

Business integrity policy

A Kvaerner policy

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A Kvaerner policy and/or procedure is a document intended for internal use within Kværner 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 principles for implementation of Kvaerner's Code of Conduct. 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. Kvaerner's Code of Conduct is effected through the implementation of the Kvaerner business integrity programme.

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

Table 3.2.1: The Kvaerner Business Integrity Programme

Based on the result of the Annual risk review in accordance with Kvaerner's Governance policy, 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. 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.

3.3 Business integrity training

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.

3.4 Corporate Investigation of whistleblowing reports

In accordance with Code of Conduct item 1.6 Kvaerner employees may report concerns using the whistleblowing channel: whistleblowing@kvaerner.com or by reporting through the external web page. 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 Integrity due diligences

Kvaerner shall perform risk based IDD of customers, partners, third party representatives, subcontractors and suppliers in accordance with Kvaerner's *Procedure for business integrity risk assessment and mitigation* (Doc ref 01-C-AAA015). The precise nature and scope of the IDD shall be calibrated so that it is appropriate with respect to the risk.

4 Main areas

4.1 Introduction

The purpose in this section is to provide guidelines for detailed the application of Kvaerner's Code of Conduct.

4.2 Caring about People

4.2.1 Legal framework

Kvaerner is committed to respecting the International Labour Organization's (ILO) eight core conventions: Forced Labour Convention (1930), Freedom of Association and Protection of the Right to Organise Convention (1948), Right to Organise and Collective Bargaining Convention (1949), Equal Remuneration Convention (1951), Abolition of Forced Labour Convention (1957), Discrimination (Employment and Occupation) Convention (1958), Minimum Age Convention (1973), and Worst Forms of Child Labour Convention (1999). Reference is also made to Kvaerner's People policy and the regional Personnel handbooks.

4.2.2 Freedom of association and collective bargaining

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.

4.2.3 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. Kvaerner shall on a risk based basis seek information from suppliers and subcontractors whether such identity paper deposition is applied and require clarification about the legal basis and necessity for this.

4.2.4 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 the age of 18. The definition of youth is country dependent.

4.2.5 Accommodation

Kvaerner is committed to providing responsible housing and accommodation arrangements for its own and subcontractors' work force in line with local legislation and tariff agreements.

4.3 Human rights

4.3.1 Legal framework

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 responsible for respecting the human rights of its own employees and employees working in the projects where Kvaerner has ownership control or operating responsibility. This responsibility also extends to third party stakeholders which have their basic human rights directly violated by Kvaerner's operations. Kvaerner's commitment to human rights is embedded in several provisions of the Code of Conduct.

4.3.2 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.

4.3.3 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.

4.3.4 Discrimination, harassment and bullying

Code of Conduct item 2.4 prohibits discrimination, harassment and bullying in Kvaerner. To discriminate means to treat someone less favourable than others without legitimate 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 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.

4.3.5 Human trafficking

Trafficking in human beings constitutes a violation of human rights and an offence to the dignity and the integrity of the human being. Human trafficking may result in forced prostitution or slave labour. Kvaerner is strongly committed against all forms of human trafficking and shall avoid and prevent any form of human trafficking within its sphere of influence.

4.4 **Caring about Integrity**

4.4.1 Corruption – Legal framework

Kvaerner is primarily subject to the anti-corruption provisions in the Norwegian Penal Code. Kvaerner is also subject to the legislation in the countries where Kvaerner does business. Furthermore, the UK Bribery Act (2010) and the US Foreign Corrupt Practices Act (1977) may apply on Kvaerner's activities also outside the UK and the US. This extraterritorial jurisdiction must be considered in each specific case.

The Norwegian Penal Code (2005) defines three forms of corruption:

1. Simple corruption covers receiving or giving an improper advantage in connection with a position, office or assignment (§ 387).
2. Gross corruption covers the same activities but where the character and extent is more serious based on an assessment of the corrupted person, economic advantage and damage caused (§388).
3. Trading in influence covers receiving or giving an improper advantage in return for influencing the conduct of any position, office or assignment (§389).

Kvaerner employees shall assume that the Norwegian Penal Code applies in full anywhere in the world. Some main points in the Penal Code are:

- *Improper advantage* (utilbørlig fordel) covers anything of value in any form also down to very low values
- No fixed amount limit – the assessment is whether the payment is *improper*
- The intended corrupt effect/distortion does not have to be achieved – the payment may be enough
- Indirect payments through agents, consultants or other intermediaries are covered
- Corporation may be liable even if physical perpetrator/employee is not identified

For guidance in respect of the legal framework, employees should contact Kvaerner Legal.

4.4.2 Facilitation payments – Extortion \

As a starting point Kvaerner employees shall never participate in facilitation payments. Under the general emergency exemption (nødverge) Kvaerner may consider facilitation/liberation payment for extortion under threat of health or life of Kvaerner employees or subcontracted personnel or in cases of critical property damage. Any such events shall be reported through the line management and Corporate Emergency Response Team (CERT) shall be mobilized in appropriate circumstances. Any decisions about payments or other action shall follow Kvaerner's emergency response procedures and be made with due regard and contact with appropriate public authorities.

4.4.3 Gifts

Each area EVP shall maintain a register of gifts offered and received (kept) within the area. 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. If an employee wants to offer or keep a gift exceeding the value of NOK 500 this shall be pre-approved in writing/email by the area EVP.

4.4.4 Entertainment expenses

Entertainment expenses 1) shall be of a modest value in line with business practice and 2) must be related to the business activity of Kvaerner and 3) must be made without any expectation or effect to distort a normal commercial relationship.

Re. 1 Modest value

Kvaerner does not have absolute amount limits for entertainment expenses. When Kvaerner undertakes an entertainment expense this shall be within the applicable budget and approved in accordance with applicable Authorization Matrix. Project organizations may establish project-specific procedures for such expenses always in within the limits of this Policy. When deciding whether an expense is modest (whether offered or received), the following criteria must be assessed:

- Two glasses of alcohol per plate is the norm
- Maximum cost per bottle of alcohol = 1000 NOK and preferably significantly lower
- After dinner drinks should be for the participants' account
- Travel and hotel expenses in connection with events shall not be paid by third parties

Participation in an entertainment event which is considered excessive shall be pre-approved by the area EVP.

Re. 2 Kvaerner's business

Entertainment expenses are legitimate if the purpose is to maintain or create sound business relationships or to promote Kvaerner towards potential clients. Meals in connection with business meetings are considered normal business conduct. The number of participations in entertainments should be considered on basis of the employee's function. The responsible line manager shall decide on the appropriate level of participation also in line with Kvaerner's commitment to fair and equal treatment of our employees.

Re. 3 Return expectation

The entertainment expense must not be made or received with an expectation of a return benefit. In contract tendering situations social events with the Customer or with tendering subcontractors shall be avoided.

4.4.5 Conflict of interest

A conflict of interest occurs when an employee has a personal interest that might compromise his or hers professional duties. Kvaerner employees shall not participate in any transactions or other business arrangements on behalf of Kvaerner where they directly or indirectly have or could be perceived to have a personal interest. A personal interest includes but is not limited to:

- someone close to the employee has an interest in the outcome of the decision e.g. family, close friend, company in which one holds a significant interest, person to whom one owes an obligation, or
- the 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

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.

4.4.6 Charitable donations and sponsorships

Kvaerner may make charitable donations and sponsorships if 1) they are made without demand or expectation of a business return and 2) may result in goodwill for Kvaerner. All charitable donations and sponsorships must be approved by VP IR & Communication prior to being implemented. Donations above the amount of NOK 50.000 must be approved by CFO. Donations below NOK 50.000 shall be in accordance with the area budget and approved by the area EVP. Full documentation must be made available and kept after implementation. There must be documented tangible benefits for Kvaerner associated with any sponsorship, such as commercial gain, professional development, enhanced profiling etc. However, the return benefit must not be perceivable as improper.

4.5 **Use of third party representatives, including agents and lobbyists**

Third party representatives (TPR) are hired as outside independent agents, consultants, lobbyists and operate with some degree of independence on behalf of the employer company. As a starting point, Kvaerner will not employ TPRs to operate on Kvaerner's behalf. TPRs increase the likelihood of corrupt practices and reduce Kvaerner's oversight and control. If TPRs are needed in a particular case such commitments require prior approval by the President&CEO after review and recommendation by SVP Legal & Compliance. Kvaerner shall not allow compensation to TPRs based on success fee or other compensation formats which creates too strong incentives towards Kvaerner's contract award.

Use of TPRs is closely related to the risk of illegal trading in influence. This concept typically covers agents/lobbyists who offer to influence a decision-maker against payment. Just as for other types of corruption, it is the concept of improper advantage that is central in the assessment of criminal liability. Important factors in the assessment are whether the lobbyist is transparent 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.

4.6 **Market behaviour**

Kvaerner shall not 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].

4.7 **Export controls and economic sanctions**

Export control 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. Economic sanctions are enacted by national governments or international organizations and are directed at specific countries, companies, individuals or sectors.

Kvaerner shall comply with all export control laws and economic sanctions. Kvaerner shall also comply with all contractual obligations concerning export control laws and economic sanctions which may exceed those strictly applicable by law. Kvaerner shall apply IDD to ensure that our clients, partners and subcontractors are compliant with export control laws and economic sanctions.

4.8 **Other financial crime**

Kvaerner is committed to avoid being target or participant in any form of financial crime such as fraud, embezzlement, theft of physical assets or stock, money laundering, information theft, tax evasion and insider trading. All forms of financial crime 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. All Kvaerner employees are required to maintain vigilance for suspicious situations which may involve financial crime in accordance with Kvaerner's Procedure for Business integrity risk assessment and mitigation (Doc ref 01-C-AAA015).

4.9 **Data protection**

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.

5 Access to remedy

In line with this Policy Kvaerner undertakes to respect the rights and standards under item 3. If Kvaerner fails to live by these standards Kvaerner shall use all reasonable efforts to correct the deviation and remedy its effects. Affected parties may typically be employees, subcontractor personnel or third party individuals. Kvaerner shall ensure:

- Information about Kvaerner's reporting and whistleblowing channels and procedures
- Internal investigation of serious violations
- Assistance to affected parties including provision or reference to legal support
- Full cooperation with relevant public agencies
- Kvaerner will compensate affected parties loyally in line with applicable legal framework

6 Business Integrity and Compliance audit

The annual risk review shall identify main BIC risks and recommended areas for BIC audits. The scope of each audit shall be defined in a specific mandate which shall indicate areas to be investigated. Refer to Supplier pre-qualification procedure 01-C-MAB056E item 5.6.

7 Red flags – risk factors

Kvaerner employees are encouraged to focus on the 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.

In case of uncertainty as to whether an action complies with Kvaerner's Code of Conduct, 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/media? 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 issues of concern 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
- 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.

8 Procedures pertaining to the policy

- Business integrity risk assessment and mitigation (Doc ref 01-C-AAA015)
- Integrity due diligence (dec ref XX)
- Declaration of Confidentiality related to information provided by whistleblowers

9 Revision summary

- Rev01: 1st 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.
- Rev07: New division of main areas, corruption section revised, data protection added, remedy provisions added, editorial changes June 2018.