engineering and design (FEED), detailed engineering, procurement, overall project management, fabrication management, fabrication and delivery of steel substructures for offshore platforms. Jackets operates with a highly specialised and modern fabrication yard in Verdal in Mid-Norway, with design and engineering offices both in Oslo and Trondheim.

- **Concrete Solutions:** Concrete Solutions delivers concrete substructures for fixed and floating offshore oil and gas platforms. The concrete substructures have for decades been preferred solutions among oil companies with offshore field developments in regions with harsh or Arctic weather conditions.
- **Contractors International:** Contractors International works closely integrated with Contractors Norway and offers Kvaerner's solutions and capabilities to customers around the world. Kvaerner has a network of offices around the world for studies and business development. The most prominent international locations are currently in London, Houston, Moscow, St John's (Canada), Beijing and Qingdao.



Employees per country

Employees per country	2012	2013	2014
Own employees	2 966	2 832	3 049
Staff per country			
Norway	2 632	2 722	2 932
Finland	34	33	34
England	12	9	7
USA	229	15	14
Canada	4	13	13
Russia	19	18	20
Kazakhstan	18	6	2
China	12	13	27

Office locations

Country	Norway	UK	Finland	USA	Canada	Russia	Kazakhstan	China
Office locations as of 31 December 2014 (alphabetical order)	Oslo Molde Stavanger Stord Verdal	London	Ulvila	Houston	St. John's	Moscow Nakhodka	Atyrau	Beijing Qingdao

As of 31 December 2014, the total Kvaerner workforce comprised 4 638 individuals, including 3 049 permanent employees and 1 589 contract staff. Apprenticeships are an important way to recruit new employees to the company's fabrication entities, while enabling the company to transfer knowledge and experience to a new generation of employees. By year-end 2014, there were 167 apprentices employed under the applicable national and regional arrangements, an increase with 4.4 percent from 2013.

The Kvaerner yards at Stord and Verdal are indeed "cornerstone businesses" for the local communities and have both a large impact on the local societies.

Major project execution activities in 2014

In 2014 Kvaerner executed several large projects with different customers around the world:

- **Eldfisk:** In 2011, Kvaerner signed an EPC-contract with ConocoPhillips for the construction of topsides and bridges for the Eldfisk platform 2/7 S in the North Sea. On 16th May 2014 it was towed from Stord to field and lifted onto the jacket in two separate lifts. Since then, Kvaerner has performed the offshore hook-up work to prepare the platform for production. On 3rd January 2015, Eldfisk reached its most important milestone, as it started producing from its first own well.
- **Edvard Grieg:** In May 2012 Lundin selected Kvaerner as their main partner for the development and construction of the Edvard Grieg topsides. Kvaerner is responsible for engineering, procurement and construction of the topside for the Edvard Grieg platform.
- **Nyhamna:** In May 2012 Kvaerner signed a contract with Shell for engineering, procurement, construction and management for expansion of the gas receiving facility at Nyhamna. The Nyhamna gas plant processes natural gas from the Ormen Lange gas field located in the Møre Basin in the southern part of the Norwegian Sea.
- **Hebron:** The Hebron oil field is located offshore Newfoundland and Labrador in the Jeanne d'Arc Basin 350 kilometres southeast of St. John's. Kiewit-Kvaerner Contractors a 50/50 partnership between Peter Kiewit Infrastructure Co and Kvaerner Newfoundland Ltd was awarded a contract by ExxonMobil Canada Properties (EMPC) for the Hebron Project gravity based structure. The contract is for the design, procurement, construction and installation of the Hebron GBS.

All projects are executed within our global framework for corporate social responsibility. Each project establish and are reporting on CSR Key Performance Indicators and each project is constantly looking for project-specific opportunities on how to best possibly contribute to address the sustainability issues in the local societies where the project is executed. Indeed, each project will have project specific challenges and improvement areas.

Corporate Social Responsibility - Basic corporate values and ethical guideline

Corporate Social Responsibility (CSR) is an integrated part of the management responsibility within Kvaerner. Our corporate goals and activities within CSR are anchored at the Board of Director level and each business area is responsible for their implementation.

The Code of Conduct summarises the group's values and standards of behaviour in all type of activities, everywhere. It covers all areas within corporate social responsibility: human rights, prevention of corruption, employee rights, health, safety, security and the working environment, discrimination and the environmental area, community-work and sponsorships.

The Code of Conduct is available in six languages, English, Norwegian, Polish, Russian, Chinese and Kazakh at the company's website www.kvaerner.com/en/Environment--Society/Kvaerner-Code-of-Conduct. Kvaerner consider value-creation in the societies the company operate in as an important part of its corporate social responsibility. Kvaerner also considers a close cooperation with the labour unions fundamental to be successful in the corporate social responsibility work. The Code of Conduct is the principal document in the Kvaerner governing documents hierarchy, and all policies and procedures within Kvaerner shall be consistent with the Code of Conduct.

"Caring about the community": Kvaerner is a significant part of some of the societies in which we operate, both locally and globally. In our Code of Conduct it is stated that each employee is challenged to look for opportunities that benefit both society and our business and that each employee shall seek to minimize any negative impact our business activities may have on society.

"Caring about the people" - The People Policy: This People Policy sets out Kvaerner's fundamental principles for ensuring the ability to attract, engage and retain a workforce with the right skills, attitudes and behaviour. With several thousands of employees around the world, representing many cultures, religions and ethnic groups, the Kvaerner focus is to help each employee realise his

or her potential and look after his or her health and safety. All Kvaerner efforts are guided by a commitment to protect the human rights of the employees, contract staff as well as our partner, subcontractor and supplier staff.

"Caring about Health, Safety, Security and Environment (HSSE)" -

The HSSE Policy: Kvaerner employees are entitled to a workplace which is safe and secure. Kvaerner has a zero incident mind-set, meaning that the target is zero personal injuries and zero cases of work related illness. Kvaerner continuously works to reduce the environmental footprint of its operations and products and the methodology for reporting environmental impact derives from the Greenhouse Gas Protocol - GHG, and Global Reporting Initiative - GRI. The Norwegian yards are certified according to the ISO 14001 environmental standard.

"Caring about integrity" - The Business Integrity Policy: The Business Integrity Policy covers three main areas; human rights, corruption and improper payments and fraud. The company shall conduct its business in accordance with the fundamental human rights stated in the United Nations Universal Declaration of Human Rights (1948) which defines a number of fundamental principles on religious, political, cultural, economic and social rights. Compliance with national, regional and international legislation and conventions is mandatory in Kvaerner, but business integrity extends beyond simple compliance. Kvaerner shall emphasise to conduct its business in a manner that makes people proud of working with and for the company.

Kvaerner is proactively recognising and managing risks to achieve our CSR targets. In 2014 a separate Risk Management Policy was established. The purpose of the Risk Management Policy is to set out the operating principles within Kvaerner risk management.

The governance structure specifies the distribution of rights and responsibilities among different functions in the corporation (such as shareholders, the Board of Directors, management at all levels, auditors and other stakeholders) and specifies the policies and procedures for making decisions in corporate affairs. The key corporate planning and control processes are the annual strategy-, risk-, finance-, control- and management performance processes. In addition, Kvaerner Corporate makes quarterly and monthly business reviews. The table below gives a summary description of each of these processes, CSR being a part of each process:

Corporate planning and control processes, CSR is a part of each process

<p>Annual strategy process</p>	<p>The Board of Directors evaluates Kvaerner's strategy, goals and guidelines, through a designated strategy process and a strategy workshop. In 2014, the Strategy Workshop with the Board of Directors took place in September.</p>
<p>Annual risk review process</p>	<p>The Board of Directors performs an annual risk review focusing on the most important areas of exposure to risk and its internal control environment. This is linked to the annual strategy process. In Kvaerner we have chosen to divide the review into 4 areas:</p> <ul style="list-style-type: none"> > Finance > Business development and operations, including people and organization > Health, Safety, Security and Environment > Business Integrity - comprising corruption and human rights <p>In 2014, the risk review with the Board of Directors took place in September.</p>
<p>Annual finance budget process</p>	<p>Each business area is required to prepare budgets annually. These budgets should cover the next financial year, as well as projections for the following years. Budgets must be prepared in accordance with targets set in the annual strategy process, including CSR.</p>
<p>Annual internal control process</p>	<p>Each business area is required to perform an internal control process to ensure that all business activities meet financial and non-financial requirements, including CSR, and are carried out in accordance with the group's common norms and values.</p>
<p>Annual management performance process</p>	<p>An annual performance dialogue is performed to clarify each employee's job accountabilities, set clear objectives, follow up progress, and evaluate performance and employee development. The evaluation includes performance within CSR.</p>
<p>Quarterly and monthly business reviews (QBR and MOR)</p>	<p>Each business area reports status for ongoing operations on a monthly and quarterly basis. MOR (Monthly Operating Report) monitors the development of business operations according to defined Key Performance Indicators (KPI), including CSR. QBR (Quarterly Business Report) is used as the basis for quarterly reporting to shareholders and the market. The focus on quality and continuous improvement shall drive our achievements, our customer relations and our financial performance.</p>



Reporting concerns – whistleblowing

Kvaerner employees have many ways of addressing concerns. Kvaerner employees are encouraged, whenever possible and feasible, to raise questions and report issues to their line managers and representatives of senior management. Any allegation of potential violation of the Kvaerner compliance policies can be reported confidentially or anonymously to the Corporate Compliance function via the whistleblowing channel available at the Kvaerner external website www.kvaerner.com and through the Kvaerner intranet. Statistics for 2012, 2013 and 2014 are included in chapter four.

Our partners and suppliers

In our Code of Conduct we state that “Kvaerner will cooperate with partners, suppliers and subcontractors who themselves adhere to the same high standards as we do,” and that Kvaerner is committed to monitoring ethical performance and to taking immediate and thorough steps in cases where the ethical performance of its suppliers is questioned. We will work towards our goals by driving continuous improvement through systematic engagement with our partners and suppliers.

Kvaerner has a supplier and subcontractor pre-qualification system, which is mandatory for the use of suppliers and subcontractors. The purpose of the pre-qualification system is to ensure that compliance with Kvaerner’s business principles, ethical standards, HSSE requirements, certificates and finances are verified and approved prior to the engagement of suppliers or subcontractors in actual projects. This enables Kvaerner to have a base of suppliers and subcontractors available when new projects are started. Kvaerner may also use the pre-qualification system for the evaluation of suppliers and subcontractors for references in later projects. The Kvaerner supplier and subcontractor declaration describes the conduct that suppliers have to comply with, and shall be signed by all current and future suppliers and subcontractors of Kvaerner in order for such parties to be pre-qualified as Kvaerner suppliers or subcontractors. The declaration is available at www.kvaerner.com/en/toolsmenu/Suppliers2. Suppliers and subcontractors have to undertake that they will comply with all applicable laws and regulations, the UN Declaration of Human Rights, and other international laws and codes of conduct where applicable; that they will work ambitiously, through continuous improvement, for a healthy, safe and secure work environment which, as a minimum, is in accordance with applicable laws and regulations, as well as with Kvaerner’s code of conduct. The suppliers and subcontractors furthermore commit to promote the implementation of the

principles set forth in this declaration towards their own suppliers and subcontractors.

In 2014, several improvement initiatives were implemented to further strengthen how we work within CSR with our partners and suppliers. We have introduced a more systematic methodology for how to perform integrity due diligences in the pre-qualification phase and how to perform ongoing monitoring. We have also introduced a more systematic approach on when and how to perform audits. In 2015 we will continue to strengthen our integrity due diligences and audit work.

Collaboration with the unions

There is close collaboration in Kvaerner between Management, Human Resources and the Norwegian unions. In order to ensure an open, continuous and close dialogue and co-operation, there are several fixed meeting arenas for the Norwegian unions and company representatives on all levels of the organisation. Furthermore, ad-hoc meetings take place when requested and required by either party.

Learning from others

Kvaerner actively participates in workshops and conferences with other companies and organisations in order to learn from the experiences of others and share our own lessons learned. In addition, Kvaerner actively uses support from several external consulting companies for various tasks, from audit and investigation support, to due diligence and advice within different CSR areas. In some cases this is because the relevant competence may not be available internally in Kvaerner, in other cases this is because we see the need to get an independent and objective external view. For example, in 2013 and 2014 three different external companies were engaged by Kvaerner to perform Integrity Due Diligence studies. The Corporate Internal Audits within CSR in 2013 and 2014 were executed with support from external consultants.



Caring about our people

A competent and motivated workforce, striving toward the same goals, is vital to Kvaerner's success. All major achievements are the results of team efforts. In the end, our results are dependent on the skills and motivation of our employees and contract staff.

Goals and achievements

Diversity and equal opportunities

Kvaerner's operations require a variety of people from different parts of the world and business areas. Our principles of equal opportunity are well established, both nationally and internationally, with equality of treatment across different genders, ethnic groups and nationalities. Our commitment is clearly outlined in the Code of Conduct, the Business Integrity Policy, People Policy and in the Global Framework Agreement for the development of good working relations, a three-party frame agreement with national and international trade unions.

The agreement describes Kvaerner's commitment to respect human and trade union rights, acknowledging the fundamental principles of human rights with a specific focus on non-discrimination. Kvaerner aims to hinder any form of discrimination, harassment or bullying (see also chapter three on Caring about integrity) through equal opportunity training with employees.

During the recent years there has been a lacking availability of skilled operators in Norway. Hence employees from abroad have been engaged both on permanent and temporary basis. Especially during periods of peaks in workload, a significant number of temporary operators from different countries are engaged. Cultural competence and awareness among leaders and employees together with well working welfare is crucial to be successful in integrating all employees.

Equal opportunity for both genders is a basic principle in Kvaerner, evidenced in the recruitment of new employees, employment conditions, compensation and training policies.

Currently, women account for 15 percent of Kvaerner's workforce which is a decrease of 2% compared to 2013. Some 16 percent



Gender distribution

Gender distribution	2011	2012	2013	2014
# of Females in percentage on total workforce	15%	15%	17%	15%
# of Males in percentage of total workforce	85%	85%	83%	85%
Share ratio in percentage - females holding senior management positions	16%	16%	16%	16%
Share ratio in percentage - males holding senior management positions	84%	84%	84%	84%

Parental leave Norway

Parental leave Norway in 2014	Female	Male	Total
Total employees in Norway	400	2 532	2 932
# Employees who took parental leave	15	76	91
# Employees returning after parental leave	6	63	69

Key staff figures

Key staff Figures	2012	2013	2014
Kvaerner employees	2 966	2 832	3 049
Contract staff (at year end)	1 021	1 324	1 589
Full time / Part time	Not available	2 832 / 76	3 049 / 77
New employees	329	227	228
Age of new Kvaerner employees			
<30		104	100
30-50		89	100
>50		34	28
Gender of new Kvaerner employees - M / F	329 / 62	227 / 16	189 / 39
Employee turnover	4.9%	4%	4%

of senior Kvaerner managers and three of the company's six shareholder-elected Director positions – as stipulated by Norwegian law – are held by females. In the course of 2014 there has been limited recruitment of new employees and the recruitment base for actual vacancies have consisted of less females than males. In 2014 four percent of females in senior management positions completed company leadership development training programmes. Leadership training is vital in increasing the number of females promoted to managerial positions. Employment conditions and compensation packages are based on responsibility and personal performance, irrespective of gender.

Kvaerner released a module-based business integrity eLearning programme, including specific clarification of our policy for discrimination, harassment and bullying. In the course of 2014, 57 percent of all employees completed the eLearning module on discrimination, harassment and bullying (see chapter three).

Recruitment and retention

Kvaerner is focused on the retention of an experienced workforce and the employment of graduates and apprentices. Kvaerner recruited 228 new employees in 2014. About 43.5 percent of these were below 30 years of age, 43.5 percent between 30 and 50 years and 13 percent above 50 years. The total voluntary employee turnover was 4 percent in 2014.

It is essential for Kvaerner to retain existing competencies and develop and recruit new competencies. The company offers an inspiring and challenging work place, with a high degree of teamwork and good individual career and development opportunities.

Kvaerner depends on the constant convergence of newly skilled workers and operators with its established employees, thus maintaining high level core knowledge and experience at its two major yards, Stord and Verdal. Kvaerner's continuous focus on recruiting new apprentices is the key to replenishing major yard positions and professional competence. In 2014, there were 167 apprentices at the Stord and Verdal yards in total.

The voluntary turnover rate of 4 percent is regarded as sound, and Kvaerner has managed to recruit the necessary competence during 2014. The total number of new employees as of 31 December 2014 was 228. The total number of apprentices increased from 126 as of 31 December 2012, to 160 at year end 2013 with a further increase to 167 at year-end 2014, which is a total increase of 4.4 percent.



Learning and development

To execute some of the world's most demanding projects, Kvaerner must attract, retain and develop talented and motivated people, and teams who understand our customers' needs and requirements. Safe operations and added value for customers, employees, shareholders and other stakeholders are made possible through a strong focus on continuous project management education and the practical training of leaders, employees and teams at all levels. All training is based on the company's core values, the Code of Conduct and the leadership principles. HSSE is one of Kvaerner's core values and central to all training activities (see also chapter five).

Developing project management competence and awareness

Outstanding project management is a crucial success factor for Kvaerner. To maintain and upgrade formal project management qualification certification, Kvaerner provides post-qualifying education and certification for selected managers in projects. From 2012 to the end of 2014, Kvaerner has developed 69 certified leaders spread across all International Project Management

Association (IPMA) competence levels. The majority of the certified leaders are on the 'C' competence level. The certification process ensures a focus on project management and control.

Utilising awareness and knowledge

All project deliveries reflect collaborative team efforts. The Project Execution Model (PEM) is, together with highly skilled and fully aligned project teams, a key to success. The Training Centre trains project management teams in the practical application of the PEM through predefined workshops involving representatives of our Executive Management Team.

Leadership training and development

The Leadership Training programme (KLT), established in 2011, provides practical leadership training for first time and first line managers. This is the basic programme for leadership in Kvaerner. The majority of the participants will take on leader positions in projects. In Kvaerner's latest projects the Leadership Alignment Programme model (LEAP) has been developed. The programme

Overview of benefits for permanent employees

Overview of benefits for permanent employees 2014	Norway	England	Finland	USA	Canada	Russia	Kazakhstan	China
Life insurance	X	X	X	X	X	X		
Health care	S	X	S	X	X	X	S	S
Disability/incapacity coverage	X	X	X	X	X	X	S	S
Retirement pension plan	X	X	X	X	X	S	S	S

X = The company is providing arrangements beyond any statutory requirements. S = The arrangements are limited to any statutory requirements.

Employee training

Employee Training ¹⁾	2012	2013	2014	Target 2015
Kvaerner Leadership Training (# of participants)	83	88	53	60
Kvaerner Leadership and Alignment Programme (LEAP) (# of participants)	Not available	Not available	209	330
Certification of project managers (# of employees)	4	28	37	15
Induction training (% completed)	Not available	98%	98%	98%

1) Note: for training within Integrity and HSSE - see sections 3 and 4.

Graduate programmes

Graduate Programmes	2012	2013	2014	Target 2015
Total # of apprentices (Verdal and Stord yards)	126	160	167	TBA
Technical College, Stord (# of employees)	Not available	12	14	TBA
Total # of students conducting theses	10	14	13	5

is applied both internally and together with our customers and subcontractors.

Educational pathway programmes

In order to secure a consistent inflow of engineering competencies, the company, through its Business areas, has implemented educational pathway programmes to help motivated, qualified, and skilled Kvaerner workers and operators secure engineering degrees.

The pathway consists of three steps: Technical College, University College and University. The aim is to increase the number of practical engineers able to prepare for, follow-up and manage construction activities. The two-year formal technical study coincides with ordinary work. Workers/students are placed in a fixed rotation – two weeks work and one week study – and complete the study within the same timeframe as full-time students. Since 2011, the Technical College has started three mechanical and automation classes, attracting some 45 Kvaerner students.

Engineering students through the Jackets Business area start and finalise their apprentices at Verdal yard. Following certification, students are granted leave to complete a Bachelor's or Master's Engineering Degree at a selected University. Project assignments and theses during their studies are defined and accomplished in collaboration with Kvaerner.

Throughout 2014, three Leadership Training programmes (KLT) have been completed, with a total of 53 participants, and 209 have participated in the Leadership and Alignment Programme (LEAP) in projects. The Leadership Alignment Program (LEAP), consisting of three modules, of which one is dedicated to cross cultural awareness and understanding. The temporary employees are invited to participate in all social events arranged by the projects. Site representatives for the major companies providing temporary workforce to Kvaerner, are present at the yard. The site representatives serve as the connecting link between the temporary employees and Kvaerner as well as helping and assisting the employees with various practicalities. The Kvaerner Training Centre has facilitated eight workshops in the course of 2014.

Work-life balance

An important factor in ensuring the health and wellbeing of employees is the provision of a sound balance between work and private life, as set out in the People Policy. The company's business areas are encouraged to create practices based on work patterns that suit the employee and the business area and, as a minimum, comply with local legislation and practices. Examples of such work patterns are typically staggered hours, flexi-time, working out of the

office with remote access to computer systems, and a compressed working week. Focusing on a positive work-life balance should benefit everyone concerned. The business areas have arranged flexible work patterns to suit the needs of staff and the nature of the work involved. Kvaerner provides remote computer access for employees when requested and required.

People Survey

Continuous improvement is a high priority in Kvaerner. Kvaerner's first People Survey was carried out in the course of May 2014. The feedback will contribute towards the further development of the company with respect to employee wellbeing, engagement and motivation at work. All Kvaerner's Business areas have focused on using the survey's employee feedback to make improvements. The follow-up process included analysing and presenting results, alongside discussing and prioritising areas of improvement. Improvement goals with supporting actions were concluded at most levels in the organisation. A continuous communication of the ongoing follow-up process, combined with bi-monthly status reporting, have been emphasised to secure a consistent focus on the improvement initiatives going forward.

An overall response rate of 80 percent was achieved. The follow-up process has contributed to reinforcing the employees' and management's engagement relating to continuous organisational improvements. Furthermore, a structured and well-defined follow-up process has resulted in prioritised improvement goals, with supporting actions, in all business areas.

The People Survey demonstrated that knowledge of our values amongst our employees is good. The People Survey also identified some challenges, one of them being Kvaerner's culture for welcoming employees' concerns in the field of business integrity. The People Survey results indicated that there are employees in the company who have experienced discrimination and harassment in the workplace. For the units in concern, Human Resources and Compliance have implemented focused improvement actions including special training and talks with the managers and employees.

Results of the Annual Risk Review

Kvaerner is proactively recognising and managing risks to achieve our targets within the People area.

In 2014, the risk review with the Board of Directors took place in September. The results of the annual risk review are used to establish the improvement activities required to reach the set

targets. Kvaerner continuously work to identify new opportunities and how we can further contribute to addressing society's sustainability issues.

It is vital that Kvaerner secures competencies within all relevant disciplines for the execution of its operations. Changing demands and the market situation in the industry affects the requirements for competence composition. The ability to retain core knowledge and simultaneously strengthen and develop competencies within new areas is regarded as a risk and a main area of focus. This applies to both permanent and temporary employees.

Competition within the industry has gradually increased and may represent a risk in securing a satisfactory work-life balance for Kvaerner's employees.

Goals for 2015

Diversity and equal opportunities

The number of females recruited and assuming leadership positions did not increase during 2014. However, Kvaerner will continue to focus on the recruitment of females and encourage and motivate women to take on leadership positions at different corporate levels in 2015. The company will continue to provide mandatory training programs for all employees in 2015, further developing its positive company awareness and a culture reflecting zero tolerance for discrimination, harassment and bullying (see also chapter four).

Retention and recruitment

Kvaerner is committed to the retention of its permanent workforce and will continue to maintain and further develop the Kvaerner employer brand. The company seeks to motivate young people through apprenticeships at its yards and works consistently with technology students at the universities. Kvaerner continues to develop its relationships with relevant vendors of contract employees in order to secure the availability of this workforce during peak project activity.

Learning and development

Kvaerner aims to maintain its strong focus on developing people and teams in 2015, and ensure that its training programmes meet the changing requirements in the industry. Kvaerner will secure certification of project managers, programmes in the Training Center, a mentor programme, as well as the Leadership and Alignment Programme in projects (LEAP) and the Leadership Training Programme (KLT). 330 individuals are planned to complete The Leadership Alignment Program (LEAP) where one module is dedicated to cross cultural awareness and understanding.

Participation in LEAP applies both for permanent and temporary employed leaders at all levels. In 2015 Stord yard will appoint a welfare officer with the responsibility for establishing and organising a various range of welfare offerings for temporary employees.

New students will be invited to sign up for engineering studies at the Stord Technical College and the Jackets Business area will continue the graduate programme. A new group of apprentices will be recruited over the course of 2015.

Work-life balance

Kvaerner will continually focus on providing a working environment based on maintaining a sound balance between employees' professional and private lives. The company will provide adequate awareness training for employees and managers.

Organisation

In 2015 Kvaerner will focus on achieving the improvement goals as defined and concluded as a result of the People Survey 2014. The status of the improvement work is subject to reporting on a bi-monthly basis and regular communication on its status will be provided to all employees. The next People Survey is planned to take place in March 2016.

For each of the above goals, concrete actions plans including how to achieve it are established. Applicable Key Performance Indicators are set with quantitative targets in order to be able to assess our level of achievement.

People survey 2014



The voices of the global Kvaerner team



Know
your people
Know your
business

Caring about integrity – promoting human rights and combating corruption

Kvaerner has chosen to combine human rights and anti-corruption activities into the same programme, as ethics and integrity are key drivers for both areas. Corruption threatens democracy, human rights and social justice, and prevents fair competition and economic development. The key focus in 2014 has been to strengthen the risk assessment processes at all levels in the organisation. Making sure that we do not compromise on integrity under any circumstance is the key message in all communication activities.

The Business Integrity Programme

The Business Integrity Policy covers the following areas:

- **Human Rights:** freedom of expression, freedom of association and collective bargaining, labour standards, forced labour, child labour, minority rights, harassment and discrimination, and purchase of sexual services.
- **Corruption and improper payments:** corruption and bribery, facilitation payments, gifts, entertainment expenses, conflict of interest, charitable donations and sponsorships, and contribution to political organisations, fair business competition, maintaining accurate and truthful books and financial records.
- **Fraud:** The term 'fraud' comprises several irregularities that have breach of integrity as a common denominator.

The Business Integrity Programme is the tool for deploying the business integrity policy – transforming words into practical actions. The Business Integrity Programme is divided into **preventive**-, **detectable**- and **responsive** activities. The programme is built upon the key principles set out in the UK Bribery Act, guidance given by Transparency International on how to build up an anti-corruption program, as well as best practices collected from other companies and organisations. The key activities within each of these three areas are shown in the table below.

The Kvaerner Business Integrity Programme

Prevention

- Clear communication of expectations at all levels in the organisations
- Continuous risk assessments at all levels and Annual Risk Review with Board of Directors
- Solid governing documents
- Extensive training programmes
- Risk-based integrity due diligences of partners, third party representatives, suppliers and subcontractors
- Learning from other companies and organisations – share own experiences

Detection

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

Response

- Investigation of all reported concerns / whistleblowing
- Consistent implementation of response actions

Violations of law and policies may be a result of unfortunate conditions within the organisation. In Kvaerner we focus heavily on the following three important topics:

Watch your pressure

- Pressure may for example arise in connection with winning a contract, achieving a project milestone where any delays must be avoided, meeting stretched financial targets

Avoid and remove fear and silence

- Fear of reprisals from management, fear of reprisals from colleagues

Watch out for complacency

- Avoid pretending that violation is solely occurring in other companies, in developing countries and vice versa

The owner of the Business Integrity Programme is the Corporate VP Compliance. The Executive Vice President of each business area is responsible for assuring that all activities within the business area comply with laws and regulations and the Kvaerner policies, hence a large portion of the activities are owned by the business areas. The result of the risk reviews determines the key activities. Some of the activities are global activities, other are business area or project specific activities.

The key factors in succeeding with compliance work are knowing your people and knowing your business. Your people are the building blocks of the company; the level of competence and attitude of your people is critical to assure compliance. The risks within business integrity highly depend on what type of business activities you have. Kvaerner works with several partners around the world and several hundred suppliers and subcontractors.

Goals and achievements in 2014

In 2014, there has been a clear focus on strengthening the risk assessment processes at all levels in the organisation, making business integrity an integrated part of regular business development and running operations risk evaluations. The result of the risk assessment shows where further risk reducing actions need to be implemented, and we need to assure that these actions are efficient.

Business integrity risk assessments in the supply chain

Company	<ul style="list-style-type: none"> ➤ Type of company structure ➤ Length of relationship ➤ Governing structure and programmes ➤ Known issues: both ongoing criminal investigations and past convictions ➤ Allegations in mass media and social media
Criticality	<ul style="list-style-type: none"> ➤ Contract value / volume ➤ Dependency ➤ Strategic importance
Country	<ul style="list-style-type: none"> ➤ CPI index (transparency international) ➤ Human rights track record
Nature of services	<ul style="list-style-type: none"> ➤ Contact with officials? ➤ Use of agents? ➤ Procurement? ➤ Logistics?

The Transparency International Corruption Perception Index (CPI)

Country	CPI 2014	CPI 2013	CPI 2012	Rank 2013 → 2014
Finland	89	89	90	3 → 3
Norway	86	86	85	5 → 5
Canada	81	81	84	9 → 10
Australia	80	81	85	9 → 11
United Kingdom	78	76	74	14 → 14
USA	74	73	73	19 → 17
Poland	61	60	58	38 → 35
China	36	40	39	80 → 100
Kazakhstan	29	26	28	140 → 126
Russia	27	28	28	127 → 136

Within supplier and subcontractor management Kvaerner has further strengthened the pre-qualification integrity due diligence process during 2014, introducing a more systematic approach on how to perform the risk assessment and what actions to take as part of the due diligence. We have also introduced a more robust follow-up monitoring of the suppliers and subcontractors after the initial integrity due diligence.

Kvaerner operates in a wide range of countries with different inherent business integrity risk. The table above shows the Transparency International Corruption Perception Index for the countries where Kvaerner has office locations.

Business integrity training

Training is one of the most important tools to prevent compliance issues within the field of business integrity. The training program consists of mandatory classroom courses and eLearning modules. In late 2013 we launched five eLearning modules to complement the face-to-face training and in 2014 76 percent of our employees completed the modules. In May 2014 Corporate Compliance conducted on-site training courses for all employees of the Kvaerner Joint Venture with COOEC in Qingdao, China.

People Survey 2014

In May 2014 Kvaerner performed a People Survey with all our employees (for description of the overall scope and findings see Chapter two on "Caring about our people"). This survey contained a series of questions within business integrity to collect employee feedback on

- knowledge of the governing documentation and quality of the training programmes
- exposure to business integrity topics
- willingness to report concerns and fear of reprisals
- trust in management following-up reported concerns in a good manner

The People Survey identified a need to take a closer look at Kvaerner's culture for being open towards employees' concerns in the field of business integrity. All Kvaerner's business areas have focused on using the survey's employee feedback to make improvements.

The People Survey results indicated that there are employees



in the company who have experienced discrimination and harassment in the workplace. For the units in concern, Human Resources and Compliance have implemented focused improvement actions including special training and talks with the managers and employees.

Corporate audits within CSR

The result of the Annual Risk Review is the basis for the selection of the corporate audits. In 2014, the corporate audit team executed two audits within the business integrity area; one on conflict of interest and bribery related to selection of suppliers and subcontractors, and one on facilitation payments and bribery related to import of materials and permits. No cases of facilitation payments or corruption were detected during the audit. Within conflict of interest some concerns were identified and are now followed-up. In addition, the audits showed that financial

controlling needs to be strengthened within some areas.

Reporting concerns/whistleblowing

Kvaerner encourages its employees, as well as contract staff, partners, suppliers and customers, to report any concerns in terms of compliance with law and/or ethical standards. In 2014 Corporate Compliance received 13 whistleblowing reports, compared to 12 and four in 2013 and 2012 respectively. The majority of the whistleblowing reports were related to labour conditions. Each report was investigated according to the established Kvaerner investigation procedure. The results of some of the investigations led to disciplinary actions being taken, while others led to improvement actions being implemented in processes in Kvaerner and among suppliers. In some cases, the investigation did not establish any facts supporting the allegation.

Business integrity training face-to-face courses

Business integrity training face-to-face courses	2012	2013	2014	Target 2015
% Employees trained in in-depth face-to-face courses	95% of all employees (new training programme launched)	100%	Target: All new in exposed roles Actual: 94%	All new in exposed roles 100%
% New employees and contract staff trained in Induction training	Not available	98% (new training programme launched)	Target: 98% Actual: 98%	100%

Business integrity eLearning modules

Business integrity eLearning modules	Target # of participants	Actual # of participants	Completed in % of target
Corruption, bribery and facilitation payments	597	632	100%
Gifts and entertainment	1 010	606	60%
Discrimination, harassment and bullying	2 782	1 585	57%
Conflict of interest	1 010	651	64%
Labour conditions	672	639	95%

Corporate audits within business integrity

Corporate audits within business integrity	Topic
2013	<ol style="list-style-type: none"> 1. Audit within labour conditions and HSE among contract staff/suppliers 2. Audit within gifts and entertainment
2014	Target: 2 Result: 2 completed: <ol style="list-style-type: none"> 1. Audit within bribery and facilitation payments related to import of materials and passport/visa/working permits 2. Audit within bribery and conflict of interest related to selection of suppliers and subcontractors

Reporting concerns / Whistleblowing

Reporting concerns / Whistleblowing

Reporting concerns / Whistleblowing	2012	2013	2014
# reported concerns via the whistleblowing channel to the Corporate VP Compliance	4	12	13

Based on the result of our risk assessments, we still consider that the number of whistleblowing reports is too low and continue to work to stimulate employees and externals to report their concerns. The People Survey performed in May 2014 revealed the need to further educate our employees on the process of reporting concerns, and remove any fear of reprisal. In order to achieve this several actions have been put in place: Separate sections with Line Managers and Human Resources to walk through the roles and responsibilities, department meetings with all employees. To support these meetings Corporate Human Resources has developed a specific training material on reporting concerns/whistleblowing together with the Corporate VP Compliance.

Learning from other companies, organisations and governmental units

Sharing experiences is essential in creating efficient programmes aligned with the best industry practices. In November 2014, Kvaerner participated in the Anti-Corruption in Oil & Gas conference in London, giving a presentation on how we work with anti-corruption measures with our Partners, Third Party Representatives and suppliers. In December 2014, Kvaerner entered the Norwegian "speilkomite" for the development of the ISO WD 37001 Anti-bribery management system. Kvaerner also participated in the "Omverdensanalyse" organised by the Norwegian Police in December 2014.

Results of the Annual Risk Review 2014

Kvaerner is proactively recognising and managing risks to achieve our targets within business integrity.

In 2014, the risk review with the Board of Directors took place in September. The results of the annual risk review are used to establish the improvement activities required to reach the set targets. Kvaerner continuously work to identify new opportunities and how we can further contribute to addressing society's

sustainability issues. The compliance/business integrity risk assessment is owned by Corporate Compliance.

The main input sources for the risk assessment are risk reviews and reports from business areas and Corporate units, risk reviews in the Corporate Investigation team, feedback from employees during and after business integrity training courses, whistleblowing reports, results of investigations and audits, results of due diligences, and information from external sources on country and activity risks.

Within business integrity the following top five risk areas were identified:

- > Business development activities in Russia
- > Supply management activities in Asia
- > Activities in Kazakhstan
- > Conflict of interest and data protection
- > Bullying, harassment and discrimination

For each of the risk items, actions to reduce risk are established and implemented. Accurate and targeted actions are continuously needed within the above top five item areas to reduce the risk of breaches, especially in the countries where the inherent risk is high, such as in Kazakhstan, Russia and China. The actual risk level for Kvaerner will, of course, depend greatly on the type of activities and activity level, as well as the level of training, monitoring and control actions put in place.

In 2014, several countries, including the United States, European Union and Norway introduced restrictions on certain dealings with Russia and with selected Ukrainian and Russian nationals and companies. Kvaerner is closely monitoring this and is in close dialogue with the Ministry of Foreign Affairs.

Goals for 2015

The main goals for the Business Integrity Programme in 2015 are established based on the results of the Annual Risk Review in 2014. Key Performance Indicators are established in order to measure status and trends.

Key goals for further improvements are:

- > Risk management: We will work to further strengthen the quality of the risk assessments at each level in the organisation, in particular with our partners and in the supply chain. We will closely follow the implementation and the efficiency of the risk reducing actions and constantly review the risk picture and need for further action to reduce risk.
- > Continue intensive training - both classroom training and eLearning - focusing in depth on the top risk areas.
- > Further strengthen the integrity due diligences processes of our partners, third party representatives, suppliers and subcontractors.
- > Strengthen the implementation of reviews and audits.
- > Actively participate in national and international conferences and working groups to learn from other companies and organisations and share our own experiences.

For each of the above goals, concrete actions plans with how to achieve these are established and when applicable Key Performance Indicators are set with quantitative targets in order to be able to assess our level of achievement.



Caring about Health, Safety, Security and the Environment

Care for Health, Safety, Security and the Environment (HSSE) is a core value of Kvaerner and expressed in the Just Care™ mind-set. HSSE is the keystone in all Kvaerner operations and the people working for Kvaerner are all keystones in our work towards the ultimate goal of an injury and illness free workplace, causing zero harm to people, material, non-material assets and to the environment.

The Kvaerner Health, Safety, Security and Environment (HSSE) Programme

The 'zero' mind-set is both a goal to strive for and a way of thinking. A key element in the Just Care™ mind-set is that all employees accept personal responsibility for HSSE, by actively caring for themselves, co-workers and the environment. Through Just Care™, the HSSE message addresses the individual employee in an effective manner. Managers act as positive HSSE role models and have a strong commitment to communication and training. This creates attitudes that integrate HSSE focus in all our work, everyday.

Our HSSE policy describes the general HSSE principles, processes and responsibilities that apply across all Kvaerner operations.

The HSSE Operating System defines a set of elements that are critical for effective HSSE management, while also setting company-wide expectations for each of the elements.

Implementation and utilisation of the HSSE Operating System involves a continual process of improvement to meet the expectations behind each element. Self-assessments and learning reviews are used to evaluate gaps between existing arrangements and these expectations.

The objective of the HSSE Operating System is to achieve a consistent, world-class HSSE culture and continually improving HSSE performance.

The HSSE Operating System is divided into seven main elements; leadership, organisation, communication, risk management, product realisation, third-party relationships, and continual improvement. The table below gives a summary of each element.

The Kvaerner HSSE Operating System	
Leadership	<ul style="list-style-type: none"> > Personal behaviour > Accountability > Management commitment
Organisation	<ul style="list-style-type: none"> > Roles and responsibility > Competence and development
Communication	<ul style="list-style-type: none"> > Communication processes > Knowledge management
Risk management	<ul style="list-style-type: none"> > Risk assessment and mitigation > Emergency preparedness > Change management
Product realisation	<ul style="list-style-type: none"> > Product and service delivery > Plant, equipment and materials
Third-party relationships	<ul style="list-style-type: none"> > Clients and partners > Contractors and suppliers > The community
Continual improvement	<ul style="list-style-type: none"> > Incident investigation and analysis > Audits > Measurement, review and improvement

Clear expectations

In order to measure HSSE performance, key HSSE performance indicators (KPIs) have been implemented (see table with HSSE KPIs in the end of this chapter). A strong focus on leading activities in the HSSE field, combined with defined targets measured against actual results, guides Kvaerner towards continual improvements of HSSE performance. The Just Rules, part of Kvaerner's HSSE Operating System, are established to control the most safety-critical activities in the operations. The Just Rules are a mandatory part of Kvaerner's safety training for all employees, also providing clear and simple checklists and controls for the operation.

Training and information to achieve a common HSSE culture

Competence occupies a central place in Kvaerner's HSSE programme. All personnel must be competent, having the necessary knowledge, skill and behaviour to perform their work safely.

To reach out to all employees in an efficient way, Kvaerner uses dedicated training programmes at business area and project levels, as well as eLearning programmes for key areas within HSSE. Training packages at project level are tailored to individuals, both in terms of content and language. Line managers are trained to be role models and to drive HSSE improvements through specific safety academy programmes.

Sharing of best practices and learning from our incidents and near miss incidents

To ensure continuous improvements, best practices are captured and shared within the organisation.

The annual one-day HSSE summit hosted by the Kvaerner President and CEO gathers key personnel from Kvaerner, our subcontractors, suppliers and clients.

Incidents are identified and classified according to their severity. Investigations are initiated based on the severity and the potential consequence of the incident. All serious incidents and serious near misses are investigated in accordance with specific Kvaerner guidelines. Actions for improvement are then identified and implemented. Following serious incidents or serious near misses, packages focusing on lessons learned are produced and shared throughout Kvaerner, with the aim of preventing similar incidents in the future.

Environmental Monitoring

Kvaerner continuously works to reduce the environmental footprint of its operations and products. The Kvaerner methodology for reporting environmental impact derives from the Greenhouse Gas Protocol (GHG) and Global Reporting Initiative (GRI).

Risk Assessments

HSSE Risk Assessments within HSSE are an integrated part of all project execution activities.

Goals and achievements in 2014

Safety performance

During 2014, Kvaerner continuously improved its safety performance - a direct result of efforts to implement further safety systems. At year-end, a lost time incident frequency (LTIF) of 0.35 and a total recordable incident frequency (TRIF) of 2,3 was recorded, improving from corresponding 0.53 and 2,64 for 2013. These figures also include Kvaerner's subcontractors and are calculated per million man-hours worked. 18 hand and fingers injuries and 10 foot injuries accounted for the majority of the in total 40 injuries. Kvaerner has numerous examples of projects and units with long periods without any serious incidents or personal injury. The Eldfisk project delivered the best HSSE result ever for a topside. Kvaerner Stord's new giant crane Storen was erected without any incidents and a new HSSE training centre has been established for the Nyhamnna project. As an example, the Kvaerner Concrete Solutions Hebron project in Newfoundland, Canada has now achieved more than 14 million worked hours without any LTI. This proves that the zero incident target is achievable.

In 2014, we had one serious incident that caused severe injury to one of our personnel. 18 serious near misses were identified and thoroughly investigated. The majority of these incidents resulted from working at height and crane operations.

Occupational health

The company's sponsorship of and participation in the Aker Active

programme are examples of health initiatives in 2014 focusing on physical exercise and nutrition.

Total sick leave for Kvaerner in 2014 was 20 1701 sick leave hours for own employees, which constitutes 4.4 percent (4.2 percent in 2013) of total man-hours. The Kvaerner companies in Norway are signed up in the More Inclusive Working Life (IA) agreement. The IA Agreement is an instrument aimed at reducing sick leave and to increase the focus on job presence.

Environment

Kvaerner continuously works to reduce its environmental footprint. Total energy consumption by the business in 2014, based on recorded use of oil, gas and electricity, amounted to 70 500 megawatt-hours. Carbon emissions relating to this use are estimated at 4 500 tonnes. Corresponding figures for 2013 were 91 500 megawatt-hours and 8 300 tonnes of emissions. The methodology used derives from the Greenhouse Gas Protocol (GHG), and Global Reporting Initiative (GRI). Waste recorded in connection with the business totalled 3 900 tonnes, of which 70 percent was recycled. In 2013, the recorded waste amounted to 4 400 tonnes. Kvaerner has during the year increased the recycling factor also on waste wood material.

The main energy consumption, carbon emissions and waste disposal are in relation to activities at the yards. The two Norwegian yards are certified according to the ISO 14001 environmental standard.

The HSSE leadership development initiatives, eLearning and the management system, incorporate clear components that focus on the environment. Collectively, these contribute to continuous improvements in environmental awareness and attitudes among managers and employees. This inspires the organisation to achieve further gains in environmental performance in Kvaerner's own activities, and to assist customers in making environmental improvements through the products developed and projects executed.

Proactive HSSE focus activities

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



time to remedy the situation.

Kvaerner has chosen to focus on inspections and task-risk analyses, here meeting the set targets for 2014. The continued focus on risk awareness and documented observations resulted in 69 534 observations, corresponding to 6,7 observations per man-year worked.

During 2014, 1.23 percent of total worked hours were invested in HSSE training. Training programmes and KPIs have been established to promote observation, interaction and intervention in the areas of HSSE.

Security

Due to the global nature of Kvaerner's operations, the company is exposed to changes in the global risk situation. Its projects operate in a wide range of areas, which means that potential security threats may arise. Kvaerner is linked to International SOS, which provides a global tool for risk assessment and risk control. To mitigate possible risk situations all employees can be provided with a reliable and updated risk assessment and have access to information, as well as to local contacts and an existing network, at all times. Currently Kvaerner have no continuous operations in areas with high or extreme risk as classified by International SOS. For our operations in China, Kazakhstan and Russia Special security measures are implemented. Specific end-to-end Security audits from corporate level at both our China location as well as our Moscow Office are performed.





HSSE Keystone Award

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

The Kvaerner annual HSSE Summit took place in September 2014 at Stord and gathered 100 key personnel from Kvaerner, subcontractors, suppliers and customers. During the summit, the HSSE Keystone Awards for 2013 were presented. The HSSE Keystone Awards are given out in three categories: Individual, Project and programme/unit and the winners were:

- **Terje Formo, "In recognition of your visible contribution"**: In 2012, one of Terje's apprentices became paralyzed after an accident in a private activity. Terje's positive contributions and support helped the apprentice return to work and in the field he wanted (welding). Terje has a great deal of credit for making this happen.
- **Eldfisk 2/7 S project, "In recognition of your excellent HSSE performance"**: 9,2 mill man-hours completed for the project totally incl. E&P, subcontracting, construction and assembly. HSSE results best ever for a Kvaerner Topside
- **Kvaerner Jackets - Man Basket Operations, "In recognition of your proactive contribution"**: During 2013, Kvaerner Jackets at Verdal has experienced a significant reduction of HSSE-risks at the yard. The reduction of man basket operations has been an important contributor. Clients have given credit to Kvaerner Jackets at Verdal for the HSSE improvements

Results of the Annual Risk Review 2014

Kvaerner is proactively recognising and managing risks to achieve our targets within HSSE.

In 2014, the risk review with the Board of Directors took place in September. The results of the annual risk review are used to establish the improvement activities required to reach the set targets. Kvaerner continuously work to identify new opportunities and how we can further contribute to addressing society's sustainability issues.

The main input sources for the risk assessment are:

Review of national and international risk assessments and HSSE performance as provided by

- OGP (The International Association of Oil and Gas Producers)
- OSHA (The United States Occupational Safety and Health Administration)
- Norwegian Labour Inspection Authority
- Petroleum Safety Authority Norway

Review of internal performance, internal near miss incidents and incidents.

Health and security risk assessments conducted by International SOS (ISOS), the world's leading security risk management firm. ISOS is Kvaerner's partner providing medical assistance, international healthcare and security assistance and risk control.

Within HSSE the following top five risk items were identified:

- > Ability to deliver a consistent and continuous HSSE focus, avoiding serious incidents and fatalities resulting in high LTI, TRI and environmental incidents.
- > Security incidents or situations causing interruption to operations.
- > Work at height is increasing and will impact on risk for falling objects.
- > Risk knowledge and assessment when entering into new geographical areas or new activities.
- > Constraints in resources leading to high work load. Risk of sick leave and stress related injuries.

Key elements for further improvements are:

- > Visible leadership - hands on management
- > Risk recognition, perception and tolerance
- > Full compliance with established rules and regulations, including a refreshment of our safety rules, Just Rules supported by quality risk assessments
- > Clarity in our expectations and communication with our leaders and workers

For each of the above goals, concrete actions plans with how to achieve these are established and when applicable Key Performance Indicators are set with quantitative targets in order to be able to assess our level of achievement.

Goals for 2015

Our Just Care™ and Zero Incident mind-sets are being carried forward into 2015. Key leading HSSE performance indicators remain unchanged, but with adjusted targets to ensure a strong focus on proactive measures to further reduce unwanted incidents.

HSSE Key Performance indicators and statistics

Health, Safety, Security and the Environment	Actual 2012	Actual 2013	Actual 2014
Incidents - Fatalities	0	0	0
Incidents - Serious with disablement	0	0	1*
Risk Observations, including Positive Observations (in total / per man-year worked)	42 185** / 6.6	57 927*** / 5.9	69 534 / 6.7 Target: 9 Actual: 6.7
Sick leave rate (%)	4.5	4.2	Target: <4.3 % Actual: 4.4 %
HSSE training as percentage of total worked hours	1.1 %	1 %	Target: > 0.9 % Actual: 1.23 %
HSSE Inspections - in total / per man-year worked	20 400 / 3	39 386 / 4	30 328 / 2.9 Target: >2 Actual: 2.9
HSSE Task Risk Analyses - in total / per man-year worked	120 700 / 18	265 884 / 27	235 895 / 23 Target: > 15 Actual: 23
Total man-hours worked (staff and contractors)	13 036 801	18 957 176	20 159 343
Lost Time Incident Frequency (LTIF), including suppliers and sub-contractors (per 1 million worked hours)	0.6	0.5	Target: 0 Actual: 0.35
Total Recordable Incident Frequency (TRIF) including suppliers and subcontractors (per 1 million worked hours)	3.1	2.6	Target: <1 Actual: 2.3
Energy Intensity (MWH per million worked hours)	76 651	62 260	44 013
CO ₂ emissions (tonnes per million worked hours)	8 216	8 300	2 889
Total waste (tonnes)	4 534	8 535	3 913
Recycling factor (%) (within own sites)	77.6	61	70

*) Pipe hit worker's foot behind steel tip of safety shoes, resulting in amputation of part of the three middle toes.

***) and **): The numbers quoted in last year's CSR report for 2012 and 2013 were wrong (typo-mistake in the document).



Caring about the community

Kvaerner is a significant partner in many of the societies where we operate, both locally and internationally. Kvaerner believes in playing its part in the community by investing in a healthier, safer and more stable society.



Focus areas

Each Kvaerner employee shall seek to minimise any negative impact our business activities may have on society. Kvaerner employees are also challenged to look for opportunities that benefit the society and our business. During 2014 this has resulted in several local initiatives initiated by Kvaerner employees, including: Long-term continued support for an orphanage close to the project site for the completed Sakhalin 1 project in eastern Russia; a reflector day at Stord in Norway, where all primary school pupils, and some kindergartens, received reflectors; support for a variety of different disaster relief initiatives; and the annual Open Day at the Stord facilities, attracting over 4 000 participants. In addition to our own initiatives, we also support our customers' corporate responsibility programmes.

In all Kvaerner projects we seek to employ and train local staff. It is important for us to be a responsible employer, and Kvaerner contributes to local value creation by facilitating a higher degree of competence in both local employees and local contract staff. Local content is a key factor for many oil and gas projects. Kvaerner has long and documented experience of contributing to local content and establishing long-term local value creation through both the use of local suppliers and through training and effectively integrating local subcontractors. All suppliers and subcontractors must sign a Supplier and Subcontractor Declaration, outlining requirements relating to human rights, freedom of association, working hours and wages, minority rights, employment practices, and HSSE.



Sponsorships and charitable donations

All sponsoring relationships shall be strategic and aligned with Kvaerner's values. Furthermore, all sponsoring relationships shall be structured as 'win-win situations', whereby both parties achieve some gain.

On the corporate level, Kvaerner has, since 2011, been the main sponsor of the roller ski event Oslo Skishow. Profit from the event goes to Aktiv mot kreft, a Norwegian association working on the prevention of cancer by motivating and enabling people to exercise.

In addition, several charitable donations were made to benefit local society, charity organisations or other non-profit organisations during 2014. The main areas for these donations were education, health, sports, culture, support to nongovernmental organisations, and other social welfare causes. Religious or political groups or organisations shall not under any circumstances be sponsored by, or receive donations from, Kvaerner. Furthermore, charitable donations and sponsorships shall always be provided in accordance with the provisions of relevant laws and regulations, as well as internal policies.

KVÆRNERTM

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