



CORPORATE RESPONSIBILITY AND SUSTAINABILITY

ANNUAL REPORT 2020

SOCIAL RESPONSIBILITY IN AF

AF shall be a responsible player that amplifies positive impact in its project operations and minimises negative effects on the environment, people and society. We will also provide services that contribute to reduced consumption of energy and other scarce resources, and services that are otherwise useful to the customer and society.

WHAT IS AF'S SOCIAL RESPONSIBILITY?

AF has a special responsibility where society's challenges can be related to our business. The UN's Sustainable Development Goals describe the world's challenges and needs. Our social responsibility is twofold, and is linked to the UN's Sustainable Development Goals as follows:

Be a responsible player

First and foremost, we shall manage our own projects in a sustainable way. All our business operations shall follow ethical guidelines, legislation and regulations, and we shall minimise the negative impact on climate and the environment by reducing consumption of non-renewable resources and minimising waste that cannot be recycled. Our employees shall have a safe and good working environment where diversity is valued and harassment is not tolerated. This is the foundation of all our activities.

Further development of the service spectrum

AF will continue to develop and offer services that customers and society require. We will carry out civil engineering and construction projects with environmental certifications and energy-efficient solutions, and contribute to buildings and other infrastructure being constructed and modernised to use less energy and withstand climate change. In AF Gruppen's energy business, efficient energy use, local alternative energy production and monitoring of energy solutions are the actual business concept. In our environmental activities, we will continue to clear the past and clean contaminated materials that can then re-enter the cycle as clean sand, gravel and stone. As a challenger and innovator, we are also constantly looking for new business opportunities where we can use our expertise to solve challenges faced by the customer and society.

AF'S OPERATING PRINCIPLES

With the support of the Board, AF Gruppen's corporate management team has established

a business model and general principles for corporate governance. The business model is described on page 12 of the annual report. Together with the business model, the principles constitute the framework for business activities within all areas and at all levels of the organisation. The operating principles are set out in the following documents, where the first two are available at <https://afgruppen.com/about-af/vision-and-values/>:

- Code of Conduct
- Purpose – Goals – Values
- Group policy and authority matrix

Code of Conduct and Purpose – Goals – Values

The Code of Conduct applies to all employees and other persons representing AF Gruppen. All employees in AF are presented with the Code of Conduct at a course for new recruits, and receive this as an appendix to their employment agreement. Compliance with the Code of Conduct is expected. Several of AF's subsidiaries have prepared their own codes of conduct that reflect the principles in the Group's Code of Conduct.

Suppliers and subcontractors in our projects must also commit to following our values and requirements for conduct by accepting AF's supplier declaration (see: afgruppen.com/supply-to-af). Reference is made to "Purpose – Goals – Values" and the "Code of Conduct", as well as the principles in the UN Global Compact. An important part of our procurement work is ensuring that our suppliers impose the same requirements toward ethics, quality, safety and the external environment as we do.

Group policy and authority matrix

AF's Group policy defines principles, roles and responsibilities, purposes and requirements in the following areas: HSE, customers and suppliers, quality and improvement, risk management, personnel and organisation, communication, financial management and finance, procurement,

IT and internal cooperation. The authority matrix is a key document in AF Gruppen's internal control and covers responsibilities in the Group. The Group policy applies to all business units and wholly owned companies in AF Gruppen and serves as a benchmark for part-owned subsidiaries. The authority matrix applies to all units in AF Gruppen.

Roles and responsibility

CEO Amund Tøftum has operational responsibility for corporate social responsibility and this follows his line management, whereby each executive vice president is responsible for his/her respective business area. It is a requirement that business units and projects are organised with sufficient competence within health, safety and environment (HSE). Mapping and analysis of risk in connection with HSE shall be carried out and documented in all projects – both at the start and during implementation.

Executive Vice President Eirik Wraal has specialist responsibility for corporate social responsibility. Olav Aune is director of HSE, and is responsible for supporting line management in HSE work, as well as being responsible for HSE and the HSE system in the Group. As of 1 February 2021, Anastasia Wraa was employed as Group Manager Environment, and will further develop AF's commitment to climate and environment.

Interdisciplinary forum for cooperation

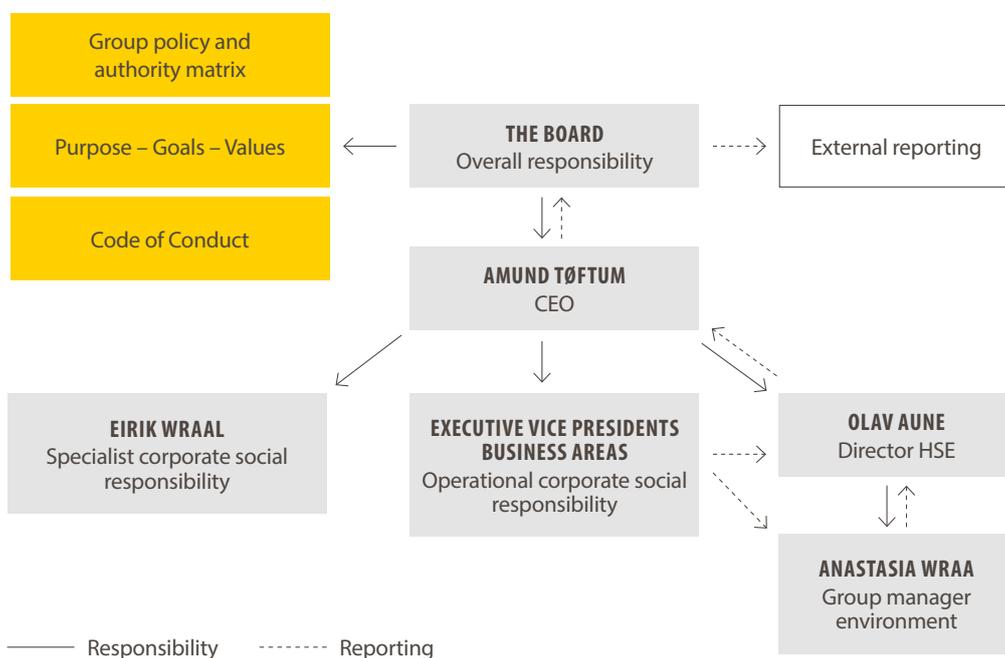
AF has an interdisciplinary forum for topics on climate and environment that meets 1–3 times a year and discusses the direction of AF's environmental efforts. Plans are underway to increase the meeting frequency of the environmental forum and to arrange several climate and environment-related seminars in 2021.

There is also an HSE forum consisting of HSE managers from each business unit in AF. The forums help to maintain policy tools, provide a common understanding of key issues within HSE, create a good informal cooperation and contribute to our development.

Internal and external reporting of health, safety and the environment

Internally, figures related to safety (LTI-1) are reported on an ongoing basis, while figures on the environment and health (source separation and absence due to illness) are reported monthly. Climate accounts for the whole AF Gruppen are compiled and reported annually in accordance with the Greenhouse Gas Protocol standard. In addition, a project has been started to develop a digital platform that can contribute to dynamic follow-up at the unit and project level. AF has also started mapping what constitutes green revenue according to the EU's taxonomy for sustainable finance, to enable future reporting.

RESPONSIBILITY AND REPORTING OF CORPORATE SOCIAL RESPONSIBILITY IN AF



CLIMATE AND ENVIRONMENT

Climate change is one of the greatest societal challenges of our time. AF aims to reduce the footprint of its own operations and be a leader in developing and delivering services that reduce the use of energy and other scarce resources for our customers and society.

The construction sector accounts for around 40 per cent of global energy consumption and about 30 per cent of global greenhouse gas emissions. Statistics Norway estimates that direct greenhouse gas emissions from construction in Norway total 2 million tonnes of CO₂. In Sweden, it is estimated that the construction and civil engineering industry accounts for around 20 per cent of total CO₂ emissions. In addition, the construction sector contributes to indirect emissions through building materials, transport and land use, which are emissions that are mainly attributed to other sectors in the climate accounts. We can also influence the use of materials and the choice of solutions so that renewable energy solutions are used and lifetime emissions are reduced. The industry can therefore greatly influence and contribute to solutions to limit negative climate change.

AF's vision is clearing up the past and building for the future. This means that we must remove, clean or eliminate materials, land and energy solutions that are harmful to the environment, and that we must offer services that society needs to meet current and future energy and environmental challenges.

CLIMATE AND ENVIRONMENT AS A BUSINESS OPPORTUNITY

The green shift poses both a risk and an opportunity for AF: good environmental solutions will attract employees, owners and new contracts, while a lack of willingness to innovate will impair our ability to succeed in the market. Climate and environment have thus become a central part of AF's strategic work towards 2024 as one of four Group initiatives.

Risks and opportunities associated with the green shift

In 2020, AF Gruppen carried out a climate risk analysis. The analysis covers physical, regulatory, technological, market and reputational

risks and similar opportunities related to climate change. The analysis and associated preparatory work have also helped to raise awareness of how we work with climate and environment across the Group. The conclusion is that the overall climate risk for AF Gruppen is considered low. There is a risk that higher temperatures and more extreme weather will lead to greater unpredictability and an increased risk of accidents, especially within the civil engineering business.

At the same time, climate change and regulatory changes will lead to increased demand for AF Gruppen's services, such as infrastructure projects, environmental centers, energy plants, energy-efficient buildings and the recycling of offshore installations. However, we see that a negative reputation poses a risk to AF in the short term. As climate and the environment become increasingly important to our stakeholders, at AF we must be equally clear about the responsibility we want to take.

Employees: There is an increasing expectation among our employees that AF will take a clearer position in the green shift. In addition, it is an important prerequisite for AF to succeed in attracting and retaining the best people, both now and in the future.

Customers: Public and private customers demand environmentally friendly solutions and adequate reporting. Those who perform well in environmental terms can gain a competitive advantage, as the public sector places ever stricter requirements on climate and environment in its tenders. We also see that private customers have become more ambitious in their climate requirements.

Owners: The EU's taxonomy is part of the EU's action plan for sustainable finance. It is a classification system that will help determine how

climate and environmentally friendly an investment is based on specific screening criteria. A growing number of investors want to invest in companies that contribute to the green shift, and AF must clearly communicate how we can contribute to the transition in order to remain an attractive investment object.

Society: Society needs new solutions to climate and environmental challenges to prevent the average temperature from rising more than the Paris Agreement's target of a maximum increase of 2° C. The most important challenges have been clarified by the UN through the sustainable development goals. By offering existing and new services that customers and society need to achieve their goals, AF has an excellent opportunity to gain market share in both new and existing markets.

HOW AF WORKS WITH CLIMATE AND THE ENVIRONMENT

The business units in AF Gruppen have been working on climate and environmental improvements for many years, but from 2021 AF Gruppen will focus on more coordinated and targeted climate and environmental work by including a number of qualitative and quantitative goals in the new Group strategy towards 2024. The areas where AF Gruppen has set specific quantitative targets are greenhouse gas emissions and resource efficiency.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

AF's impact on the climate is measured continuously in terms of the amount of greenhouse gas emissions, i.e. tonnes of CO₂ equivalents. We submit annual climate accounts (see page 39), which summarise direct emissions from our projects within civil engineering, construction and demolition on land and offshore. In 2020, AF had a carbon footprint of 1.8 (2.3) and total emissions of 48,528 tonnes of CO₂ equivalents, which represented a reduction of 2,810 tonnes of CO₂ equivalents compared with 2019. In AF's climate accounts, the use of diesel in civil engineering equipment is the largest direct source of CO₂ emissions. The decline in the carbon footprint, which is defined as tonnes of CO₂ equivalents per NOK million in revenues, is related to a decline in the Civil

Engineering business area and high growth in other activities that have lower greenhouse gas emissions. Lower civil engineering activity than the year before, with the resulting lower consumption of diesel and fewer flights, is also the main reason why absolute consumption decreased. The climate accounts also include a separate section with the savings AF Gruppen's demolition and recycling activities represent for society's greenhouse gas emissions. Reusing steel results in 70 per cent lower CO₂ emissions than ore-based production. This corresponds to a reduction in emissions of 1 kg CO₂ for each kilo of steel recycled. AF Decom demolished and facilitated the recycling of approximately 19,380 (9,982) tonnes of metal in 2020. AF Offshore Decom demolished and facilitated the recycling of approximately 19,153 (14,782) tonnes of steel in 2020. In total, this represents a reduction of alternative CO₂ emissions of around 38,533 tonnes. AF's environmental centres have recycled a total of 528,758 (317,730) tonnes of material in 2020. This corresponds to a reduction of alternative CO₂ emissions of 32,266 (13,195) tonnes. (See the climate accounts on page 39).

Reduction of greenhouse gas emissions

In the Group strategy, AF has set a goal of halving relative greenhouse gas emissions by 2030. The goal will be quantified per business area so that we implement actual changes in operations and achieve real environmental savings instead of achieving the goal by changing the service mix from, for example, civil engineering to construction. Goals shall also be set and followed up per unit for anchoring close to the daily operations where the environmental impact takes place.

FROM AF'S GROUP POLICY

All impact on the external environment shall be kept to a minimum.

Part of the work to be done in the future is to further develop reporting and follow-up of greenhouse gas emissions at project and unit level so that we can prioritise the right measures to reduce emissions as quickly as possible.

Potential measures we are looking at to reduce our direct greenhouse gas emissions:

- Comprehensive planning of road paths to reduce mass excavation and associated transportation
- Use of autonomous machines that prevent idling and optimise work performance
- Other sources of fuel, such as hydrogen and biodiesel
- Electric machinery at construction sites (climate-neutral construction and civil engineering projects)

RESOURCE EFFICIENCY AND CIRCULARITY

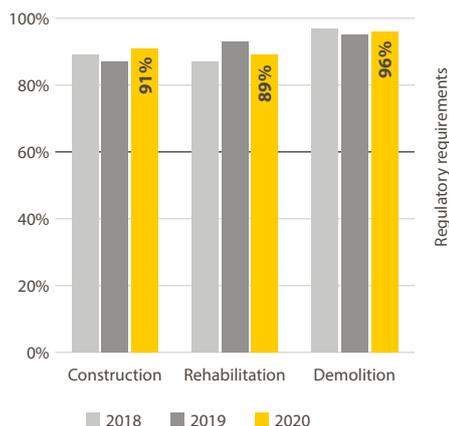
Building materials account for over 80 per cent of greenhouse gas emissions from the construction and civil engineering industry, and based on volume, construction and demolition projects are the largest source of waste in the EU. The EU's goal is for a minimum of 70 per cent of construction and demolition waste to be reused

or recycled, and the industry can contribute to the storage of carbon in building materials, for example by using more timber. In other words, input factors in our projects could be a positive contribution to battle climate changes.

The European Commission has launched an action plan for the circular economy based on the reuse and recycling of materials, so that as few resources as possible are lost. Central to the action plan is a framework directive that ranks measures to reduce waste volumes. The waste hierarchy illustrates the desire to treat waste as close to the top of the hierarchy as possible, and to avoid unnecessary disposal of waste in landfills.

In AF 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 goal at AF is to sort 80 per cent of waste, well above the current government requirement of 60 per cent. AF's environmental centres recycled a total of 528,758 (317,730) tonnes of material in 2020. This corresponds to a recycling rate of 86 per cent, well above the target of 80 per cent.

SOURCE SEPARATION RATE



Reduction of waste volumes that cannot be reused or recycled

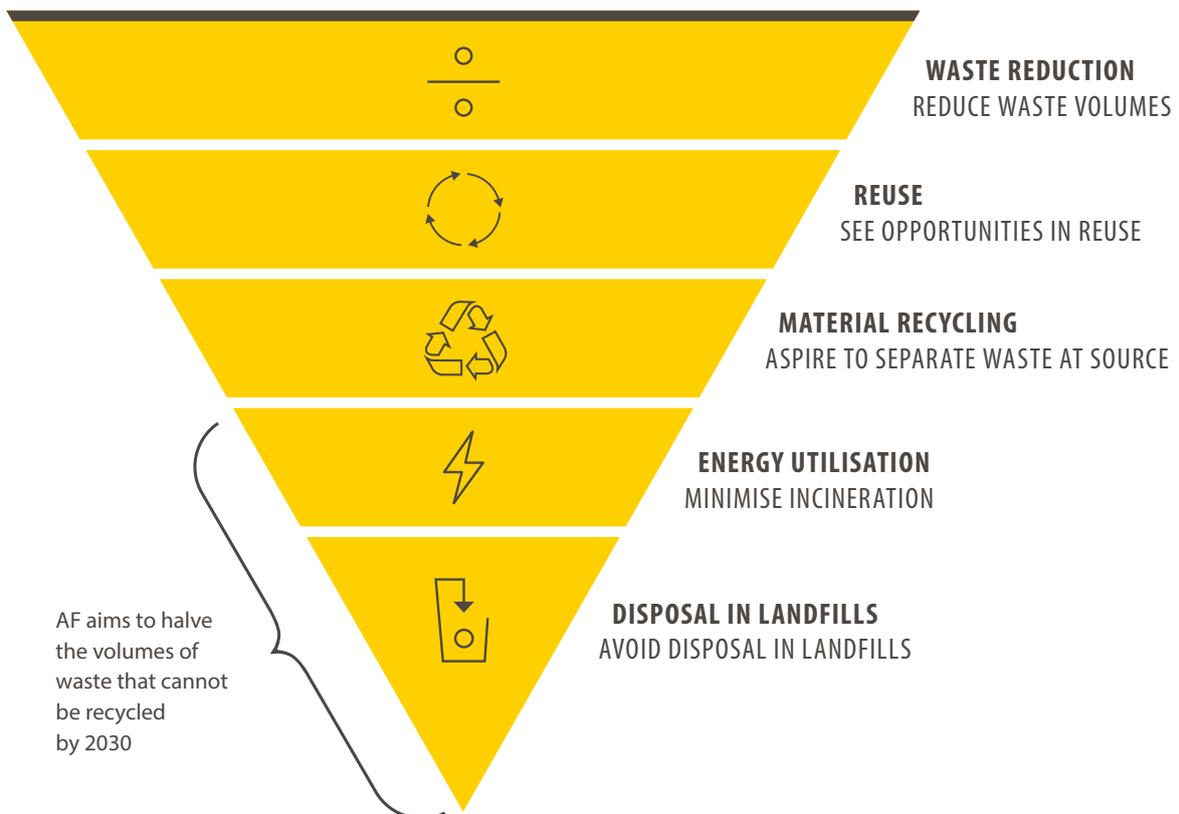
In AF's strategy, we have decided to halve the amount of waste that cannot be recycled. We have worked on and measured source separation in the projects over several years, and now we are raising the bar even higher. To achieve our goal, we will reduce the amount of waste produced at the construction site (at the top of the pyramid), and prioritise the fractions that are typically sent for incineration or to landfill. Each unit shall prepare specific action plans to reduce non-recyclable waste.

CLIMATE AND ENVIRONMENTALLY FRIENDLY PRODUCTS AND SERVICES

AF has started mapping what constitutes green revenue according to the EU's taxonomy

The waste hierarchy

The waste hierarchy illustrates the desire to treat waste as close to the top of the hierarchy as possible, and to avoid unnecessary disposal of waste in landfills.



for sustainable finance. The final definition of what is considered green revenues will be available in the second quarter of 2021 and will set the basis for future reporting. An early survey based on the EU's preparatory work shows that AF has several services that contribute positively to the green shift and thus can be reported as green revenues.

Civil Engineering delivers projects related to railways and tramways and infrastructure for water treatment plants, hydropower and wind power. Several of the projects, for example in foundation work and landslide protection, contribute to society's climate adaptation to deal with the increasing degree of extreme weather.

BREEAM is an environmental certification for buildings that classifies how climate and environment friendly a building is in both construction and use. AF is experiencing an increased demand for BREEAM certified buildings and we are constantly working to ensure sufficient and good competence in BREEAM.

AF Energi og Miljøteknikk delivers energy-efficient solutions, energy plants, local energy production and follow-up of energy solutions through monitoring, operational optimisation and service contracts. The measures must be profitable for the customer in financial terms, but also for the environment. The solutions will utilise local energy, such as surplus heat, which would otherwise be lost.

AF's environmental centres (Rimol, Jølsen and Nes) clean materials for reuse, which would otherwise go to landfill. Recycled gritting sand on slippery winter roads is a good example of the use of these materials and new business opportunities in the circular economy. Going forward, AF envisages establishing more environmental centres in both Norway and Sweden.

AF Environmental Base Vats is purpose-built for handling offshore installations and other marine structures. At Miljøbase Vats, ships and offshore installations are demolished and separated at source for recycling. The port is approved in accordance with ISPS regulations.

AF AeronMollier contributes to reducing greenhouse gas emissions through electrification and improving energy efficiency in the marine sector. In 2020, the unit supplied systems and equipment for the electrification of 33 ferries, which corresponds to around half of the Norwegian market.

COMPETENCE AND CERTIFICATION

Several of AF's business units, both in construction and civil engineering, have employed and further trained resources with environmental expertise to work on optimising the environmental impact of projects. The goal is for the footprint of project activities to be as small as possible. Knowledge of the climate and environmental impact of each individual business unit shall be decentralised. With effect from 2021, the Group has a climate and environment function which will facilitate good reporting, as well as increase knowledge about climate and environment in AF.

The management system for environmental work at AF follows the principles of the environmental standard ISO 14001. AF conducts various activities in different geographical areas and certification takes place at a decentralised level. The following companies are certified: AF Byggfornyelse, AF Decom, AF Offshore Decom, AF Anlegg, Kanonaden Entreprenad AB, AF Bygg Göteborg, Betonmast AS, Consolvo AS and Strøm Gundersen AS.

Several business units are also certified under the Environmental Lighthouse scheme. This applies to AF Nybygg, AF Bygg Oslo, AF Eiendom, LAB Entreprenør AS, Åsane Byggmesterforretning AS and Haga & Berg Entreprenør AS.

AF is affiliated with the extended producer responsibility company NORSIRK AS and thus fulfils its producer responsibility for packaging. This is an international scheme that is to help ensure the financing of return schemes for used packaging. AF is also a member of the Norwegian Green Building Council, a non-profit member association for increased sustainability in the industry.

CLIMATE ACCOUNTS

Af Gruppen's climate accounts consist of two main components: the first is energy consumption and associated emissions, and the second is recycled materials and metals, and emission savings compared to corresponding conventional production.

ENERGY CONSUMPTION AND EMISSIONS

Category			2020	2019
	Consumption	Energy equi.(MWh) ¹⁾	Emissions (tonnes CO ₂ e) ²⁾	Emissions (tonnes CO ₂ e) ²⁾
Petrol (l)	104,460	1,001	241	517
Diesel oil (l)	14,872,072	157,895	39,517	42,419
Biodiesel (l)	287,612	2,806	47	18
Propane (kg)	58,140	796	171	123
Fuel oil (l)	-	-	-	85
CO ₂ (kg)	117,900	-	118	21
Acetylene (kg)	1,025	-	4	3
Oxygen (m ³)	36,897	-	-	-
Biogon (kg)	15,764	-	16	-
HFC134a refrigerant (kg)	-	-	-	34
Total direct emissions		162,498	40,113	43,220
District cooling (kWh)	17,774	18	-	-
District heating (kWh)	1,565,598	1,566	117	113
Power (kWh)	48,453,201	48,453	1,818	1,893
Total indirect emissions from own activities		50,037	1,935	2,006
Air travel (passenger km)	na		1,391	2,753
Car travel (km)	2,615,576		339	355
Business travels	na		2	3
Large goods vehicle 7.5-17t (km)	16,000		-	10
Waste (tonnes)	14,421		4,748	2,991
Total indirect emissions from others			6,481	6,112
CO₂e emissions (tonnes CO₂e)			48,528	51,271
Carbon footprint (tonnes CO ₂ e per NOK 1 million revenue)			1.8	2.3

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

²⁾ Greenhouse gas emissions with warming potential equivalent to CO₂

CO₂ SAVINGS BY SORTING AND RECYCLING

	2020	2019
Recycled contaminated mass from AF Environmental centres (tonnes)	528,758	317,730
Emission savings of CO ₂ per/year compared to conventional aggregate production (tonnes CO ₂) ³⁾	-32,266	-13,195
Demolished and sorted metal for recycling from AF Decom and AF Offshore Decom (tonnes)	38,533	24,764
Emission savings of CO ₂ per/year compared to conventionally sourced metal (tonnes CO ₂) ⁴⁾	-38,533	-24,764
Emissions savings CO₂ per/year compared to conventional production	-70,799	-37,959

³⁾ The recycling of contaminated mass and materials produces less CO₂ emissions compared to conventional extraction and production of aggregate.

⁴⁾ Recycled steel has 70 per cent less CO₂ emissions than ore-based production, which implies a reduction of 1 kg of CO₂ for each kilo of steel recycled.

SOCIAL CONDITIONS

Everyone who works on AF projects shall have a safe and secure workplace. We shall have a good and equal working environment, and we shall safeguard the rights of our employees in accordance with applicable legislation and international human rights.

The construction and civil engineering industry has some inherent risks associated with working conditions that we must take into account:

- There is a lot of energy in play. The sources of danger and the risk associated with these must be identified and adequate preventive barriers must be established to ensure the safety and health of both our own employees and those of subcontractors.
- It is a male-dominated industry with a risk of conscious and unconscious gender discrimination.
- Strong competition creates pressure on margins, and can lead to pressure on employees to work beyond what is justifiable and desirable.
- The industry has a general challenge with work-related crime – for example through undeclared work and when basic employee rights are lacking.

AF has provisions to ensure employees' physical health and safety, as well as rights in the employment relationship. The regulations apply to our own employees, subcontractors and suppliers in all our projects.

A SAFE WORKPLACE

AF has an uncompromising attitude towards health and safety. The goal is to avoid injuries, illness and ailments due to the working environment, and in particular to avoid work accidents that result in serious injuries and sickness absence. AF imposes the same strict safety requirements on its subcontractors as on its own organisation.

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.

REPORTING

The most important measurable parameter for safety work at AF is the LTI-1 rate. The LTI-1 rate is defined as the number of lost time injuries, the number of serious personal injuries and the number of serious personal injuries with permanent disabilities per million man-hours, and this includes our own employees, subcontractors and suppliers who are injured in our projects. The injury rate has shown a positive trend throughout the years, from an LTI-1 rate of around 20 for the Norwegian operations in the early 1990s, to an LTI-1 rate of 1.8 (1.2) in 2020. This rate represents 39 (22) H1 injuries in 2020. Two of the accidents in 2020 had a fatal outcome. In February, a tinsmith died after a fall at a construction site in Alversund in Nordhordaland. He was

FROM AF'S GROUP POLICY

- AF shall only make use of suppliers who are willing to comply with our ethical guidelines.

employed by a subcontractor to Helgesen Tekniske Bygg (HTB). In July, an employee of a subcontractor to Pålplintar died in a crushing accident when moving a concrete element in Nykvarn in Sweden. The accidents have been investigated and measures and barriers have been implemented to prevent similar accidents from happening again. The increase in the LTI-1 rate in 2020 is mainly driven by incidents in Betonmast and Sweden.

Management system and tools for learning and improvement

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 or similar systems in order to find the underlying causes and measures for improvement. There is a strong willingness for continuous improvement, and in 2020 almost 43,136 (36,762) incidents and circumstances (RUH) were reported.

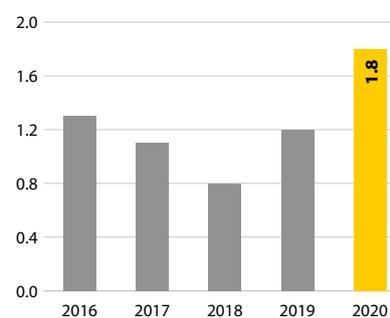
Emergency preparedness and investigation

AF is always prepared for serious accidents, and has an emergency preparedness system in place in each project and overall at group level. This shall ensure good handling and follow-up, as well as reduction of the adverse effects. The most serious incidents are followed up by subsequent investigations in which the Corporate Management Team participates. Investigation is a high priority at AF. The purpose of the investigation is to identify improvement opportunities and measures that will prevent similar conditions from reoccurring.

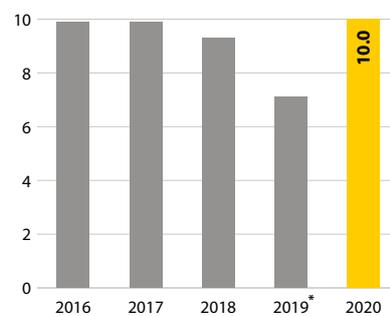
Strategic work and digitalisation

The Group strategy towards 2024 continues with the goal for AF Gruppen to have LTI-1 = 0 and 0 work-related absence. Despite a low LTI-1 value in relation to comparable companies, AF Gruppen still experiences too many personal injuries. Work to prevent injuries is ongoing, and among the latest measures and tools we have introduced, we can highlight:

LTI-1 RATE

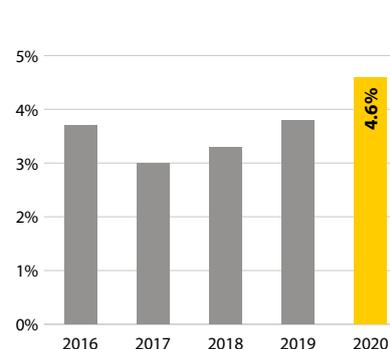


LTI-2 RATE



* 2019 numbers is excl. Betonmast

ABSENCE DUE TO ILLNESS



- Mandatory use of gloves and safety goggles for everyone working in the project.
- Safetalks and personal safety involvement (PSI) in advance of work situations to strengthen the risk and safety awareness of skilled workers.
- AF Message Portal – communication tool that allows employees to send safety-related messages to predefined groups, and where any message is automatically translated into the recipient's specified native language.
- CLARA – web-based tool for risk management that will ensure that important and critical risk issues reach the sharp end of our projects – the skilled worker.
- Testing of body equipment that measures and warn when hazardous levels of e.g. noise, air values/gas and vibrations are present. The purpose is to enable our skilled workers to reduce and avoid unwanted exposure to situations that can have negative health impact.

HEALTH

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 our rate was 4.6 (3.8) per cent in 2020. AF's absence due to illness is considered low in the construction and civil engineering industry. Some of the absence is work-related, and the systematic long-term work to achieve the goal of a "healthy situation" has top priority. The goal is to have zero work-related absence.

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 sickness absence committees in the business units to ensure that everyone with sickness absence 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 15 most relevant types of exposure available in several

languages. In addition, AF has developed and uses the Health Risk programme, which enables us to better identify and influence health risks.

WORKING ENVIRONMENT, EMPLOYEE DEVELOPMENT AND EMPLOYEES' RIGHTS

AF's policy regarding human rights, working conditions and employee development is set out in the Code of Conduct and Purpose – Goals – Values.

Human rights and measures against work-related crime

The construction industry has some general challenges related to human rights, especially related to working conditions. It is important that major players such as AF take responsibility for ensuring that the entire value chain follow ethical guidelines and basic human rights. AF is committed to complying with the human rights principles of the UN Global Compact, and has strong systems in place to prevent our projects from committing work-related crime and violations of workers' rights.

The procurement of goods and services accounts for around 65 per cent of our revenues. AF is responsible for the entire contract pyramid for our projects, and suppliers must commit to following our ethical guidelines. AF Gruppen's Supplier Statement is a mandatory contract appendix to procurement agreements. AF Gruppen has zero tolerance for behaviour that violates the provisions of the supplier's statement. We work both proactively and reactively to ensure compliance with this policy, and allow only two levels of subcontractors to ensure acceptable transparency. Proactively, AF uses StartBANK, and a proprietary prequalification module to assess possible suppliers.

When subcontractors are approved and given access to a project, 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. The most important verifications we carry out are:



- Control of pay and working conditions among suppliers, subcontractors and employment agencies, both by the projects themselves and with the assistance of AF Gruppen's WR Crime Consultant.
- Access control for the projects.
- 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 are conducted of subcontractors and suppliers to ensure that they have good systems with respect to working conditions and ethics.

If work-related crime is detected among our subcontractors, this will be classified as a red matter and the matter will be investigated.

Employment conditions

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. In line with the UN's Global Compact, AF facilitates the conditions for craftsmen and production workers to join a union, and over 90 per cent are therefore unionised. Laws, regulations and collective agreements are framework conditions that AF Gruppen adheres to, and this applies to both salaries and



working time provisions for our employees. Negotiations on salaries are carried out with the trade unions, and are laid down in AF's Code of Conduct.

Satisfaction and attractiveness

The Employee Satisfaction Survey (ESS) that was last conducted in 2019 shows that our employees are very satisfied with their own work and with AF as their employer. AF achieved 5.2 on a scale from 1–6, where 6 is the best, and has as a strategic goal towards 2024 to be above ESS > 5. The survey shows that the on-the-job development opportunities are the most important driver of satisfaction on the job for both skilled and salaried employees. The ESS consists of a number of questions within the areas of satisfaction, collaboration and management, and each business unit draws up

an action plan based on the survey.

AF is an attractive employer, and this is reflected by the Universum Student Survey 2020, in which AF Gruppen was ranked as the 13th most attractive employer among engineering students. In the Universum Professional Survey 2020 for working people, AF came 11th, up from 15th place in 2019. AF wants to attract the best talent both among experienced workers and new graduates, and has a strategic goal towards 2024 to be among the top five in Universum's awards.

The best people – recruitment, development and training of employees

AF will increase strategic cooperation with educational institutions to strengthen access to skilled resources. One measure that has been implemented in the last two years is the "AF collective" competition where the winners are

Percentage of women at AF

9.8%

offered a year in shared housing free of charge. This is of mutual benefit where the students get the opportunity to learn from and be inspired by the industry's foremost professionals, and where AF can be challenged by curious students who will help shape the future.

Developing the knowledge and competence of our employees is the most profitable investment we make. The most important tool for the promotion of professional development is practical training in the line hierarchy. AF also offers formal training through the AF Academy and external continuing education. The breadth of AF's centres of expertise 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 take responsibility early on. AF's goal is to develop managers through internal training, and around 80 per cent of today's managers have been recruited internally.

Over the past year, AF has intensified its focus on apprentices by motivating more people to choose vocational subjects through the information campaign "Dreams can become reality" which has been shown across social media. We have worked more closely with schools and counsellors in rural and urban areas (Digitalt Rådgivertreff in autumn 2020) to remove prejudices among parents related to the construction industry. AF has a strategic goal towards 2024 of a proportion of apprentices > 7 per cent and that more than 60 per cent of our skilled employees holding a certificate of completed apprenticeship.

Equality

It is a central principle at AF and part of the Code of Conduct that recruitment, employment, training, pay, promotion, punishment and other working conditions shall be handled without regard to friendship, ethnicity, skin colour, religion, nationality, gender, sexual

orientation, age or disability.

The recruitment share by gender shall reflect the recruitment basis, and the relative share of promotions shall be equal for women and men. AF has a long-term goal of increasing the proportion of women among salaried employees to 40 per cent, and the total proportion of women to 20 per cent.

AF's work on diversity, including through the Diversitas network and #HunSpanderer, has contributed to a sharper focus and change of attitudes related to unconscious discrimination. Among other things, gatherings have been arranged for many senior employees where unconscious discrimination and any personal experiences have been discussed.

In 2020, the proportion of women in AF was 9.8 (9.4) per cent, with 18.9 (19.4) per cent of salaried staff and 1.6 (1.4) per cent of skilled workers. At the end of 2020, AF has one woman and six men in the Corporate Management Team. The Board of Directors comprises four women and six men. AF's long-term strategic goal is to increase the proportion of women among salaried employees to 40 per cent and the total proportion of women to 20 per cent.

FROM AF'S GROUP POLICY

- AF shall facilitate employee and career development and internal mobility as well as emphasise gender balance when recruiting. Employees shall be able to thrive and perform throughout life's phases.

GOVERNANCE

AF's credibility and competitiveness are based on trust, and we must therefore have an uncompromising attitude to ethics and make clear demands on everyone we work with.

Internal control and compliance with Group policy are anchored in the Board of Directors, and is exercised through the Corporate Management Team to our projects and employees. 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. When assessing candidates for acquisition, decisive importance is placed on whether the company's corporate culture and core values are in accordance with those of AF.

TRAINING

Employees at AF are introduced 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's guidelines are practised uniformly. AF also arranges a self-developed course in the prevention of work-related crime at least twice a year. Furthermore, all subcontractors must complete a mandatory HSE course before starting an AF project.

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
- WR Crime Forum 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 business model and ethical framework conditions. Internal audits of all business units are carried out to ensure adequate compliance.

INTERNAL CONTROL AND RISK MANAGEMENT

AF has comprehensive systems in place for internal control and risk management. The systems are reviewed annually by both the auditor and the Board's Audit Committee. For all major tenders, a risk review must be carried out with a representative from the Corporate Management Team before the binding offer is submitted. If the tender value exceeds NOK 100 million, the offer must be approved by the Corporate Management Team, and if it exceeds NOK 600 million, the offer must be approved by the Board of Directors.

In the execution phase of the projects, the units themselves are responsible for ongoing follow-up of risk, and for larger projects, quarterly risk reviews shall be carried out together with representatives from the Corporate Management Team.

BRIBERY AND CORRUPTION

AF has zero tolerance for price collusion, corruption and bribery. This means that employees shall not give or receive gifts and other benefits that might be designed to create doubt about the integrity of AF Gruppen and compliance with current regulations. Our Code of Conduct also forbids the Company's employees to discuss, propose or enter into agreements with competitors that may affect the competitive situation.

In accordance with AF's corporate policy and authority matrix, 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.

ECONOMIC CRIME

AF Gruppen has zero tolerance for economic or financial crime, and strict requirements have been introduced 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 the authority matrix. Payments must also be approved by two persons. Furthermore, AF shall handle tax and duties in a responsible manner in accordance with applicable laws and regulations.

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.

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 notify, and the whistleblower shall be protected from retaliation. The notification can be open or anonymous, and both the notification and identity of the whistleblower will be handled confidentially. Notification can be made 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. In the last-mentioned case, the notification is sent to an external company before the Whistleblowing Committee receives it and follows up in accordance with AF's routines. An anonymous whistleblowing option is also provided.

The principles for handling whistleblowing cases in AF are that all inquiries must be taken seriously and dealt with immediately. Anonymous whistleblowing must be taken just as seriously and must be dealt with. All whistleblowing cases are confidential, and the whistleblowing system must be able to be used without fear of consequences, reprisals or retaliation for whistleblowing. The whistleblower must also receive feedback within a reasonable time about the situation that has been notified (unless the notice was submitted anonymously).

AF'S WHISTLEBLOWING COMMITTEE COMPRISES

- Olav Aune, Director of HSE and Quality (Committee Chairman)
- Hilde Slørdahl Conradi, company doctor
- Arne Sveen, chief employee representative/chief safety representative
- Sigrunn Wangen, Human Resources Manager
- Christoffer Fjellheim, Director of Procurement and Legal

UN 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:

PRINCIPLES

Relevance to AF

Action

HUMAN RIGHTS



1 Businesses should support and respect the protection of internationally recognised human rights, and

AF Gruppen complies with all the current laws and respects internationally recognised human rights, regardless of where we operate.

AF has laid down its attitudes and principles concerning human rights in fundamental documents: the Code of Conduct, corporate policy and Purpose-Goals-Values.

2 make sure that they are not complicit in human rights abuses

AF does not deal with companies that contribute in any way to human rights violations.

All subcontractors and suppliers must undergo prequalification. AF follows up suppliers on an ongoing basis, and excludes actors who we suspect may practice unethical conduct. *See also Principle 4*

WORKING CONDITIONS



3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,

AF facilitates the organisation of employees, and the right to collective bargaining is recognised and respected.

More than 90 per cent of the skilled workers in units wholly owned by AF are unionised. AF participates in collective bargaining for all employees and at all levels where this is relevant. AF also has a well-functioning employee representative organisation. *Read more on p. 40 (Social conditions).*

4 the elimination of all forms of forced and compulsory labour,

AF's employees have pay conditions in accordance with the national legislation and agreements with trade unions. AF uses only suppliers that undertake to comply with our ethical guidelines, satisfy statutory requirements, collective agreement requirements and internal requirements at AF.

AF has a procedure for verifying the pay and working conditions at subcontractors and employment agencies. In 2020, AF blocked specific actors who did not comply with AF's ethical guidelines related to working conditions. The conditions were identified before the suppliers in question were contracted by AF. *Read more on p. 40 (Social conditions).*

5 the effective abolition of child labour, and

AF does not make use of child labour in its projects, and we must not make use of companies (particularly transnational companies) that have product and service chains in which the economic exploitation of children may occur.

AF examines the employment contracts of all the employees of subcontractors and employment agencies as a result of the Seriousness Initiative. No actual instances of child labour have been uncovered, suspected or identified in any of our projects or at any of our suppliers. *Read more on p. 40 (Social conditions).*

6 the elimination of discrimination in respect of employment and occupation

AF shall have a working environment where there is no prejudice, discrimination, verbal abuse or persecution. AF's principles related to discrimination are laid down in the Code of Conduct.

All employees must sign the Code of Conduct when they are recruited, and participate in an introductory course at which the Code of Conduct is reviewed. The strategy towards 2024 includes specific goals to increase the percentage of women at AF, from 10 per cent as of year end 2020 to 20 per cent. The Corporate Management Team and the entire organisation are working actively to make AF an attractive employer for everyone. *Read more on p. 40 (Social conditions).*

PRINCIPLES

Relevance to AF

Action

ENVIRONMENT



7 Businesses should support a precautionary approach to environmental challenges,

AF works continuously to reduce its impact on our environment. Every one of AF Gruppen's companies and business units has its own goals for the external environment. AF shall also comply with the main principles of the ISO 14001 environmental standard.

AF requires that a risk analysis shall be conducted prior to the start-up of any project. Environmental risk is an element of this analysis. Risk analyses have been conducted in accordance with the corporate policy in 2020.
Read more on p. 26 (risk management).

8 undertake initiatives to promote greater environmental responsibility, and

By focusing on the environment, energy and recycling, we will safely remove and eliminate materials, earth and energy solutions that are harmful to the environment. Our services and solutions should make it possible for our customers to take greater responsibility for the environment.

AF is continuously developing its range of services. The source separation rate and carbon footprint are parameters that are measured in AF's projects, and focusing on these parameters promotes greater environmental responsibility in the organisation as a whole. In addition, AF has prepared several business areas that can contribute to a circular economy.
Read more on p. 34 (Environment and climate).

9 encourage the development and diffusion of environmentally friendly technologies

One of AF's core values is entrepreneurial spirit. We will offer services and solutions that meet the environmental challenges of today and tomorrow through our environmental competence.

AF has developed unique technology that enables the decontamination and reuse of contaminated materials at our environmental centres. Energy conservation services and environmentally friendly buildings are a range of services that are under constant development at AF. For offshore activities, the Environmental Base at Vats has been established as an approved and certified reception facility for recyclable materials.
Read more on p. 34 (Environment and climate).

ANTI-CORRUPTION



10 Businesses should work against corruption in all its forms, including extortion and bribery

AF aims to be trustworthy. The Company has an uncompromising attitude towards safety and ethics. AF's Code of Conduct describes our attitude towards corruption, price collusion and bribery.

It is expected that all employees comply with principles that are embedded in our Code of Conduct, which includes anti-corruption principles. No instances of corruption, including blackmail and bribery, have been identified in 2020.

An approval requirement for the engagement of subcontractors and suppliers is compliance with the current laws and regulations related to corruption in the past, including compliance with the tax laws.

Read more on p. 46 (Governance).