

# Business integrity policy

## A Kvaerner policy

**List of content:**

<b>1</b>	<b>Policy statement .....</b>	<b>3</b>
<b>2</b>	<b>Policy scope.....</b>	<b>3</b>
<b>3</b>	<b>Operating principle.....</b>	<b>3</b>
3.1	Roles and responsibilities .....	3
3.2	The Kvaerner Business integrity programme.....	4
3.3	Where to seek guidance and to where to report concerns – whistleblowing.....	5
3.4	Corporate Investigation of whistleblowing reports.....	5
3.5	Possible violation - realised in hindsight.....	5
3.6	Disciplinary actions.....	5
3.7	Integrity due diligences.....	6
3.8	Internal control and auditing.....	6
3.9	Collecting and processing of personal information .....	6
3.10	Human Rights .....	7
3.10.1	Laws and regulations, relevant agreements or conventions .....	7
3.10.2	Freedom of expression.....	7
3.10.3	Labour standards .....	7
3.10.4	Minority rights .....	8
3.10.5	Discrimination, harassment and bullying.....	8
3.10.6	Purchase of sexual services.....	8
3.11	Corruption and improper payments.....	8
3.11.1	Laws and regulations .....	8
3.11.2	Use of third party representatives, including agents and lobbyists.....	10
3.11.3	Facilitation payments .....	10
3.11.4	Gifts.....	10
3.11.5	Entertainment expenses.....	11
3.11.6	Conflict of interest .....	11
3.11.7	Charitable donations and sponsorships .....	12
3.11.8	Political contributions .....	12
3.11.9	Trading in influence.....	13
3.11.10	Fair business competition.....	13
3.11.11	Maintaining accurate and truthful books and financial records .....	13
3.12	Export controls and sanctions.....	13
3.13	Fraud .....	14
3.13.1	Introduction.....	14
3.13.2	Typical yellow flags.....	14
<b>4</b>	<b>Procedures pertaining to the policy.....</b>	<b>14</b>

**5 Revision summary ..... 14**

A Kvaerner policy and/or procedure is a document intended for internal use within Kvaerner ASA, its subsidiaries and affiliates ("Kvaerner Corporation"). The document has been developed to achieve consistently high quality operations throughout the corporation. However, neither the Kvaerner policy system nor any parts thereof shall be interpreted as constituting any form of representation of warranty by Kvaerner as to any level of performance or otherwise or forming a contract or any part thereof (including an employment contract) entered into by Kvaerner unless otherwise expressly confirmed in writing by a duly authorised representative of Kvaerner.

## **1 Policy statement**

The Kvaerner Business integrity policy sets out the mandatory rules and regulations in respect of human rights, anti-corruption, improper payments and fraud. The purpose of the policy is to secure that all of Kvaerner's business operations are conducted in an ethical manner and in compliance with applicable laws and regulations. Deployment of the Business integrity policy is effected through the implementation of the Kvaerner business integrity programme. The Business integrity programme, described in more detail herein, is divided into preventive-, detectable- and responsive activities.

## **2 Policy scope**

This policy applies to Kvaerner ASA and its subsidiaries, including partly-owned subsidiaries where Kvaerner ASA directly or indirectly controls more than 50 percent of the shares or votes. The policy applies to all personnel employed by these companies. In companies where Kvaerner holds 50 percent or less of the shares or votes, Kvaerner shall do its utmost to ensure that the principles of this policy are adhered to.

Kvaerner shall use its best endeavours to extend the business integrity requirements of this policy to joint venture partners, third party representatives, suppliers and subcontractors that Kvaerner has contractual relationships with. To ensure such compliance, appropriate wording shall be included in all contracts where Kvaerner has sufficient influence

The owner of the Business integrity policy is SVP Legal & Compliance .SVP Legal & Compliance . Any deviation to this policy has to be approved by the policy owner.

## **3 Operating principle**

### **3.1 Roles and responsibilities**

Each employee (including consultants and subcontractor personnel working within Kvaerner organization) shall comply with this policy. If an employee is uncertain how to resolve a particular problem, the employee shall contact his/her line manager and seek guidance. Kvaerner leaders are expected to actively lead, promote and implement the Business integrity programme and be role models. Each area has an independent responsibility to ensure adherence to the internal framework of the group, and compliance with external laws and regulations at any given time. Non-compliance with this Business integrity policy may expose Kvaerner to serious risks, including legal, financial and reputational.

SVP Legal & Compliance is the owner of the Kvaerner Business integrity programme, Head of the Internal Investigation Team and Head of the Internal Audit Team. SVP Legal & Compliance shall co-ordinate and follow-up management of the business integrity related risks within all areas, and prepare and be responsible for the presentation of business integrity subjects to the executive management team (EMT) and the Board's audit committee (AC) .

The EMT, CMT and the AC shall review the Business integrity programme (see section 3.2 below) on an annual basis.

### 3.2 The Kvaerner Business integrity programme

The Kvaerner Business integrity programme is divided into **preventive**, **detectable** and **responsive** activities. The programme is built upon the key principles from several international sources, including the UK Bribery Act from 2010, guidance given by Transparency International on how to build up anti-corruption programmes, as well as best practices collected from other companies and organisations. The key activities within the respective areas are listed in the table 3.2.1 below.

The Kvaerner Business integrity programme	
<b>Prevention</b>	<ul style="list-style-type: none"> <li>• Clear and visible communication of expectations at all levels in the organisations</li> <li>• Continuous risk assessments at all levels and Annual risk review with Board of Directors</li> <li>• Solid governing documents</li> <li>• Extensive training and internal lessons transfer programs</li> <li>• Risk-based integrity due diligences of partners, third party representatives, suppliers, subcontractors and clients</li> <li>• Learning from other companies and organisations</li> </ul>
<b>Detection</b>	<ul style="list-style-type: none"> <li>• Effective channels for reporting of concerns/whistleblowing</li> <li>• Risk-based inspections, reviews and audits</li> <li>• Close monitoring, follow-up of improvement actions</li> </ul>
<b>Response</b>	<ul style="list-style-type: none"> <li>• Adequate investigation of all reported concerns/whistleblowing</li> <li>• Consistent implementation of response actions</li> </ul>

Table 3.2.1: The Kvaerner Business Integrity Programme

Based on the result of the Annual risk review, SVP Legal & Compliance shall prepare the key business integrity risk reducing activities and present the programme to the EMT and the AC for review and feedback. Guidance on how to perform risk assessments within business integrity is given in the Procedure *Guideline for business integrity risk assessments and identification of risk reducing actions* [Doc ref 01-C-AAA015].

The Kvaerner Business integrity programme is a continuous improvement process. With frequent changes in external and internal conditions it is important to have regular reviews and adjustments of the programme. The owner of the programme, SVP Legal & Compliance, shall work closely with each area to identify improvements, and shall on a yearly basis present the updated programme to the EMT and to the AC for their review and feedback.

Violations of law and policies may be a result of unfortunate conditions within the organisation. Kvaerner shall in particular focus on the three following main factors which imply increased risk for non-compliances:

- **watch the pressure:** Pressure may for example arise when competing for winning a contract, achieving a project milestone where any delays must be avoided or meeting stretched financial targets;
- **avoid and remove fear and silence:** fear of reprisals from management or from colleagues; and
- **watch out for complacency:** Avoid pretending that violations solely occur in other companies, in developing countries and vice versa.

The Kvaerner business integrity training programme shall consist of classroom courses and eLearning modules. Business integrity induction training is mandatory for all new Kvaerner employees as well as contract staff. Furthermore in-depth classroom courses are mandatory for new employees and contract staff holding exposed roles. This includes all management positions, all employees working with business development, members of project management teams and discipline leads, legal counsels, selected personnel within the human resources and finance departments. The business integrity module based eLearning program is complementary to the classroom courses. The position of an employee determines what eLearning modules that will be mandatory to complete.

### 3.3 Where to seek guidance and to where to report concerns – whistleblowing

It is important that all Kvaerner employees do not hesitate to seek guidance in case of uncertainty in respect of compliance with this or other Kvaerner policies. In case of uncertainty as to whether an action complies with this policy, the following questions should be raised:

- Is it the right thing to do and will I be proud of the choice I make?
- Do I have all the facts and have I reviewed them carefully?
- Are there any applicable company policies or legal requirements that must be complied with?
- Have I identified and considered all of my options?
- What are the consequences of my decision?
- Should I seek advice from others?
- How will my decision be viewed in one month; one year; or at a later point in time?
- Do I have any reservations talking to my colleagues about this?
- If it became known, might my action result in embarrassment either within or outside the company?
- Even if I believe that the action is allowable, how might it be interpreted from the outside? For example how would my actions be perceived if communicated in the newspapers or on the internet?

Guidance may be sought from line managers, project managers and from the human resources department in the unit where the employee works. Kvaerner employees are always encouraged when possible and feasible to raise questions and to report concerns to their line managers, human resources, Working Environment Committee, elected union representatives, company health service and representatives of senior management.

Kvaerner employees may also report concerns of non-compliance directly the SVP Legal & Compliance in person, by phone, by email or through the Kvaerner electronic channel available at [www.kvaerner.com](http://www.kvaerner.com): [whistleblowing@kvaerner.com](mailto:whistleblowing@kvaerner.com) where the person also may choose to be anonymous. As this channel is on the Kvaerner external website, it is available also to all non-Kvaerner employees.

### 3.4 Corporate Investigation of whistleblowing reports

The *Kvaerner Governance policy* [Doc ref 01-A-AAA002] describes the composition of the Investigation team for reported concerns, as well as the investigation process for concerns reported via the whistleblowing channel or other channels. In addition, the Kvaerner procedure *Follow-up/investigation of whistleblowing reports* [Doc ref 01-C-AAA014] describes the procedure for investigation of all compliance-related issues received or initiated..

### 3.5 Possible violation - realised in hindsight

In case the employee realises in hindsight that a situation that he/she has been involved in may have been a breach of law, the Code of conduct, this policy or international recognised standards for ethical behaviour, the employee is encouraged to report the situation to his/her line manager. The line manager shall further report it to SVP Legal & Compliance.

### 3.6 Disciplinary actions

Kvaerner will not accept any violations of relevant laws, regulations or of this policy. Properly founded allegations or evidence of violations of this policy will result in investigations which will result in disciplinary responses if allegations are proved. Disciplinary responses will range from verbal warnings (from line managers or HR) to dismissal. In appropriate cases, Kvaerner will support criminal investigations and prosecutions.

### 3.7 Integrity due diligences

Due diligence is a fact-finding research and subsequent analysis of risk elements that a company carries out to acquire a sufficient basis for decision making in different contexts and for different purposes. There are several areas of due diligence enquiries including legal, financial and technical. Due diligences exercises that focus on corruption and human rights are often referred to as integrity due diligences (IDD).

Kvaerner shall perform IDD of partners, third party representatives, subcontractors, suppliers and clients. The precise nature and scope of the IDD shall be calibrated so that it is appropriate with respect to the risk. Typically, the risk will depend on the type of company, transaction, and relationship, past experience, type of services to be provided, contract value and contract duration, dependency and strategic importance, in addition to geopolitical circumstances.

IDDs shall always be performed in advance of the relationship being established, and shall be followed-up throughout the relationship's life.

The IDD process shall involve the following steps:

- assessment of risk
- determination of the scope of the integrity due diligence
- data collection
- analysis
- decisions and
- recommendation with regards to handling of risks going forward

Every third year, Kværner ASA is required by the Norwegian Data Protection Authority (*No: Datatilsynet*) to provide an overview of IDDs performed in the last period, the result of these IDDs and whether Kvaerner has made any exceptions from the information duty [cf. Doc ref Datatilsynet 15/00318-2/BSO]]. Legal may be contacted if access to this reference document is required or desirable. This information shall be compiled from all areas and filed with the Data Protection Authority by SVP Legal & Compliance. Kvaerner may also be required by the laws of other countries where it has business activities to collect and file similar information. SVP Legal & Compliance shall ensure that compliance with such laws is maintained.

### 3.8 Internal control and auditing

The Board of Directors is responsible for having an adequate organisation, sufficient resources and systems in place to ensure adequate internal control of the business integrity dimensions of the company's operations.

Internal control shall be performed on all levels in the company, including on project level, in the areas, and on corporate level. The Internal audit team defines the audits that shall be performed within business Integrity, based on the result of the annual risk review performed presented to the Board of Directors.

### 3.9 Collecting and processing of personal information

Norway and other countries in which Kvaerner does business have privacy laws protecting personal information. The Norwegian Personal data act (and, where relevant, the legislation of other countries where Kvaerner does business) must be respected whenever information on individuals are collected, cf. Kvaerner's Data protection procedure. In some cases, the permission of state authorities must be obtained.

### **3.10 Human Rights**

#### 3.10.1 Laws and regulations, relevant agreements or conventions

Kvaerner shall conduct its business in accordance with the principles set out in the United Nations Universal Declaration of Human Rights (1948). This Declaration defines a number of fundamental principles on religious, political, cultural, economic and social rights. Kvaerner is furthermore committed to the International Labour Organization's (ILO) eight core conventions dealing with the rights of employees. Kvaerner is responsible for respecting the human rights of its own employees and employees working in the projects where Kvaerner has ownership control or operating responsibility.

#### 3.10.2 Freedom of expression

All Kvaerner employees have the right to express their views and concerns in good faith, for example with respect to their working conditions, without fear of reprisal. The right to freedom of expression does not include unlawful discrimination or abuse of confidential information pertaining to Kvaerner. Employees who believe their right to freedom of expression have been infringed may report this through the whistleblowing channel.

#### 3.10.3 Labour standards

Kvaerner is committed to respect the International Labour Organization's (ILO) eight core conventions. Key issues are freedom of association, the right to collective bargaining and the prohibition of forced labour. The conventions also address some basic requirements for wages, working hours, social benefits and the working environment, which must be considered in the context of legal requirements and best practices in the country in question. Reference is also made to Kvaerner's People policy and the regional Personnel handbooks.

#### Freedom of association and collective bargaining

All Kvaerner employees have the right to be union members and to be represented in collective bargaining agreements. Union representatives shall not be subject to any discrimination and shall have the access to all necessary workplaces in order to carry out their duties as representatives. In locations where these rights are restricted, Kvaerner will seek other solutions to provide all employees with opportunities to influence their work situation and in accordance with collective bargaining agreements.

#### Forced labour

Kvaerner does not accept forced labour, including slave and penal labour. Neither does Kvaerner accept that employees are required to pay any deposits, or leave their identity papers unless required by national or regional authorities due to security reasons or procedures

#### Child labour

Kvaerner does not accept child labour and does not under any circumstances employ children below the age of 16. Hazardous work shall only be performed by workers above legal school age or the age of 18. The definition of youth is country dependent.

#### Working hours

Working hours shall comply with appropriate national legislation, national agreements and industry standards. Overtime shall be done voluntarily, shall not be demanded on a regular basis, and shall always be remunerated at a premium rate in accordance with national legislation or collective agreement.

#### Living wages

The standards of living wages are usually dictated by national law. Wages and benefits paid for a standard working week shall at least be sufficient to cover the basic needs of the worker and his/her family. In no circumstances can wages and benefits be less favourable than those established by national legislation or collective bargaining agreements.

#### 3.10.4 Minority rights

In Kvaerner everyone is entitled to all the rights and freedoms set forth in UN's Declaration of Human Rights, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs.

#### 3.10.5 Discrimination, harassment and bullying

Kvaerner employees shall be entitled to a workplace which is free from discrimination, harassment and bullying. All Kvaerner employees shall behave respectfully and with integrity towards anyone he/she interacts with through his/her work. Each Kvaerner employee shall contribute to an environment that is free from discrimination due to religion, political opinion, social group, marital status, skin colour, gender, sexual orientation, age, nationality, race, national or ethnic origin, cultural background, disability or any other reason. No Kvaerner employee shall bully, harass, degrade, threaten or otherwise disrespect other individuals.

##### Discrimination

To discriminate means to treat someone less favourable than others without proper cause. It is often used to characterize an irrelevant or unreasonable treatment of other individuals based on for instance gender, ethnicity, religiousness, age, sexual orientation, social status or any other reason.

##### Harassment and bullying

Harassment is when one or more individuals are repeatedly subjected to negative treatment by one or more persons over time. This may be unwanted sexual attention, nagging, exclusion, taking away responsibilities, or hurtful jokes and teasing. Furthermore, there is often an imbalance in the power relationship between those involved, implying that the person being harassed may find it difficult to defend themselves. It is normally not considered harassment if two equals are in conflict, or if it is an isolated incident.

The term bullying is covered by the term harassment, and is not a term used in the Norwegian Working Environment Act.

#### 3.10.6 Purchase of sexual services

Kvaerner does not accept purchase of sexual services. According to the Norwegian Penal Code purchase of sexual services in Norway or abroad is illegal for Norwegian citizens or persons domiciled in Norway. Offenders may be charged in Norway even if the practice was not illegal in the country where it took place.

### **3.11 Corruption and improper payments**

#### 3.11.1 Laws and regulations

Kvaerner ASA and its subsidiaries are subject to the corruption provisions in the Norwegian Penal Code. Kvaerner is also subject to the legislation in the countries where Kvaerner does business. Furthermore, the legislation of other countries, such as the UK Bribery Act and the US Foreign Corrupt Practices Act, will apply also outside the UK and the US. As a starting point Kvaerner shall assume enforcement of the Norwegian penal code, the UK Bribery Act from 2010 and the US Foreign Corrupt Practices Act (FCPA) from 1977 and the anti-corruption provisions of the country of operation.

In addition to its legal implications, corruption has a negative impact on the community. Corruption negatively impacts economic growth, increases the cost of doing business and distorts the playing field. Furthermore, corruption brings uncertainty into commercial transactions, for example in respect of granting of licenses, fosters a permissive atmosphere for other business crimes, undermines employee confidence in management and puts our values and reputation at risk. Kvaerner is against all forms of corruption and shall at all times ensure that corruption does not occur in any of Kvaerner's business activities.

Corruption includes a wide variety of activities. The most common form of corruption is bribery, which is illegal in Norway and most other countries. Kvaerner does not allow bribery in any form. Bribery can be defined as an offer or receipt of any gift, loan, fee, reward or other undue advantage to or from any person as an inducement to do something that is dishonest, illegal or a breach of trust, in the conduct of the company's business.

Corruption, as defined above, is prohibited in Kvaerner and violations will result in disciplinary actions. It is the responsibility of each legal entity and Kvaerner employees and leaders to be sufficiently acquainted with applicable laws, including local laws, and to seek legal advice as needed.

The Norwegian anti-corruption legislation is amongst the strictest in the world.

Corruption is defined in the Norwegian Penal Code as follows:  
 If a person:  
 a) for himself/herself or other persons, requests or receives an improper advantage or accepts an offer of an improper advantage in connection with a post, office or commission, or  
 b) gives or offers anyone an improper advantage in connection with a post, office or commission.

Examples of corruption are payments in order to obtain a license or a contract one is normally not entitled to.

The corruption provisions in the Norwegian Penal Code apply to all Norwegian citizens and companies, as well as foreign companies and individuals residing in Norway, for corruption committed in Norway and abroad, regardless of whether the act is a criminal offence in the other country or not. The Penal Code also prohibits bribes paid indirectly through agents, consultants or other intermediaries. For guidance in respect of the legal framework, employees should contact Legal.

Kvaerner employees shall not, either directly or indirectly through a third party, offer anything of value to influence the actions or decisions of any official, other person in public or legal duty, any person acting on behalf of customers or subcontractors/suppliers, or any other third party, or to otherwise obtain any improper advantage, in selling goods and services, conducting financial transactions or representing the company's interests.

Regardless of the country/countries where business is conducted, Kvaerner employees are prohibited from paying or receiving bribes under any circumstances. In Kvaerner, no one shall offer, authorize, or pay bribes or anything of value to anyone, including:

- Customers or customer representatives or
- Any government official, political candidate, or political party, in order to obtain or retain business or secure any business advantage

The UK Bribery Act from 2010 became effective mid-2011. Under the UK Bribery Act the company's defence is limited to proving that the company has implemented "*adequate procedures*" to prevent bribery. A company convicted of failing to prevent bribery could receive an unlimited fine.

The laws cover both *personal liability* and *company liability*. Roles in the organisation which are especially exposed are senior managers, project managers, legal and compliance personnel. The laws cover not only responsibility with respect to own organisation but also complicity with respect to business partners; joint venture partners, third party representatives (including what is often referred to as agents and lobbyists), suppliers and subcontractors.

When contemplating the national and international focus of combating corruption and bribery there has been a substantial legal transition during the past 15 years. What was custom, practice and accepted behaviour a few years ago is prohibited today.

### 3.11.2 Use of third party representatives, including agents and lobbyists

The Kvaerner policy with respect to use of third party representatives, including agents and lobbyists is covered in the Kvaerner Joint Venture and Third Party Representatives Policy [Doc ref 01-A-AAA004]. Kvaerner has a very restrictive policy – as this typically represents a high risk. As stated in this policy, all hiring of third party representatives and establishment of joint ventures require prior approval by the President & CEO after review and recommendation by SVP Legal & Compliance.. No work shall commence and no commitment may be given until approval has been given by the President & CEO and the contract has been signed.

### 3.11.3 Facilitation payments

Facilitation payments, also called “speed” or “grease” payments, are payments made to secure the expeditious performance of an action which the payer may already have a legal or other entitlement to e.g. the return of a passport at an airport or faster handling of material through customs. Such payments are most often small, but can also be substantial. Other examples include paying small amounts to officials to secure permission to leave or enter a country, to clear goods through customs, or to unload shipments within reasonable time (sometimes avoiding costly delays). Facilitation payments are normally cash payments, but could also involve other favours. The payment demanded or paid may be modest and the consequences of not paying may be significant.

Under the Norwegian Penal Code, facilitation payments may be illegal.

Kvaerner employees shall never give nor encourage facilitation payments unless the employee is the victim of extortion - where demands for facilitation payments are associated with expressed or perceived threats to health or life, for example if an employee is placed in prison on a remote location with a demand for facilitation payment in order to be released. In such circumstances, the employee shall if possible contact his/her line manager to have pre-approval of the payment, preferably before the payment takes place and the payment shall be recorded and reported to the SVP Legal & Compliance. It is acknowledged that it may be difficult to assess the correct way of action in difficult and complex situations, or while one is under pressure. The important thing in such situations is that each individual situation is assessed properly, that the line management is consulted and that any facilitation payments made are reported together with an explanation of why the payment was deemed necessary in that specific situation.

It is important for Kvaerner to have a full overview of all incidents in order to be able to initiate the appropriate preventive actions. Preventive actions may be further enhanced training of the individuals sent to a specific country, the establishment of a separate local hotline to ensure immediate support and fast on-site support when necessary. Other actions at “macro level” may also be necessary such as to work with the local Norwegian embassy & Ministry of Foreign Affairs and network with other companies.

### 3.11.4 Gifts

Gifts to and from other parties, such as clients or partners, may be permitted if offered or received without any intention of obtaining an improper business advantage, and without any expectation of a return favour. Certain nominal, tangible gifts of a relatively small value may be given, and certain entertainment expenses may be paid, as long as they are legitimate and comply with the standards listed below.

As a starting point, tangible gifts given or received by Kvaerner employees should never exceed NOK 500 in value (or the equivalent amount applicable for other countries), and preferably, gifts should be of a symbolic value only. In the case where an employee wants to offer or keep a gift exceeding the value of NOK 500 this shall be pre-approved in writing (e-mail is sufficient) by the area EVP.

Gifts in the form of cash or offer of employment shall never be given. The number of gifts given or received by a Kvaerner employee should be considered on basis of the employee’s function. Gifts shall never be given or received by Kvaerner employees during bid and tender processes.

Each area shall maintain a register of gifts offered and received (kept). The EVP of the area may choose to implement one register per function or a separate register for a specific location. In the register the following

information shall be recorded: Name of person who received the gift, name of person and company offering the gift, the reason why the gift was given or received and kept as well as approximate value of the gift.

Kvaerner employees may refer to this mandatory policy when refusing a gift exceeding the above value, in order to avoid insulting the donator of the gift. It is important that all gifts are given and received in an open and transparent matter, and all Kvaerner employees are themselves responsible for ensuring that all relevant taxation and reporting regulations are complied with when offering or receiving a gift. Legal or line managers may assist in case of doubt in such situations.

The one over one approval principle shall apply for approval of all expense reports related to gifts.

### 3.11.5 Entertainment expenses

In respect of entertainment expenses, such expenses shall be of a modest value and should be related to the business activity of Kvaerner. Social gatherings and dinners may be legitimate if the purpose is to maintain or create sound business relationships or to promote Kvaerner towards potential clients, provided that the event is not of an excessive nature. Meals in connection with business meetings are considered normal business conduct as long as the business content is significant and provided that the expenses are modest.

Guidance with respect to modest:

- Maximum two glasses of alcohol per plate
- Maximum cost per bottle of alcohol = 1000 NOK (or the equivalent amount applicable for other countries), and preferably significantly lower
- When several participants from Kvaerner, the most senior participant shall sign the restaurant bill

Sponsored participation in any entertainment event which could be considered “excessive” shall be pre-approved by the area EVP. If Kvaerner employees are invited to an expensive event hosted by for example partners, suppliers or clients, the employees should consult with and obtain approval from the line manager before accepting.

In contract tendering situations, attendance at social events must be ethically justifiable and not perceived to influence business decisions. The number of participations in entertainments should be considered on basis of the employee’s function. Travel and hotel expenses in connection with meetings or social events shall never be paid for customers, partners, suppliers, subcontractors or any third parties. Any deviation from these rules shall be pre-approved in writing (e-mail is sufficient) by the respective area EVP.

Kvaerner employees shall not participate in any transactions or other business arrangements on behalf of Kvaerner where they directly or indirectly have, or could reasonably be suspected to have, a personal interest, financial or otherwise, or that could otherwise reasonably be determined to harm Kvaerner’s reputation.

Kvaerner employees may refer to this mandatory policy when refusing an entertainment, in order to avoid insulting the donator. It is important that entertainment are given and received in an open and transparent matter.

The one-over-one approval principle shall apply for approval of all expense reports related to entertainment.

### 3.11.6 Conflict of interest

All Kvaerner employees shall, at all times, act in the best interests of Kvaerner and take appropriate steps to avoid situations and positions that may create or appear to create conflicts of interest between own and Kvaerner interests. Kvaerner employees are also required to be on the alert when working in projects, where the customer’s interests also need to be protected from conflicts with other parties’ interests.

A conflict of interest occurs when an individual has a personal interest that might compromise his or her professional duties, typically when an employee can influence a decision or the results of a process, and one or more of the following is true:

An employee is deemed to have private interests in a matter when:

- Someone close to the employee has an interest in the outcome of the decision or the results of the process. See below for explanation of “close to”
- the Kvaerner employee is part of a business affiliation outside Kvaerner in which someone might gain advantage of the employees role as a Kvaerner employee and/or involvement in the decision-making or
- it might be perceived by others that the Kvaerner employee’s loyalty to Kvaerner is compromised due to the employee’s relationship to a person/company/organisation

Examples of someone “close” are:

- A family member
- A friend
- A company in which one holds a significant interest
- A person to whom one owes an obligation
- A business associate or close colleague may also be included in this category.

Kvaerner employees should be particularly aware of potential conflicts of interest when serving as board members in companies where Kvaerner has no ownership, or in companies where Kvaerner has an ownership but the employee has not been appointed by or does not represent Kvaerner. When an employee is in one of these situations, an evaluation of whether the relationship compromises his or her loyalty, or perceived loyalty, to Kvaerner. The evaluation must be conducted by line management. Concerns about conflicts of interest may be taken up with SVP Legal & Compliance.

#### 3.11.7 Charitable donations and sponsorships

Charitable donations are defined as payments made or goods given for the benefit of a community. Typical areas for such donations are education, health, sports, culture, support to non-governmental organizations and other social welfare causes. Payments are made without demand or expectation of a business return, but may result in goodwill for Kvaerner.

Material charitable donations and sponsoring above the amount of NOK 50.000 must be cleared by line management and VP IR & Communication prior to being implemented. For donations to and sponsoring of smaller local activities for amounts below NOK 50.000, a budget for such donations shall be in place in each area, approved by the area EVP. Full documentation must be made available and kept after implementation.

A sponsorship is a transaction where a sponsor makes a payment, in cash or in kind, to associate its name with an activity or an organization, and receives specific rights and benefits in return, such as the promotion of the sponsor’s name, products and services. There must be documented tangible benefits for Kvaerner associated with any sponsorship, such as commercial gain, professional development, enhanced profiling etc. All sponsoring relationships shall be structured as ‘win-win situations’ whereby both parties achieve some gain. Criteria used in Kvaerner are that sponsorships should be strategic and reflect Kvaerner’s values, quality and profile. No religious or political groups or organisations shall be sponsored. There shall be no personal conflict involved in the decision to sponsor an organisation. In situations where a conflict of interest exists, the conflicted individual shall withdraw from any associated decision-making process.

#### 3.11.8 Political contributions

Political contributions are any contribution, made in cash or in kind, to support a political cause or party. Neither Kvaerner nor any Kvaerner employee or Board member shall make financial contributions to political parties on behalf of the company. This does not preclude Kvaerner from supporting political views in the interest of the company. Kvaerner employees may choose to participate in political or religious activities in their own personal capacity, so long as they do not use any resources that are the property of Kvaerner for these activities.

### 3.11.9 Trading in influence

The provision on illegal trading in influence is found in the Norwegian Penal Code paragraph 389 and it expands the scope of corruption. Illegal trading in influence exists when a person who claims to be able to influence a decision-maker, exploit this opportunity to demand or receive advantages in return for exercising such influence, and when the advantage is improper. Just as for other types of corruption, it is the concept of improper advantage that is central in the assessment of liability to punishment. Important factors in assessing whether the influence is legal or illegal is whether the lobbyist is open about representing someone else, who is being influenced, and the value of the advantage. Kvaerner employees are prohibited from becoming involved in any transactions which might involve or be perceived to involve illegal trading in influence.

### 3.11.10 Fair business competition

Kvaerner is committed to fair and open competition. Under no circumstances shall Kvaerner engage in anti-competitive practices or other activities in violation of applicable anti-trust laws and directives. Kvaerner has a separate Competition Law Compliance Manual compliance with which is mandatory for all Kvaerner employees. The manual is integrated in the *Legal Policy* [Doc ref 01-A-AAA008].

### 3.11.11 Maintaining accurate and truthful books and financial records

It is essential that the integrity of Kvaerner's books, records and public disclosures is maintained. This depends on the validity, accuracy and completeness of the information supporting the entries to our books of account. Accounting and financial reporting practices in Kvaerner must always be fair and proper, in accordance with, as applicable, relevant corporate standards, international financial reporting standards (IFRS) and relevant background law. Reference is made to the Financial Planning and Reporting Policy with corresponding standards and tools.

Kvaerner employees shall not engage in any misleading or deceptive financial practices, and all employees shall report any such practices if one become aware of them.

## 3.12 **Export controls and sanctions**

Export controls and economic sanctions laws impose restrictions over the sale, shipment, electronic transfer, provision, or disclosure of information, software, goods, assets, funds and service across national borders or involving parties subject to economic sanctions. Exports include transfer electronically, through discussions or visual inspections, and not only through traditional shipping methods. Kvaerner shall comply with all export control laws.

Kvaerner shall comply with all contractual obligations in financing agreements. Kvaerner shall proactively address any questions or concerns with the financing institutions.

Under Kvaerner's financial agreements, Kvaerner shall at all times be in compliance with Sanction Laws and Sanctions Lists as defined under these agreements, this including but not limited to the financial institutions' policies and restrictions under same. Kvaerner shall proactively address any questions or concerns with the financing institutions, such communications to be managed by Treasury.

Sanction Laws means the economic or financial sanction laws, orders and/or regulations, trade embargoes, prohibitions, restrictive measures, decisions, executive orders or notices from regulators implemented, adapted, imposed, administered, enacted and/or enforced by any Sanction Authority against or targeting particular countries per persons/entities, or intended to combat terrorism or proliferation of nuclear technology or weapons of mass destruction.

Sanction Authority means; the Norwegian State, the European Union, the member states of the European Union, the United Nations, or the United States of America and any authority acting on behalf of any of them in connection with Sanction Laws.

Sanction List means any list of persons or entities imposing general prohibitions against financial dealings with those parties, as published in connection with Sanction Laws or on behalf of any Sanction Authority

### 3.13 Fraud

#### 3.13.1 Introduction

Sometimes corruption cannot be easily distinguished from other types of economic crimes such as fraud, embezzlement, theft of physical assets or stock, money laundering, information theft, tax evasion and insider trading. Such criminal acts often occur together in large and complex cases. The term “*fraud*” comprises several irregularities which have breach of integrity as a common denominator. All forms of fraud are strictly prohibited for all Kvaerner employees, and may be subject to disciplinary actions as well as penal consequences under Norwegian or other law and conventions.

#### 3.13.2 Typical yellow flags

All Kvaerner employees are required to maintain vigilance for suspicious, or “yellow flag situations”. A “yellow flag situation” is a situation or circumstance which is inherently suspicious and may be an indication of fraud. Such situations shall be subject to further investigation and caution before proceeding. Typical yellow flags are:

- Activities based in a country with a low score on Transparency International’s Corruption Perception Index (CPI). The index may be found at [www.transparency.no](http://www.transparency.no)
- A business relation that refuses to adhere to the principles set out in the Kvaerner Code of Conduct or does not itself have ethical guidelines
- A business relation who refuses to provide complete information or required disclosures
- A business relation with a needlessly complicated corporate structure; or who makes use of shell or holding companies or blind trusts
- A business relation who requires that payment be made to a third party or in a country which has no connection to the transaction or operations, including tax havens
- A request for an unusually large commission, success fee, or irregular payment structure
- A request for reimbursement of poorly documented or questionable expenses
- A business relation facing financial difficulties
- Credible reports of fraudulent behaviour.

## 4 Procedures pertaining to the policy

- Guideline for business integrity risk assessments and identification of risk reducing actions
- Declaration of Confidentiality related to information provided by whistleblowers

## 5 Revision summary

Rev01:	1 <sup>st</sup> Kvaerner revision – March 2012
Rev02:	Updated sections: 1.2, 2.3, 4.3, 4.4, 4.5, 4.7, 6.2, 8.3, 9.1, 9.2. New sections: 2.4, 6.3, Included attachment A: Business integrity training overview
Rev03:	Applied the new Policy template Added Section 1: Policy Statement
Rev04:	Updated in sections on Gifts and Entertainment, added section 3.2, 4.3.4, 4.3.5 Added sections on: “Integrity Due Diligences (IDDs) ” Internal control and auditing”, “Trading in influence”. Revisions to language and formulations.

- Rev05: Updated organizational descriptions according to One Kvaerner reorganisation 1 January 2016. Added section 3.12 on Export controls and sanctions.
- Rev06: Updated organisational descriptions as per reorganisation operational from 1 March 2017 and editorial changes due to reorganisation of the compliance function.