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# CORPORATE RESPONSIBILITY AND SUSTAINABILITY

ANNUAL REPORT 2022

# CORPORATE SOCIAL RESPONSIBILITY IN AF

AF shall be a responsible player that amplifies positive and minimises negative impacts on the environment, people and society in project operations. We will also deliver products and services that contribute to reduced consumption of energy and other scarce resources.

The UN has defined 17 Sustainable Development Goals that specify the global societal challenges that we must resolve together, and these goals represent a working plan for eradicate poverty, combat inequality and stop climate change by the end of 2030. Corporate social responsibility (CSR) means taking responsibility for the organisation's impact on people, society and the environment and contributing to positive social development through sustainable creation of value.

## WHAT ARE AF'S CORPORATE SOCIAL RESPONSIBILITIES?

AF has a special responsibility when it comes to societal challenges that can linked to our business activities. First and foremost, we want to implement our projects in a sustainable manner by ensuring that all business operations comply with our Code of Conduct and the law and regulations, and we also want to minimise adverse impacts on the climate and environment. Our employees shall have good, safe working environments where diversity is valued and harassment is not tolerated. Furthermore, we also have a corporate social responsibility to develop and offer services that are needed by our customers and society, and we want to be a driving force behind ensuring that projects that are sustainable when it comes to the climate, environment and social conditions are also financially sustainable.

We want to elaborate on what we consider our corporate social responsibilities to be within the three focus areas of Climate and Environment, Social Conditions and Corporate Governance.

## AF'S OPERATING PRINCIPLES

Endorsed by the Board of Directors, the executive management in AF has established a business model (see page 12) and overall principles for corporate governance that constitute the framework for business conduct within all areas and at all levels of the organisation. The operating principles are enshrined in the following documents, the first

two of which are available on [www.afgruppen.com/about-af/visjon-and-values/](http://www.afgruppen.com/about-af/visjon-and-values/):

- Code of Conduct
- Purpose – Goals – Values
- Authority matrix

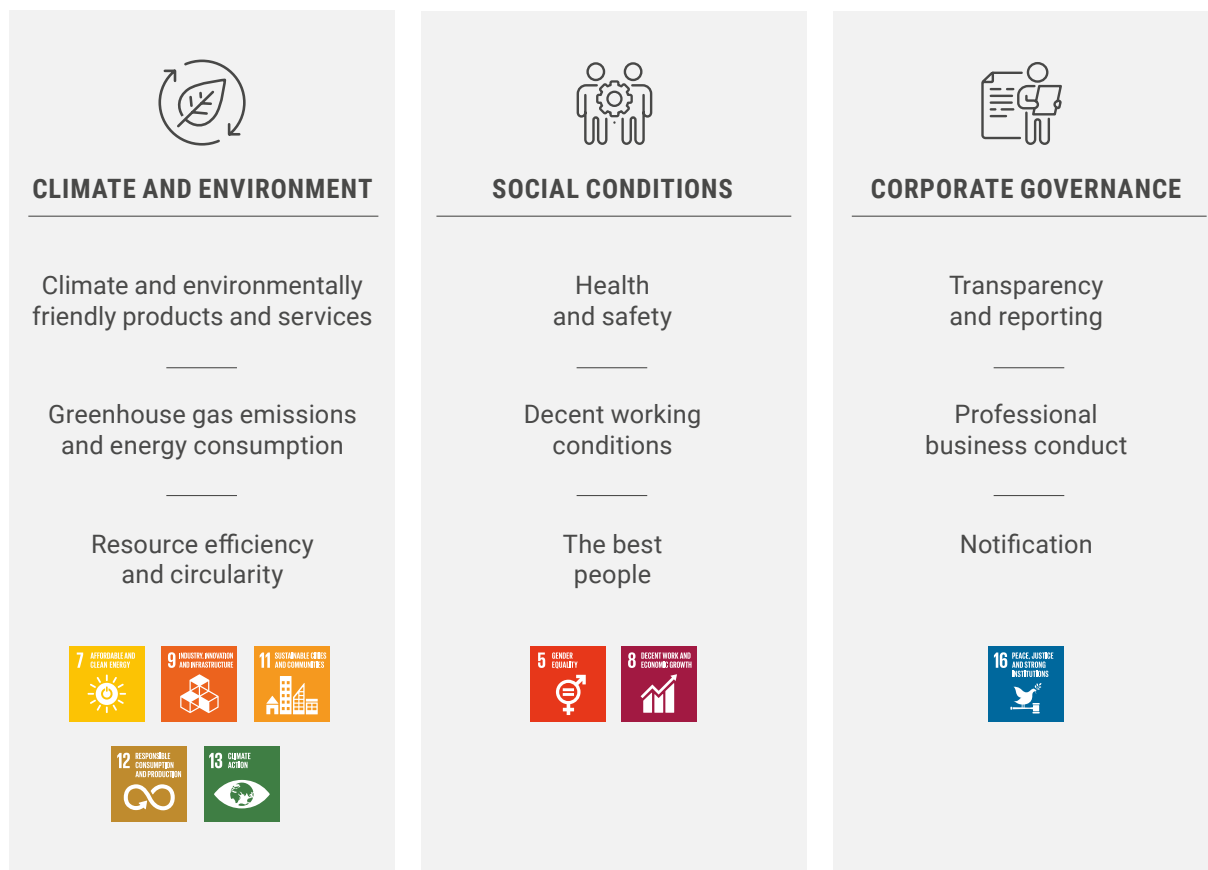
## Code of Conduct and Purpose – Goals – Values

The Code of Conduct applies to all employees and other people representing AF Gruppen. All AF employees receive a presentation on the Code of Conduct as part of their onboarding, and it is appended as part of their employment contract. 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.

Purpose – Goals – Values provides a brief overview of who we are at AF, what we stand for and what we want to achieve. It covers a range of topics, including principles, goals and requirements within the following areas: finance, employees, customers, suppliers, HSE, climate and environment, quality and improvement.

Suppliers and subcontractors in our projects must also commit to complying with our values and requirements for conduct by accepting AF's Code of Conduct for Suppliers (see: [afgruppen.no/leverandor](http://afgruppen.no/leverandor)). Reference is made to, for example, 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 involves ensuring that our suppliers impose the same requirements for ethics, quality, safety and the external environment as AF Gruppen. The Transparency Act came into force on 1 July 2022, and has influenced our efforts to identify and report potential procurement risks and follow-up suppliers and subcontractors throughout the Group. AF Gruppen prioritises the work on ensuring fundamental human rights and decent working conditions on our building sites. The Transparency Act is based on fundamental human rights related to economic, social and political rights at work, and is based on the OECD's guidelines (see page 51).

## CORPORATE SOCIAL RESPONSIBILITY IN AF



### Authority matrix

The authority matrix is a key document in AF Gruppen's internal control and covers responsibilities in the Group. The authority matrix applies to all units in AF Gruppen. This corporate policy applies to all business units and wholly owned companies in AF Gruppen and provides guidelines for part-owned subsidiaries.

### Roles and responsibilities

The Board of Directors has the ultimate responsibility for corporate social responsibility at AF. CEO Amund Tøftum has operational responsibility for corporate social responsibility and this follows the line management, whereby each EVP is responsible for their respective business areas. It is a requirement that business units and projects be organised with sufficient expertise

in health, safety and the 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.

Internal and external reporting of health, safety and the environment Internally, figures relating to safety for employees and subcontractors (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. A climate report for the whole AF Gruppen is compiled and published annually in accordance with the Greenhouse Gas Protocol standard. Targets and incidents related to corporate social responsibility are reported externally every quarter in connection with quarterly reporting, and on an annual basis in the annual report.

# CLIMATE AND ENVIRONMENT

Climate change and environmental impact are among the greatest societal challenges of our time. AF wants to reduce the footprint from its own operations and be a leader in developing and delivering services that reduce the use of energy and other scarce resources.

The construction, civil engineering and property sector's impact on the climate and environment must be assessed via both direct and indirect greenhouse gas emissions and material consumption. Construction accounts for 40 per cent of the energy and 40 per cent of material resources consumed in society. 19 per cent of all traffic in Oslo can be attributed to construction and civil engineering traffic. 50 per cent of emissions in the life cycle of a building occur in connection with the production and transport of construction materials. Overall, the sector accounts for around 16 per cent of total greenhouse gas emissions in Norway. The corresponding estimate for Sweden is that the construction and civil engineering industry accounts for around 20 per cent of total CO<sub>2</sub> emissions. The industry can therefore greatly influence and contribute to solutions to limit climate change.

## AF GRUPPEN'S CLIMATE AND ENVIRONMENTAL STRATEGY

The corporate strategy from 2020 includes climate and the environment as one of our primary initiatives. The green transition poses both a risk and an opportunity for AF: good environmental solutions will attract employees, investors and new projects, while a lack of willingness or ability to innovate and adapt will hinder competitiveness.

The Board of Directors has the ultimate responsibility for ensuring that climate and environmental threats and opportunities are managed satisfactorily. The Board of Directors' supervision of climate-related matters is described in Corporate Governance on page 100. The Corporate Management Team has the operational responsibility for climate-related risk management in day-to-day operations and for the follow-up of the Group's strategy.

Endorsed by the Board of Directors, the Corporate Management Team evaluated and updated the climate risk analysis in 2022 in line with the TCFD framework in

order to identify the most significant climate risks affecting AF Gruppen, see page 22. We have also carried out CDP reporting for the second year in a row. For the 2022 financial year, AF Gruppen is voluntarily reporting its Taxonomy-eligible activities, including information about the proportion of operating revenue that is Taxonomy-eligible, see page 46.

In order to achieve our long-term ambitions for the climate and environment, we have adopted three prioritised focus areas within climate and the environment:

- Climate and environmentally friendly products and services
- Greenhouse gas emissions and energy consumption
- Resource efficiency and circularity

## Main strategic objectives

# 50%

AF will halve greenhouse gas emissions for each service type relative to revenue by 2030.

# 50%

AF will halve the amount of unsorted waste sent for incineration and landfill for each service type relative to revenue by 2030.

We aim to be climate-neutral by 2050.

CDP is an independent not-for-profit organisation working to promote climate reporting within the focus areas of climate, water and forestry. AF has reported on climate and received a score of B in 2022.



▶ B

<sup>1)</sup> Figures taken from Grønn Byggallianse.

<https://byggalliansen.no/kunnskapssenter/publikasjoner/infopakkeklimatekjempen/#1610543721156-39143120-001d>



### AFFORDABLE AND CLEAN ENERGY

The UN has a goal of achieving sustainable management and effective consumption of natural resources by 2030.

### CLIMATE AND ENVIRONMENTALLY-FRIENDLY PRODUCTS AND SERVICES

AF's vision is to clear up the past and build for the future. This means that we need to

- offer energy solutions that reduce the need for energy and expand and renew sources of renewable energy
- remove and purify materials and land that are harmful to the environment and ensure that materials remain in circulation
- have the expertise and knowledge required to offer innovative solutions in construction, civil engineering and property projects

One basic principle at AF is that projects that are sustainable for the climate and environment also need to be financially sustainable. AF delivers several types of services that are required if society is to achieve its goal of limiting the rise in temperatures to 1.5°C, which is profitable for our investors. In the Energy and Environment and Offshore business areas, for example, AF achieved revenue of NOK 2,300 million and a very good profit margin on climate and environmentally friendly service deliveries in 2022.

#### Energy efficiency and expanding renewables

High electricity prices and the fear of power shortages have illustrated how important

improving energy efficiency and expanding renewables are if the world is to achieve its climate objectives. Energy efficiency measures are essential when it comes to reducing the overall need for energy and expanding renewables is critical in securing future energy supplies.

AF Energi delivers energy-efficient solutions and local energy production and follows up 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. In most cases, energy efficiency measures can result in energy savings of 20–50 per cent and given current electricity prices, the customer could recoup this investment in just a few years.

AF Aeron contributes to reducing greenhouse gas emissions through electrification and improving energy efficiency in the marine sector. The company, which is a market leader in its field, delivers several different types of ventilation and cooling systems for energy optimisation of operations on board ferries, cruise ships and other types of commercial vessels. These deliveries are supplied to shipyards worldwide and include remote management of the systems that means that the system can be monitored and operated from Norway. The company is also working on offshore wind projects.

Kanonaden in Sweden has been involved in developing wind farms for several years, which contribute to green energy supplies. Kanonaden constructs access roads and power grids in close collaboration with the turbine and grid supplier, so that the components are installed without unnecessary interventions in nature.

### Zero emission battery-driven ferries for Norled

Aeron recently successfully handed over HVAC systems for two ferries built by Sembcorp Marine for Norled. The ferries have battery-hybrid propulsion systems and can carry 80 private cars and 295 passengers. The HVAC system is based on the Aeron Energy Recovery System (AERS), a proprietary heat pump system that first utilises all of the available energy on board. It then uses energy from the sea before, finally, one or more heat pumps are started to supply sufficient hot and cold water. This is an energy-efficient solution that is ideal for hybrid and battery-driven vessels.





## RESPONSIBLE CONSUMPTION AND PRODUCTION

The UN has a goal of achieving sustainable management and effective consumption of natural resources by 2030.

### Purification and reuse of materials

AF's environmental centres, Rimol, Jølsten and Nes, purify materials for reuse that would otherwise be sent to landfill. In 2022, 315,269 (344,437) tonnes of materials were recovered. Reusing materials leads to reductions in CO<sub>2</sub> emissions compared to conventional aggregate production, as well as additional environmental benefits in the form of fewer interventions in nature. The centres' overall recovery rate is approximately 80 per cent. Going forward, AF envisages establishing more environmental centres in both Norway and Sweden.

The steel industry accounts for somewhere between 5–8 per cent of the world's total CO<sub>2</sub> emissions. Reusing steel results in 70 per cent less CO<sub>2</sub> emissions than ore-based production,

which corresponds to a reduction in emissions of 1 kg of CO<sub>2</sub> for each kg of steel that is recycled.

AF Environmental Base Vats is purpose-built for handling offshore installations and other marine structures. Here, ships and offshore installations are dismantled and broken up for recovery by AF Offshore Decom. The port is approved in accordance with ISPS regulations. In 2022, 36,911 (40,990) tonnes of steel were recovered and sorted at AF Environmental Base Vats. At AF Decom, 17,629 (14,806) tonnes of metal were recovered and sorted for recycling.

The CO<sub>2</sub> savings from the environmental centres and AF's demolition activities correspond to<sup>2</sup>:

- 233.4 per cent of AF Gruppen's Scope 1 and Scope 2 greenhouse gas emissions (see page 43)
- 7.5 per cent of the City of Oslo's CO<sub>2</sub> emissions in 2021.
- Approximately 33,000 private cars in one year
- 3,466,716 kg of beef
- The lifecycle emissions of 945,468 from smartphones
- 354,550,500 km of flying for one passenger

### CO<sub>2</sub> SAVINGS RELATED TO DEMOLITION, SORTING, PURIFICATION AND RECYCLING IN 2022

	2022	2021
Recycled contaminated mass and aggregate from AF Environmental centres (tonnes)	315 269	344 437
Emission savings of tonnes of CO <sub>2</sub> compared to conventional aggregate production <sup>1</sup>	24 249	26 884
Demolished and sorted metal for recycling from AF Decom and AF Offshore Decom (tonnes)	54 540	55 796
Emission savings in tonnes of CO <sub>2</sub> compared to conventionally sourced metal <sup>2</sup>	54 540	55 796
<b>Emissions savings in tonnes CO<sub>2</sub> compared to conventional production</b>	<b>78 789</b>	<b>82 680</b>

<sup>1</sup>) The recycling of contaminated mass and materials produces less CO<sub>2</sub> emissions compared to conventional extraction and production of aggregate.

<sup>2</sup>) Recycled steel has 70 per cent less CO<sub>2</sub> emissions than ore-based production, which implies a reduction of 1 kg of CO<sub>2</sub> for each kilo of steel recycled.



### The concrete of the future from the raw materials of the past

Concrete is one of the products where the construction and civil engineering industry has the most potential to reduce its CO<sub>2</sub> footprint. Concrete consists of around 70 per cent aggregate. About half of this aggregate is sand, a raw material that is becoming scarce. Betong Øst and AF Gruppen have worked together to develop a concrete in which recovered materials from Rimol Miljøpark can replace sand in the aggregate. This results in a massive cut in the use of natural resources, and lets us reintroduce into the product cycle problem materials that would otherwise end up in landfill sites. The concrete produced by Betong Øst and AF Gruppen has the same properties as ordinary concrete produced using natural or machine sand. In 2022, AF Gruppen and Betong Øst won the Construction Industry's Climate Award for circular and environmentally friendly concrete. In 2022, Nes Miljøpark and Betong Øst also started delivering environmentally friendly concrete in Eastern Norway.

<sup>2</sup>) The numerical basis for calculations of the last four comparative figures is taken from Framtiden i våre hender website



### INDUSTRY, INNOVATION AND INFRASTRUCTURE

The UN goal involves constructing solid infrastructure and promoting inclusive and sustainable industrialisation and innovation.



### SUSTAINABLE CITIES AND COMMUNITIES

The UN goal is to make cities and local communities inclusive, safe, resilient and sustainable.

#### Expertise and innovative solutions

AF's civil engineering activities deliver projects related to railways and tramways, as well as 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. AF Anlegg also possesses expertise when it comes to CEEQUAL, a tool used to promote sustainability and quality in civil engineering infrastructure projects, including roads, tunnels, railways, ports, bridges, wind farms, etc.

AF Gruppen's Norwegian construction teams in the Building and Betonmast business areas have good expertise in BREEAM. BREEAM is an environmental certification for buildings that classifies how climate and environment friendly a building is during both

construction and use. AF is seeing greater demand for BREEAM certified buildings and we are constantly working to ensure sufficient and good competence in this.

Rehabilitation also accounts for a significant share of AF's activities. Rehabilitating buildings and other structures often involves reusing materials that normally generate large emissions and this can, therefore, result in major environmental benefits. Innovative solutions like, for example, Consolvo's use of cathodic protection in rebar in existing bridges, which helps to extend the lifetime of structures. Rehabilitation rather the building new limits emissions to the environment, energy consumption, waste production and the depletion of natural resources.

A large part of AF's climate and environmental work involves developing good climate and environmental expertise. This is vital when it comes to being able to deliver environmentally friendly construction, building and property projects in line with the customer's wishes and needs. Having a high level of expertise allows AF to see opportunities and in some cases propose other solutions in the project that can result in savings. Examples of solutions can include reusing parts of a building's body instead of building completely new, input that reduces the amount of materials that has to be moved, or using another material that is less environmentally harmful. Early contractor involvement, and close cooperation both prior to and during development, provides the greatest potential for environmentally friendly civil engineering and building projects.

#### Specialist expertise in rehabilitation

Gimsøystraumen Bridge in Lofoten is being rehabilitated, which includes the installation of cathodic protection. By adding an anode, for example in the form of electrically conductive paint on the concrete's surface, it is possible to stop the corrosion of iron by introducing a weak electric voltage between the anode and iron (cathode). The bridge is the only road link between Vestvågøy and Vågan, and such rehabilitation will increase the useful lifetime of the bridge by 30–40 years. In addition to much lower costs, one is sparing the environment almost the same amount of greenhouse gas emissions that the traditional construction of a new bridge would involve. Consolvo thereby helps limit emissions to the environment, limit energy consumption, waste production and the depletion of natural resources by refurbishing rather than demolishing and building new.





### CLIMATE ACTION

The UN goal involves taking immediate action to combat climate change and the consequences thereof.

### GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

AF's goal is to halve relative greenhouse gas emissions by the end of 2030. The goal is quantified per service type so that we can implement actual changes to operations and realise environmental savings rather than achieving the target by changing the service mix from e.g. civil engineering to construction. The service types we measure on in this context are civil engineering, construction and demolition activities. Services that are not included in these categories are energy efficiency services, environmental centres, property activities and general services. The reference year for the halving of Scope 1 and Scope 2 emissions is 2020.

Each year, AF publishes its climate report based on the Greenhouse Gas Protocol (GHG). Here, greenhouse gas emissions are measured in tonnes of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e) within Scope 1, Scope 2 and some Scope 3 elements. The purpose is to obtain a representative picture of the emissions arising from AF's activities. Measuring and reporting greenhouse gas emissions, as well as increasing knowledge about how emissions occur, provides us with a good basis for reducing emissions.

There are large differences in greenhouse gas emissions relative to revenue in the various types of services. Both civil engineering and demolition activities require heavy construction machinery in order to manage the large amounts of materials and structures in projects. The use of heavy construction machinery is limited in our construction projects to groundwork and project logistics. It is, therefore, important for AF to analyse and reduce greenhouse gas emissions within each type of service and not reduce activity in civil engineering and demolition in relation to

construction. In 2022, AF had a carbon footprint of 1.1 (1.3) for Scopes 1 and 2, equivalent to total emissions of 33,759 (36,682) tCO<sub>2</sub>e. Including Scope 3, the carbon footprint was 1.3 (1.6) which is equivalent to total emissions of 40,544 (44,502) tCO<sub>2</sub>e. In AF's climate report, the use of diesel in construction equipment is the largest direct source of emissions. The activity that involves the most use of construction machines is moving materials. The decrease in AF's carbon footprint from the reference year 2020 is largely due to the quantity of materials being transported in road projects for civil engineering services being higher in 2020 than in 2022.

### How can AF reduce greenhouse gas emissions from projects?

There are several possible measures that can help reduce greenhouse gas emissions in AF's projects. In large civil engineering projects, comprehensively planning road sections to significantly reduce the extraction of materials and their associated transport can result in large and significant reductions. Lots of savings can be made in the design phase, and developments in the market, with the increased use of collaborative contracts in which contractors have the opportunity to contribute to the design phase, constitute positives when it comes to reducing emissions in the production phase.

AF Gruppen's machines have been monitored for a long time in order to collect data on operating patterns and are now increasingly having autostop functions installed to prevent engine idling. Using electric machines and machines that run on hydrogen, renewable diesel and biodiesel will reduce emissions. Using electric loaders, dump trucks and wheel loaders is now being tested to a greater extent on building sites, and AF Gruppen is also investing in mobile charging stations. More and more building sites are being operated as fossil-free building sites. In addition to fossil-free construction operations reducing greenhouse gas emissions, a transition to electric or hydrogen-driven solutions will reduce local emissions. This will also result in a better physical working environment on building sites.

### EMISSIONS BY SERVICE TYPE <sup>1)</sup> 2022

Emissions (tonnes CO <sub>2</sub> e) <sup>2)</sup>	Civil engineering services			Construction services			Demolition services		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Scope 1: Direct emissions	23,092	26,253	34,236	2,769	4,523	2,735	5,900	3,421	4,338
Scope 2: Indirect emissions energy consumptions	272	226	861	781	993	839	97	23	153
<b>CO<sub>2</sub>e emissions (tonnes CO<sub>2</sub>e)</b>	<b>23,364</b>	<b>26,479</b>	<b>35,097</b>	<b>3,550</b>	<b>5,516</b>	<b>3,575</b>	<b>5,998</b>	<b>3,444</b>	<b>4,491</b>
Carbon footprint (scope 1 and 2)	2.7	3.0	4.6	0.2	0.3	0.2	3.9	2.5	4.4
Change from base year (2020)	-42%	-33%		-10%	64%		-12%	-43%	

<sup>1)</sup> Servicetype defined according to segment note, see note 4 in the Groups consolidated financial statements.

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



## CLIMATE ACCOUNTS 2022

Category	Energy equi. (MWh) <sup>1)</sup>	Emissions (tonnes CO <sub>2</sub> e) <sup>2)</sup>		Base year
	2022	2022	2021	2020
Petrol (l)	2,332	563	417	257
Diesel oil (l)	132,011	31,301	33,358	42,065
Biodiesel (l)	8,010	93	42	50
Propane (kg)	2,240	522	1,402	182
Other	23	80	192	146
<b>Scope 1: Direct emissions</b>	<b>144,615</b>	<b>32,559</b>	<b>35,412</b>	<b>42,699</b>
District cooling and heating (kWh)	3,904	121	77	140
Power (kWh)	47,609	1,096	1,193	2,180
<b>Scope 2: Indirect emissions from own activities (locationbased)</b>	<b>51,512</b>	<b>1,217</b>	<b>1,270</b>	<b>2,320</b>
Scope 2: Indirect emissions energyconsumption (markedbased) <sup>3)</sup>		11,339	14,737	
<b>Greenhouse gas emissions (tonn CO<sub>2</sub>e)</b>		<b>33,777</b>	<b>36,682</b>	<b>45,019</b>
Carbon footprint <sup>4)</sup> scope 1 and 2		1.1	1.3	1.6
Business travels and car travel (km)		3,394	3,978	
Waste		4,480	3,842	
<b>Scope 3: Other indirect emissions</b>		<b>7,874</b>	<b>7,820</b>	
<b>Greenhouse gas emissions (tonn CO<sub>2</sub>e)</b>		<b>41,651</b>	<b>44,502</b>	
Carbon footprint <sup>4)</sup> scope 1, 2 and 3		1.3	1.6	

<sup>1)</sup> Energy equivalents illustrate the annual energy intensity of AF Gruppen's activities within scope 1 and 2.

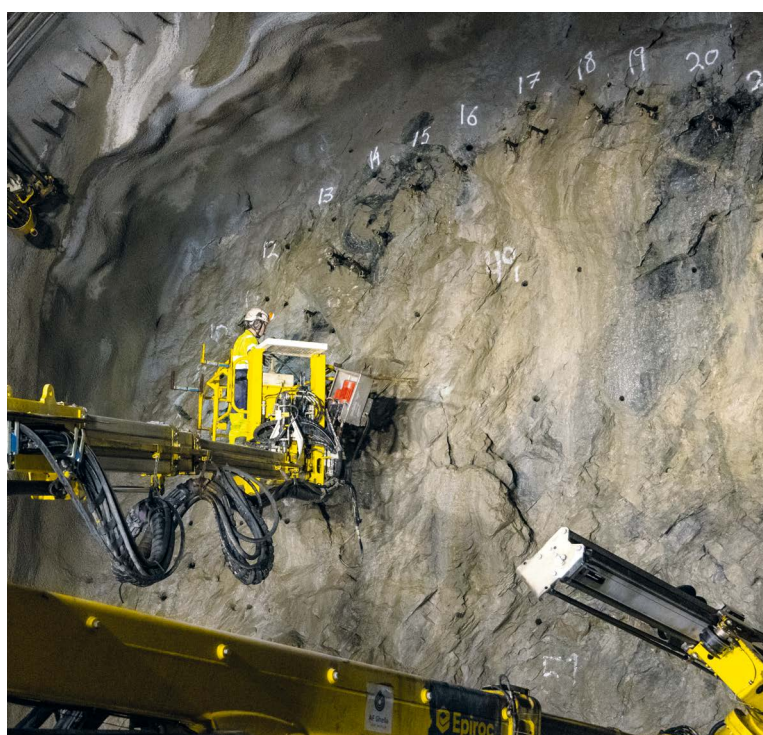
<sup>2)</sup> Greenhouse gas emissions with warming potential equivalent to CO<sub>2</sub>.

<sup>3)</sup> AF Gruppen use productionbased method to calculate scope 2-emissions, and use markedbased scope 2-emissions for information.

<sup>4)</sup> Carbon footprint is calculated as tonnes CO<sub>2</sub>e per NOK million revenues.

## Tunnelling with reduced energy consumption

AF Gruppen has, through cooperation with the Italian company Ghella, signed a contract to construct a new water distribution network for the City of Oslo that is large enough to supply all of the city's 700,000 inhabitants with clean drinkingwater. In total, approximately 11 km of tunnels will be built using a tunnel boring machine (TBM), and 7 km of tunnel by conventional drilling and blasting. The TBM that will be used is electric, and the materials from the TBM will be transported away using an electric conveyor belt. All other transport in the tunnel involves electric locomotives. The project sets strict requirements for machines and vehicles, which must be electric or run on palm oil-free biofuel. The project also aims to ensure as much reuse of materials as possible and the shortest possible transport route for materials.





**RESPONSIBLE CONSUMPTION AND PRODUCTION**

The UN has a goal of significantly reducing waste through prevention, reduction, material recovery and reuse.

**RESOURCE EFFICIENCY AND CIRCULARITY**

Construction products 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. According to Statistics Norway, construction and civil engineering activities account for 26 per cent of all waste in Norway and, if we include waste from the supply chain, as well as industrial activities and transport, this share increases to 40 per cent.

The EU’s target is for a minimum of 70 per cent of construction and demolition waste to be reused or recycled. The industry can contribute to the storage of carbon in construction products, for example by using more timber and by reusing a larger proportion of existing buildings to avoid unnecessary new building. In other words, input factors in our projects will be able to contribute to the fight against climate change

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.

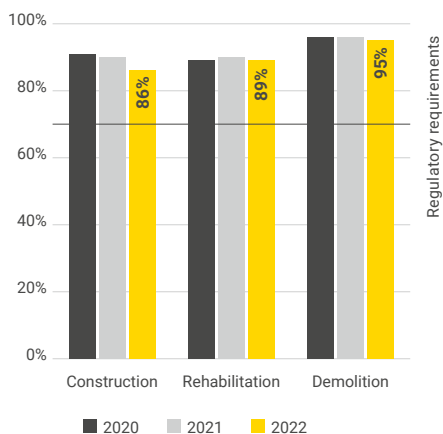
AF plans projects such that as little waste as possible is created, and so that the waste can be source separated for recovery to the greatest possible extent. To facilitate recovery, the source separation rate at all our business units is measured and this rate represents how much of the waste from the activities is sorted for recovery. AF’s goal is to source separate 80 per cent of waste, well above the current government requirement of 70 per cent.

How can AF reduce the amount of waste sent for energy recovery and landfill? In AF’s strategy, we have resolved to halve the amount of waste sent for energy recovery and landfill relative to revenue per service type. 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 on the building site (at the top of the pyramid), and prioritise work on the fractions that are typically sent for incineration or to landfill. Each business unit has drawn up specific action plans to reduce non-recoverable waste.

In Norway, a very large proportion of the waste that occurs in construction and civil engineering projects is source separated on site. Nevertheless, the more than three million tonnes of waste still means a lot of containers. One source of the waste is, for example, surplus materials that cannot be returned.

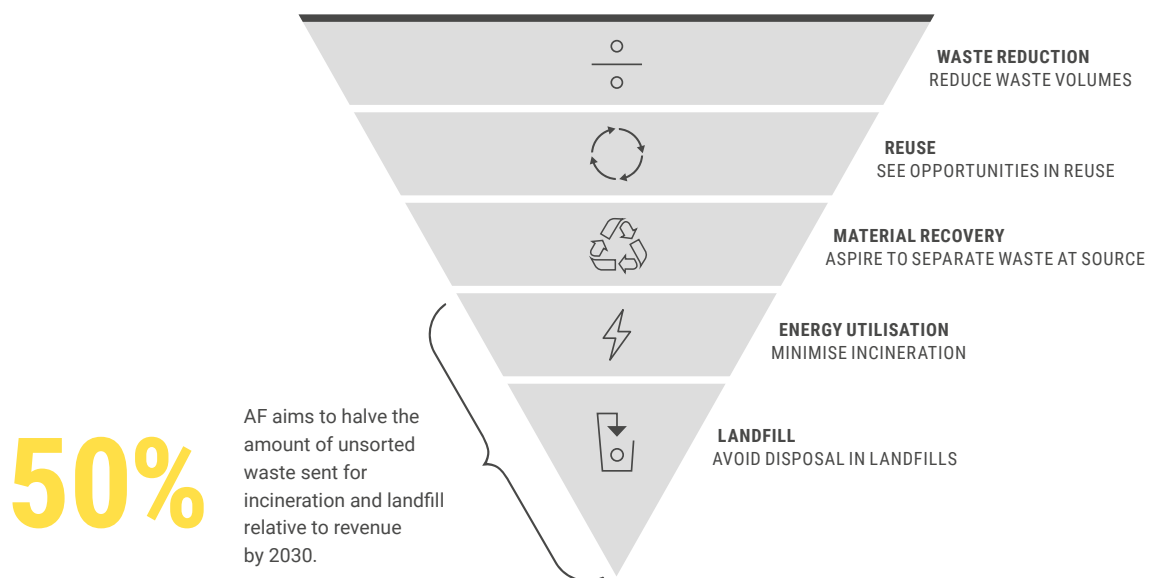
The increased use of standardised products and less use of customisation is an example that will make reuse much simpler. Today, for example, there is no standard length for hollow core slabs, a product that would otherwise be very suitable for reuse. Other examples are agreements regarding take-back schemes with suppliers and markets for sales of reused construction products.

**SOURCE SEPARATION RATE**



## 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.



### Waste reduction at Kårvåg primary school

Betonmast Røsand has constructed Kårvåg primary school. During the design, planning and implementation phases, solutions were chosen and measures implemented that resulted in a halving of the waste from the building site compared with what is usual. Agreements were signed on take-back with suppliers, tiling changes were made to reduce off-cuts and building material production was optimised. The quantity of waste was reduced to 18 kg per m<sup>2</sup>, while 40 kg of waste per m<sup>2</sup> is normal for school buildings. Betonmast Røsand won the Klimasnuprisen for 2022 for building Kårvåg primary school. The award was given as recognition of the special commitment to, and results of, the work on the climate friendly transition in Møre og Romsdal, and in order to contribute actively to arriving at, or raising awareness about, solutions to climate challenges without this having provided material adverse impacts on other SDGs.



## EU TAXONOMY

The EU Taxonomy for sustainable activities is a classification system that defines what a sustainable activity is. The purpose is to increase investments in sustainable solutions and greenwashing by having a common system for what can be called sustainable. The Taxonomy came into force in the EU in January 2022, and non-financial corporations in the EU became subject to reporting requirements as of the 2022 financial year. The Sustainable Finance Act that enacts the EU Taxonomy Regulation ((EU) 2020/852) into Norwegian law entered into force on 1 January 2023. This entails a reporting obligation for the 2023 financial year for AF Gruppen. For the 2022 financial year, AF Gruppen is voluntarily reporting the proportion of operating revenue, operating expenses (OpEx) and capital expenditure (CapEx) that are Taxonomy-eligible ('Taxonomy-eligible'). For the financial year 2023 AF Gruppen will also report on the proportion of activities that are Taxonomy-aligned ('Taxonomy-aligned').

An activity is Taxonomy-eligible if it is included in the list of activities that the EU has defined as potentially sustainable. An activity is Taxonomy-aligned if it makes a significant contribution to at least one of the EU's six defined climate and environmental objectives, does not cause significant harm to the other environmental objectives, and it satisfies the minimum conditions for social and governance conditions.

As of 31 December 2022, the EU has defined sustainable activities and associated criteria for climate objectives 1 and 2. Proposals have been made for sustainable activities and associated criteria for environmental objectives 3–6. The fact that an activity is not currently considered Taxonomy-eligible does not mean that the activity is harmful to the environment or that it is not sustainable. AF's activities are classified by looking at AF's projects in relation to the Taxonomy's economic activities and associated definitions. The NACE codes the Taxonomy has assigned to activities are used as guidance when classifying activities. The sectors that have so far been prioritised in the Taxonomy are sectors and activities for which the EU has found that there is high potential to contribute to reducing emissions and negative environmental impacts. These sectors include civil engineering, construction

and property. We expect building demolition and oil platforms will also be subject to the Taxonomy when climate objective 4, transition to a circular economy, is finally adopted.

Implementation of the EU Taxonomy has raised several issues, especially in relation to how Norwegian actors should apply to Taxonomy criteria that for reasons do not apply in Norway. Uncertainties remain that should be clarified to ensure comparable Taxonomy reporting between enterprises. The criteria set for many of the activities must be taken account of by both developers and contractors as early as in the design phase. AF can contribute our expertise to find good, environmentally friendly solutions through early involvement, and wants to deliver services that enable our customers to assume more environmental responsibility.

## OPERATING REVENUE IN AF GRUPPEN THAT IS TAXONOMY-ELIGIBLE

The table on the following page shows AF Gruppen's Taxonomy-eligible activities and associated operating revenue. For 2022, 82.6 per cent of AF Gruppen's revenue was Taxonomy-eligible within climate objectives 1 and 2. The erection of new buildings was the largest Taxonomy-eligible activity in

AF Gruppen in 2022. At the moment, few new buildings meet the requirements to be considered Taxonomy-aligned. The construction companies in AF Gruppen have over many years built up good expertise within

### EU CLIMATE AND ENVIRONMENTAL OBJECTIVES

1. Climate change mitigation
2. Climate change adaptations
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Preventing and combatting pollution
6. Protection and restoration of biodiversity and ecosystems

## EU TAXONOMY 2022

Financial activity	Kode	Climate target 1 Stop climate change	Climate target 2 Climate adaptation	Total revenue (NOK millions)
Construction of wind power plants	4.3	470	-	470
Construction and renovation of hydropower plants	4.5	89	-	89
Construction and renovation of district heating and cooling systems	4.15	402	-	402
Production of heat/cool from different sources <sup>1)</sup>	-	38	-	38
Construction, expansion and modernisation of water supply systems	5.1	197	283	480
Construction and expansion of centralised sewage systems	5.3	114	29	143
Renewal of waste water collection and treatment	5.4	35	-	35
Cleaning and recovery of non-hazardous waste	5.9	100	-	100
Construction and maintenance of infrastructure for personal mobility	6.13	164	-	164
Construction and maintenance of infrastructure for rail transport	6.14	240	-	240
Infrastructure enabling low-carbon road transport and public transport	6.15	313	-	313
Construction and modernisation of motorways, roads, streets, etc.	6.18	-	2,907	2,907
Construction and modernisation of ports	6.19	-	281	281
Construction of new buildings	7.1	16,689	781	17,470
Renovation of buildings	7.2	2,347	123	2,470
Installation and maintenance of energy efficiency equipment	7.3	121	-	121
Installation, maintenance and repair of renewable energy technologies	7.6	26	-	26
Professional services related to energy performance of buildings	9.3	38	-	38
<b>Total taxonomy-eligible activities</b>		<b>21,383</b>	<b>4,404</b>	<b>25,787</b>
Total non-taxonomy eligible activities				5,418
<b>Total</b>				<b>31,205</b>
<b>Share of taxonomy-eligible activities</b>				<b>82.6 %</b>

<sup>1)</sup> Include revenues from taxonomy codes 4.11, 4.16, 4.22, 4.24 and 4.25

BREEAM certification, which is Europe's leading environmental certification tool for buildings. The requirements for new buildings in the EU Taxonomy were implemented in the new BREEAM manual in February 2022, and more buildings are expected to satisfy the Taxonomy criteria in the future.

#### OPERATING EXPENSES BASED ON THE EU TAXONOMY IN AF GRUPPEN

Operating expenses that satisfy the Taxonomy's definition are linked to the maintenance and repair of property, installations and equipment that is considered essential for implementing Taxonomy-eligible activities. Total operating expenses in AF Gruppen that satisfy the Taxonomy's definition of operating expenses amounted to NOK 601 million for the reporting year 2022. For AF Gruppen, these are costs related to short-term leases that are

not capitalised on the balance sheet and costs linked to the repair, maintenance and cleaning of capitalised fixed assets.

#### CAPITAL EXPENDITURE BASED ON THE EU TAXONOMY IN AF GRUPPEN

Capital expenditure refers to the purchase of assets, products and services that are included in the statement of financial position and that are essential for performing a Taxonomy-eligible activity. For AF Gruppen, this largely involves investments in owned and leased machinery and equipment. Total capital expenditure that satisfies the Taxonomy's definition of capital expenditure amounted to NOK 621 million in 2022. For AF Gruppen, these were additions to fixed assets and rights of use in 2022. Goodwill is not included in capital expenditure, as it is not defined as an intangible asset under IAS 38.

# SOCIAL CONDITIONS

Everyone who works for AF should 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 project industry of which AF is a part has inherent risks due to the working conditions that we take seriously and always consider:

- There are significant forces at play and high levels of exposure in terms of health and this constitutes a risk to AF’s employees and our partners’ employees.
- Construction, civil engineering and industry are traditionally male-dominated sectors where there is a risk of conscious and unconscious gender discrimination.
- Strong competition and relatively low margins may lead to employees feeling pressured to work more than is safe and desirable.
- In some disciplines that we depend on in our projects, there are general challenges in relation to work-related crime and a lack of basic labour rights. Examples here could be undeclared work and foreign workers being tricked into slave-like working conditions.

AF has implemented provisions to safeguard the health, safety and rights of employees in the employment relationship. The regulations apply to our own employees, subcontractors and suppliers in all our projects.



## RESPONSIBLE CONSUMPTION AND PRODUCTION

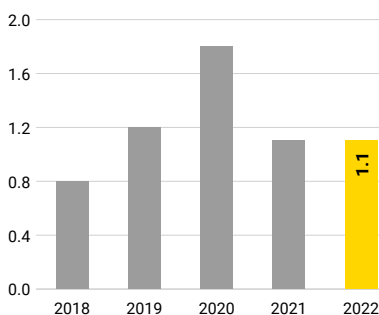
The UN goal includes protecting labour rights and promoting a safe, secure and inclusive working environment for all employees.

## HEALTH AND SAFETY – EVERYONE SHALL GET HOME SAFELY

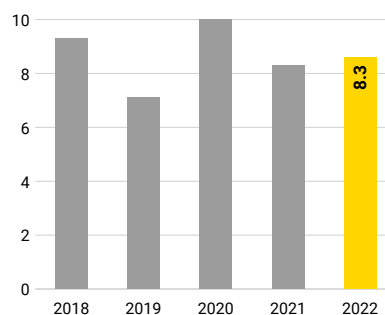
At AF, we create value and opportunities through project activities with an uncompromising attitude to safety and ethics. We undertake systematic HSE work to ensure that we provide safe and healthy working conditions. Our fundamental goal is to avoid all types of injuries, illness and complaints resulting from work, and we focus in particular on avoiding occupational accidents that lead to serious injuries and health exposure that may result in long-term or permanent disability.

AF expects its subcontractors to adopt the same HSE standards we have AF. The basic thinking behind our HSE efforts is

LTI-1 RATE



LTI-2 RATE



that all adverse events and incidents have an underlying cause and can therefore be avoided.

### Risk management

Risk management is a central aspect of preventive HSE work. AF identifies, communicates and manages HSE risks that could lead to occupational accidents and damage to health. At AF, we reduce risk to acceptable levels via a system of barrier controls, including both physical and organisational barriers. AF has also developed a web-based programme for the overall management of HSE risk, Clara.

### Learning and improving

Adverse events and matters relating to HSE are highlighted to ensure learning and further development. Particularly serious incidents are followed up specifically through investigation processes involving all levels of the organisation. The basic purpose of our investigations is to identify opportunities for improvement and measures to prevent similar situations from occurring again and we actively use these experiences in our systematic risk management. There is a strong will to continuously improve and, in 2022, nearly 50,112 (41,445) incidents and other matters were reported. These are all registered and managed using the non-conformity system Synergi Life or equivalent systems.

### Measuring performance

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 serious injuries and lost-time injuries per million man-hours and includes our own employees and subcontractors who are injured in our projects. The injury rate has shown a positive trend throughout the years, from an LTI-1 rate of 20 for the Norwegian operations in the early 1990s, to an LTI-1 rate of 1.1 (1.1) in 2022. This rate represents 24 (22) LTI-1 injuries in 2022. The year was marked by several serious injuries, and one person lost their life as a result of an accident at work. That incident affected the entire organisation and will do so for a long time.

### Absence due to illness

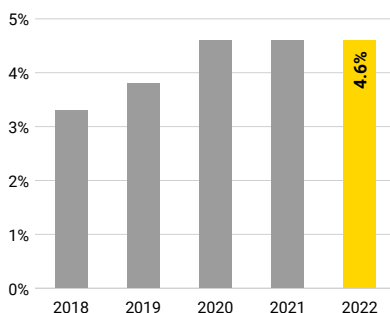
Absence due to illness is an indicator of healthy work and our rate was 4.6 per cent (4.6 per cent) in 2022. AF's absence due to illness is considered lower than average for the construction and civil engineering industry, although at AF we believe that the absence due to illness rate is too high. This is because we know that some of the absence due to illness is work-related and can therefore be influenced. Our long-term systematic work aims to achieve a 'healthy sickness picture', without any absences resulting from conditions at work. We anticipate a absence due to illness of less than 3 per cent once this goal has been achieved. Work-related absence due to illness is a relevant and important topic to which we are taking a systematic approach.

### Health-related work

Health-related work is a natural part of our HSE efforts in the same way as safety work. The statutory occupational health services with which AF is affiliated make significant contributions to preventive health work and the internal occupational health service at AF acts as a strong, professional and positive adviser on matters relating to preventive health work.

Risk management when it comes to health requires both expertise and knowledge of the exposures employees face at work. 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. Clara, AF Gruppen's HSE risk programme, includes a specific module for analysing health risks, and this is currently used in many AF projects.

### ABSENCE DUE TO ILLNESS



### Contingency planning

AF must be prepared to manage emergency situations at all levels of the organisation. The overall emergency preparedness plan at AF sets out the framework for the emergency organisation and plans for companies within the entire AF family. We need to be prepared for a wide range of challenging situations, such as serious occupational accidents, pandemics, cyberattacks, terrorism, etc. In the event of challenging emergency situations, AF will mobilise a central crisis team that will manage the overall emergency preparedness efforts and support management at the affected unit and project.

### Development projects

The Group strategy towards 2024 continues with the goal of AF Gruppen having LTI-1 = 0 and 0 serious injuries and 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:

- Clara – online tool for managing HSE risk associated with the activities in a project. Experiences from previous incidents are available in Clara, among other things, and communication and follow-up relating to barriers are reinforced. The system is constantly being refined and has during the year been adapted for managing the risk associated with HSE.
- Testing of equipment worn close to the body for measuring and warning of issues including noise, air values/gas and vibrations. The goal is to be able to help our skilled workers to reduce and avoid unwanted exposure to situations that can damage health.
- AF has invested in Minuendo via Construct Venture. Minuendo develops advanced hearing protection.

### Clara – Digital sharing of competence

AF Gruppen has developed its own digital solution for digital risk management for HSE and quality. Clara is a web-based tool for managing HSE risk among the activities in a project, including sharing experiences from past incidents, and reinforced communication

and follow-up of barriers. AF has a lot of experience and expertise in HSE work, and has focused on finding a good solution for sharing experiences across companies in the organisation. Clara is a tool for sharing experiences, risk management and analysis, all the way through the organisation.







## RESPONSIBLE CONSUMPTION AND PRODUCTION

The UN goal includes protecting labour rights and promoting a safe, secure and inclusive working environment for all employees.

### DECENT WORKING CONDITIONS – WORKING ENVIRONMENT AND LABOUR RIGHTS

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

#### Human rights and measures to combat work-related crime

The construction and civil engineering industry faces some general challenges related to human rights, especially in relation to labour rights. It is important that major actors such as AF take responsibility for ensuring that the entire value chain follow ethical guidelines and basic human rights.

AF has, since 2009, committed to complying with the human rights principles in the UN Global Compact and has comprehensive systems in place to prevent our projects being the scene of work-related crime and breaches of labour rights. We will only do business with customers and suppliers that share our fundamental and uncompromising attitude towards safety and business conduct. This is also set out in AF Gruppen's Code of Conduct.

AF requires the entire value chain to comply with fundamental human rights and decent working conditions. AF Gruppen is subject to the Transparency Act and reports on due diligence and consequences for the Group in the annual report. Information requests related to AF Gruppen's work on the Transparency Act and due diligence can be sent to: firmapost@afgruppen.no. Emails should contain 'Transparency Act' in their subject field.

#### Work on promoting fundamental human rights and decent working conditions

The procurement of goods and services amounts to around 70 per cent of our total revenue. AF Gruppen's procurements generally consist of services performed by

Norwegian and Swedish subcontractors, and AF generally purchases the materials, tools and machines it uses from suppliers based in Norway and Sweden. AF Gruppen requires all subsuppliers and subcontractors to comply with all applicable laws and regulations. Suppliers to AF Gruppen's projects must commit to complying with our Code of Conduct for Suppliers for the entire contract pyramid. AF Gruppen's Code of Conduct for Suppliers is a mandatory contract appendix to procurement agreements and we have zero tolerance for conduct that breaches the provisions of the Code of Conduct for Suppliers, and breaches of it will result in the supplier being excluded. In practice, this means that the supplier is flagged and excluded from AF's projects. AF has organisational responsibility for the entire contract pyramid.

Control procedures have been established in order to uncover illicit dealings, money laundering and corruption. The control routines include ongoing internal reporting and monitoring purchases of goods from high-risk countries, purchases of high-risk products and any purchases from blocked suppliers, in addition to annual checks and surveys. Internal reporting is performed on an ongoing basis in connection with the periodic reporting at a project and portfolio level. Suspected non-conformities must be reported to the Director of Procurement and Legal. The requirements of the Transparency Act are embedded in governing documents, through the clear division of roles and responsibilities at different organisational levels, and integrated into day-to-day operations through courses, procedures, procurement routines, contract templates, reporting, duties of care, inspections in projects and whistleblowing procedures.

AF works both proactively and reactively to ensure compliance with our strict policy and allows only two levels of subcontractors to ensure acceptable transparency. Proactively, AF uses StartBANK, for example and a proprietary prequalification module to assess possible suppliers. When subcontractors are approved and given access to a project, they are followed up 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:

- Checks 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 in the projects.
- Internal audits are conducted at all levels of the organisation.
- Safety inspections are conducted weekly for all projects to ensure compliance with working environment regulations.

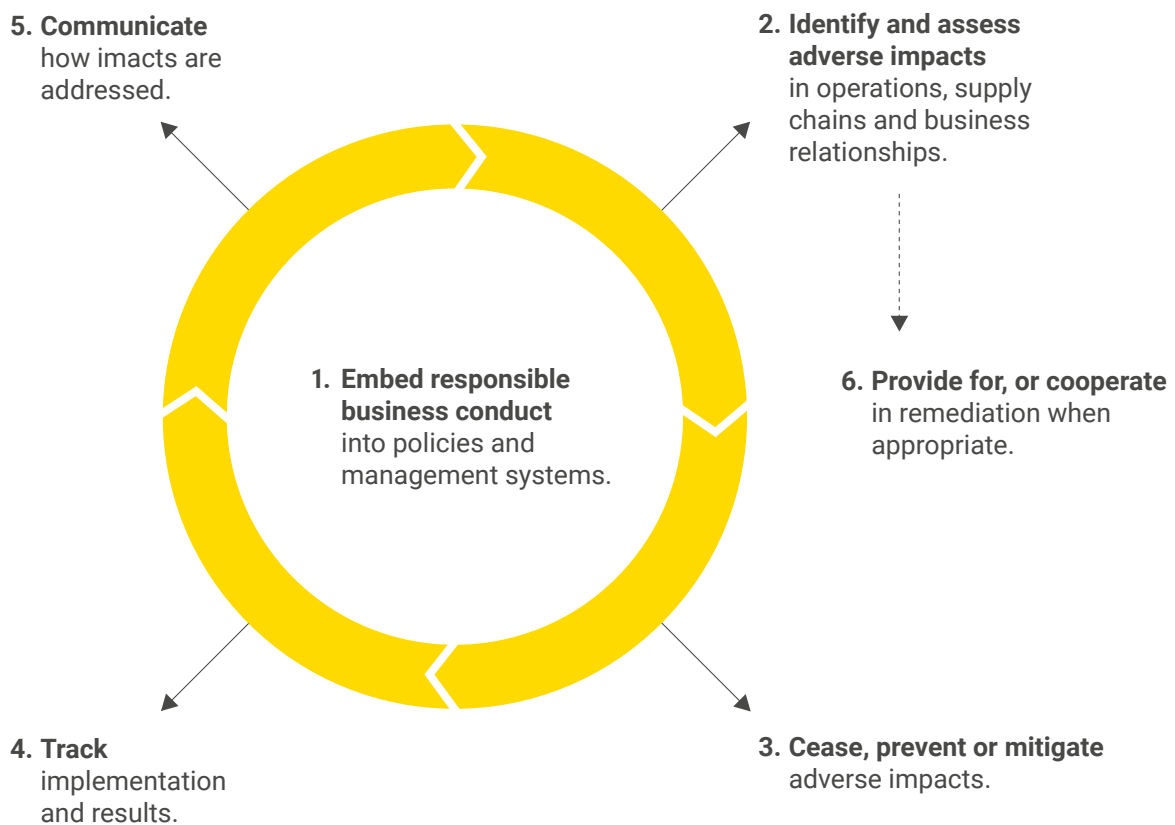
- Audits are conducted of subcontractors and suppliers to ensure that they have good systems for working conditions and ethics.

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

**Material risks and impacts of conducted due diligence**

AF Gruppen’s greatest inherent risk with respect to breaches of human rights and decent working conditions is considered to be potential incidents on our building sites.

**DUE DILIGENCE PROCESS AND SUPPORTING MEASURES**



AF has a big opportunity to exercise control and influence on building sites and has implemented a number of measures designed to ensure that everyone who works on our projects receives the wages and treatment to which they are entitled. In 2022, AF Gruppen investigated a serious incident on a building site with the result that the subcontractor's contract with AF was terminated. It was discovered that the subcontractors' employees were not being paid their statutory wages. The situation was dealt with immediately by AF paying the wages the employees were due and the affected employees being offered jobs in AF Gruppen.

When procuring physical factor inputs for production, primarily various construction materials, we comply with internationally recognised overviews of what are regarded as high-risk products and countries with an elevated risk of production that breaches fundamental human rights and decent working conditions. In total, 0.17 per cent of AF Gruppen's purchases in 2022 were from countries defined by the International Trade Union Confederation (ITUC) as high-risk countries (score of 4 or 5 on their scale). More than half of this amount was spent on leasing a vessel from a Hong Kong based company for a heavy lift offshore. The relevant company was carefully checked in advance in order to satisfy AF's requirements. The next largest payment was to a Chinese enterprise that AF has known for years. Other purchases from high-risk countries involved two purchases of low-value standard components from China. Besides this, AF has for years, via a well-established and solid Norwegian company, purchased tunnel bolts type-approved by Bane NOR and the Norwegian Public Roads Administration that are manufactured in China.

In line with existing procedures when using due diligence checklists, four possible concerns were reported via the Group's internal reporting system in 2022. None of the four reported purchases were of such severity that they immediately resulted in further investigations. If AF is assessing a future relationship with the relevant suppliers of these goods, they will be followed up

through closer dialogue and possible local audits. No purchases of products classified as high-risk products were registered from any high-risk countries. Nor were any purchases from sanctioned actors discovered in 2022.

#### **Measures designed to limit significant risk**

Corrective measures in the event of any significant findings will be to stop, prevent or reduce adverse impacts and/or harm. Specific measures will depend on the specific case and AF's ability to exert influence in relation to the relevant incident. AF wants as many potential cases as possible to be reported internally in order to raise awareness of this type of risk. To underscore that this must become a stronger part of our culture, we will strengthen our internal training for all salaried employees through an internal training programme.

In the coming year, AF will continue to have a close dialogue with suppliers, subcontractors and industry colleagues in order to map further opportunities for strengthening our due diligence in relation to fundamental human rights and to further contribute to ensuring decent working conditions in our value chains.

#### **Employment conditions**

AF has an employee representative and safety system 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. The guidelines ensure that employees are represented by salaried employees, skilled workers and both genders on the Board of Directors.

In line with the UN's Global Compact, AF facilitates craftsmen and production workers joining a union, and more than 90 per cent are therefore union members. Laws, regulations and collective wage agreements are framework conditions that AF Gruppen adheres to, and this applies to both salaries and working time provisions for our employees. Pay negotiations are carried out with trade unions and this is stipulated in AF's Code of Conduct.



## GENDER EQUALITY

The UN goals involves ensuring that women have complete and genuine access to participate and equal opportunities for leading positions at all levels where decisions are made.

## WELL-BEING AND THE WORKING ENVIRONMENT

People are the most important resource at AF. We want an inclusive and safe working environment with zero tolerance for discrimination.

### Upskilling

Developing the knowledge and expertise of our employees is the most profitable investment we make. Practical training through participation in projects is the most important tool for promoting professional development and AF's decentralised decision-making structure provides early opportunities for talented employees to assume responsibility. AF also offers formal education through the AF Academy and external further education. The breadth of AF's centres of expertise provides a good foundation for professional development and career opportunities across the Group. AF's goal is to develop managers through internal training, and around 80 per cent of current managers were recruited internally.

### Apprentices

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 to remove prejudices and promote positive attitudes to the construction and civil engineering industry. AF's strategic goal in the period up to 2024 is to achieve an apprenticeship proportion exceeding 7 per cent and for more than 60 per cent of our skilled workers to hold a certificate of completed apprenticeship.

### Equality and diversity

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.

AF's goal is to ensure that the recruitment proportion by gender reflects the recruitment pool and the relative share of promotions should be equal for men and women. AF has a long-term strategic 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 an increased focus on and change of attitudes related to unconscious discrimination.

In 2022, the proportion of women in AF was 9.0 per cent (9.7 per cent), with 18.7 per cent (18.8 per cent) of salaried employees and 1.4 per cent (1.4 per cent) of skilled workers. The decrease in the proportion of women was a result of the strategic focus on technical skills, of which the acquisition of concrete contractor Stenseth & RS in 2022 was a part. At the end of 2022, AF had one woman and six men in the Corporate Management Team. The Board of Directors comprises four women and six men.

### Employees satisfaction

The Employee Satisfaction Survey (ESS), which was last conducted in 2021, 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 job satisfaction 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.

### Recruitment

AF wants to increase strategic cooperation with educational institutions to strengthen access to talented future employees. One important measure that has been implemented in the last 4 years is the 'AF Collective' competition, in which the winners' student accommodation is sponsored for 1 year. Students are also followed up individually by AF mentors and have the opportunity to access professional learning and inspiration through close contact with the organisation. At AF, we are also challenged by inquisitive students who will help shape the future of the industry.

## Recruitment toolbox

AF Gruppen actively works to attract people who represent broader diversity to the industry. This creates value and provides the company with more varied expertise and perspectives. Measures used in recruitment to AF include:

- Structured recruitment process with the use of aptitude tests, having both genders present at interviews, and training of managers in unconscious discrimination.
- Pictures of employees of both genders in job advertisements and other profiling material.
- Quarterly measurement of hirings by gender and level.
- Clear communication related to diversity and inclusion in our university college/ university tours, as well as in our apprenticeship initiative.



## Apprentice and supervisor

Apprentices in AF Gruppen have a unique opportunity to develop their expertise in complex and interesting projects. Skilled workers form the backbone of AF Gruppen's operations and AF depends on being able to recruit good apprentices and ensure that they are properly followed up. Many of the apprentices are offered permanent employment with AF upon passing their exams. Karoline Eil en B hler Fredriksen is an apprentice machinist at JR Anlegg, where she receives guidance from, among others, Jo Kristian Krogvold, who is the supervisor. AF performs a variety of operations and apprentices are given relevant challenges such that they are well-equipped to pass their apprenticeship exam or trade exam.

# CORPORATE GOVERNANCE AND BUSINESS CONDUCT

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 corporate 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 also have to comply with the Code of Conduct through AF's Code of Conduct for Suppliers. When assessing candidates for acquisition, decisive weight is attached to whether the company's corporate culture and core values align with those of AF.

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, it 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 must be carried out together with representatives from the Corporate Management Team. See page 20 for further details of risk management in projects.

## TRANSPARENCY AND REPORTING

AF Gruppen must be transparent and trustworthy. Laws and regulations constitute framework conditions that AF needs to adhere to and our reporting will be complete and in accordance with relevant legislation. Furthermore, AF has an objective for all investors and stakeholders to have access to the same financial information about the Group at all times and we encourage open dialogue with stakeholders. The chapter on corporate social responsibility in AF was drawn up in line with the requirements in the 'Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act) of 2022.



## PEACE, JUSTICE AND STRONG INSTITUTIONS

The UN goal involves significantly reducing corruption and bribery in all forms and developing effective, responsible and transparent institutions at all levels.

## ECONOMIC CRIME

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 principles and authority matrix, all contracts must 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. 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 must manage its tax affairs 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 dismissal.

### 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 delivers management training covering topics such as purchasing, HSE and HR management. The management courses at AF include dilemma training and other attitude-forming tasks to ensure that AF's guidelines are practised uniformly. AF has also developed and delivers a course on the prevention of work-related crime. Furthermore, all subcontractors must complete a mandatory HSE course before starting an AF project.

### Cooperation with others

AF has introduced organisational and structural measures to ensure that AF only collaborates with professional actors. The corporate staff has a dedicated resource with work-related crime as their specialty, and each business unit has its own professionalism officer. These regularly communicate via AF's networking organisation on work-related crime, A-krim.

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
- A-krim Forum for the work to combat work-related crime.
- Purchasing Forum for questions related to business conduct.

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.

### NOTIFICATION OF MISCONDUCT

Notification (whistleblowing) involves reporting misconduct in the company, including the violation of laws and central policies. All permanent employees and contracted employees have the right to submit reports. AF has established procedures for whistleblowing and managing misconduct in order to ensure a predictable and prudent approach under which the whistleblower is protected against retaliation resulting from the report. Reports can be submitted either openly or anonymously and both the report and the identity of the whistleblower are subject to confidentiality. Reports can be submitted to a line manager, to a more senior manager, via email to the whistleblowing committee (varsling@afgruppen.no) or using the reporting form available at [www.afgruppen.com/notification](http://www.afgruppen.com/notification). To the extent permitted by the case, the whistleblower will be informed of how AF is handling the matter and its outcome.

#### THE AF WHISTLEBLOWING COMMITTEE CONSISTS OF

- Olav Aune, Director of HSE (Committee Chairman)
- Thomas Gyran, occupational health doctor
- Sif Løvdal, HR Manager
- Christian Berg, Chief Employee Representative/Chief Safety Representative
- Sigrunn Wangen Lid, HR Manager
- Christoffer Fjellheim, Director of Procurement and Legal
- Tinis Wensing, HR Manager (Sweden)

## FN 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 companies doing their utmost to operate their businesses in accordance with the ten principles:

### PRINCIPLES

### Relevance to AF

### Action

## HUMAN RIGHTS



<p><b>1</b> Businesses should support and respect the protection of internationally recognised human rights and</p>	<p>AF Gruppen complies with all current laws and respects internationally recognised human rights, regardless of where we operate.</p>	<p>AF has laid down its attitudes and principles concerning human rights in fundamental documents: the Code of Conduct, corporate policy and Purpose, Goals and Values.</p>
<p><b>2</b> make sure that they are not complicit in human rights abuses</p>	<p>AF does not deal with companies that contribute in any way to human rights violations.</p>	<p>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. Risk transactions are reported on an ongoing basis and followed up in order to deal with potential adverse impacts on human rights and decent working conditions. <i>Read more on page 48 (Social Conditions).</i></p>

## WORKING CONDITIONS



<p><b>3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,</p>	<p>AF facilitates the organisation of employees and the right to collective bargaining is recognised and respected.</p>	<p>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. <i>Read more on p. 48 (Social Conditions).</i></p>
<p><b>4</b> ensure that all forms of forced labour are abolished,</p>	<p>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 Code of Conduct, satisfy statutory requirements, collective agreement requirements and internal requirements at AF.</p>	<p>AF has a procedure for verifying the pay and working conditions at subcontractors and employment agencies. In 2022, AF blocked specific parties who did not comply with AF's ethical guidelines relating to working conditions. The conditions were identified before the suppliers in question were contracted by AF. <i>Read more on p. 48 (Social Conditions).</i></p>
<p><b>5</b> the effective abolition of child labour and</p>	<p>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.</p>	<p>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. <i>Read more on p. 48 (Social Conditions).</i></p>
<p><b>6</b> Ensure that discrimination in employment is abolished</p>	<p>AF shall have a working environment in which there is no prejudice, discrimination, verbal abuse or persecution. AF's principles relating to discrimination are laid down in the Code of Conduct.</p>	<p>All employees are required to sign the Code of Conduct in connection with recruitment and the code will be reviewed during initial training. The long-term target is to increase the proportion of women at AF to 20 per cent. The Corporate Management Team and the entire organisation are working actively to make AF an attractive employer for everyone. <i>Read more on page 48 (Social Conditions).</i></p>



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 in this analysis. *Read more on page 20 (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, ground and energy solutions that are harmful to the environment. Our services and solutions will enable our customers to assume greater environmental responsibility.

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 developed several business areas that can contribute to a circular economy. *Read more on p. 38 (Climate and environment).*

**9** encourage the development and spread 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 expertise.

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, AF Environmental Base Vats has been established as an approved and certified reception facility for recyclable materials. *Read more on p. 38 (Climate and environment).*

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 the principles that are laid down in our Code of Conduct, which includes anti-corruption principles. No instances of corruption, including blackmail and bribery, were identified in 2022.

One approval requirement for the engagement of subcontractors and suppliers is compliance with applicable laws and regulations relating to historical corruption, including compliance with the tax laws. *Read more on page 56 (Corporate governance).*