

The background of the entire page is a grayscale photograph of an industrial facility, likely a steel mill or manufacturing plant. It shows various pieces of heavy machinery, including large rollers, structural beams, and pipes. A semi-transparent blue rectangular overlay covers the left half of the image, serving as a backdrop for the text and logo.

AKASTOR 

2019

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE  
REPORT



## ABOUT THIS REPORT

In this report, Akastor presents its approach to Environmental, Social, and Governance (ESG) as well as the implementation, activities and performance of Akastor and each of its portfolio companies in 2019. The purpose of the report is to support Akastor's key stakeholders — shareholders (existing and potential), customers of its portfolio companies and employees of the Akastor group — in gaining insight into activities related to ESG at Akastor. The report aims to provide a balanced picture of the opportunities and challenges Akastor meets in this area and how the group seeks to manage them.

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## LETTER FROM THE CEO

### Dear stakeholders

Akastor's focus and goal is to create value in our holdings by being an active owner and making value-generating transactions. As part of our strategy, our investment decisions and portfolio management include careful considerations of Environmental, Social, and Governance (ESG) factors. We believe that only companies that act responsibly and with integrity have a place in our investment portfolio.

In today's market awareness of climate change has increased substantially, and we have seen a global focus on this challenge affecting everyone in our industry. As climate-related challenges and risks increase, our industry must seek solutions and mitigating measures that will meet the planet's future demands for energy whilst limiting impact on the environment. This overall target is embedded in Akastor's Code of Conduct, which is our main governing document.

Today, our portfolio is largely invested in the oil and gas service industry, and Akastor expects our portfolio companies to find ways to contribute to reducing the industry's carbon footprint, either by developing more efficient products and services for our customers, or by rebalancing their product and service lines towards more sustainable operations. Examples from companies in our portfolio include MHWirth's contributions in delivering solutions to offshore wind farms, AGR's carbon capture and storage (CCS) services, and AKOFS Offshore's investment in battery packs that will reduce fuel consumption and CO<sub>2</sub> emissions.

Akastor seeks to align its operations with the principles of the UN Global Compact; moreover Akastor supports the UN Sustainability Goals. In this year's report, we have taken steps to align the report with the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

A fundamental element of being an active owner is to ensure strong and dedicated management in our portfolio companies at all times. A key event for Akastor in 2019 was therefore the engagement of Eirik Bergsvik and Pete Miller, MHWirth's CEO and chairman of the board, respectively. With their experience and enthusiasm, combined with the solid work and results from the existing team, I firmly believe in the growth strategy of MHWirth, which will continue to be a focus area in 2020 and the years to come.

During 2019 we have also seen a change of management in Cool Sorption and First Geo, which now is merged with AGR, and which we welcome and look forward to follow.

As owners, in addition to setting requirements regarding sustainability and ensuring strong management, we must also support our portfolio companies in their operational activity. An increased focus on uncertain energy demands and climate change represents a step change for the industry. It is also impossible not to mention the turmoil caused by the recent COVID-19 outbreak and its impact to global markets in general and oil and gas industry in particular. At the time of writing this letter, the impacts of this serious health threat remain uncertain, but we can assume that it will represent massive challenges for the entire global markets.

To meet challenges of such dimensions, we need to take active part both in finding ways to mitigate the market turmoil as well as in the industry's transition towards more sustainable operations and energy-efficient technical solutions. This will not be completed overnight, but with focus from our management and effort from all of us, I am confident that we will meet this challenge and grow with this development — and that this will secure the interest of our stakeholders and increase value for our shareholders in the long turn.



Karl Erik Kjelstad, CEO



## COMPANY PROFILE

Akastor ASA is an oil-services investment company with a global portfolio of industrial and financial holdings. The company has a flexible mandate for active ownership and long-term value creation. Akastor ASA and its portfolio companies (hereinafter jointly referred to as 'Akastor') are organized as independent stand-alone companies responsible for all aspects of their own operations. Aker Kværner Holding AS, which is owned by Aker ASA and the Norwegian government, is the largest shareholder of Akastor, with a shareholding of 40.27 per cent. The Akastor shares are traded on the Oslo Stock Exchange under the ticker AKA. In 2019 the Akastor portfolio had revenue of NOK 5 361 million, EBITDA of NOK 492 million and 2 272 employees (FTE) worldwide.

The Akastor headquarters are located in Fornebu outside Oslo, Norway, and the business has a global presence. The corporate organization consists of a team of 17 employees, who oversee the portfolio through active management and assessing transactions and other opportunities for the group. Akastor has a range of strategic, operational and financial value-creating measures at its disposal, including operational improvements and organic growth, acquisitions and divestments, and financial measures. Akastor's focus and goal is to create added value in our holdings by being an active owner and to make value-generating transactions.

## AKASTOR PORTFOLIO COMPOSITION

### INDUSTRIAL INVESTMENTS

	<b>100%</b> Leading global provider of first-class drilling systems, products and services. About 1600 employees including hired ins, revenue in 2019 approx. NOK 4.2 Billion
	<b>55% <sup>1)</sup></b> Global provider of well design and drilling project management, HSEQ, reservoir and field management services. About 400 professionals
	<b>100%</b> Global provider of solids control and drilling waste management services. More than 200 employees and offices in 11 countries.
	<b>100%</b> Supplier of vapour recovery technology, systems and services to O&G installations. About 50 employees.
	<b>50%</b> Global provider of subsea well construction and intervention services

### FINANCIAL INVESTMENTS

	<b>17%</b> Global O&G manpower specialist
	<b>USD 75m preferred equity</b> International drilling, well service and engineering company with 2 000 employees and operations in more than 20 countries
	<b>50%</b> DOF Deepwater owning five mid-sized AHTS vessels operated by DOF ASA
	<b>5.6%</b> North Sea drilling contractor, owning and operating harsh environment semi-submersible rigs

<sup>1)</sup> Economic ownership | 100% legal ownership

\* Activities in MHWirth, AGR, STEP Oiltools and Cool Sorption are described in this report, as outlined in the chapter "Reporting Principles" on page 20









## ESG FIGURES 2019

Akastor maintains a key focus on Health, Safety and Environment (HSE) and on integrity. The portfolio companies are continuously maintaining employee safety as the highest priority, and no fatalities occurred in any of the companies or their sub-contractors while working for the group last year. The companies experienced a slight decrease in HSE incidents from 2018 to 2019, ending on a total of six recordable injuries, which were mostly related to hand and arm injuries. The individuals involved were attentively taken care of, and none of the incidents caused material damage to the companies' assets. Five of the incidents occurred in an MHWirth workshop, and the company has thoroughly analysed each situation and taken steps to avoid similar incidents going forward, by informing the employees through "Lessons Learned" reports and delivering HSE training. The company is mindful that future injuries may still occur and has for several years delivered the MHWirth's first aid training campaign. Trends during 2019 show an increase in incidents due to use of power tools — to reduce this trend, MHWirth has decided to roll out a global power tool safety campaign within the company.

Akastor's current integrity classroom training was launched last year, and the decline in participation percentage is due to new employees joining portfolio companies. In addition to the integrity classroom training, the portfolio companies have numerous tailored classes for employees without access to a computer, such as workshop and service personnel in MHWirth and STEP Oiltools. Hence, all employees of Akastor are targets for training in Akastor's Code of Conduct. The number of sites targeted for compliance reviews increased by three in 2019. Two reviews were conducted during the year. Hence, the percentage decreased slightly. The courses and on-site compliance reviews are valuable for both the implementation and awareness of the integrity programme within Akastor, and Akastor will ensure a continued focus on integrity in 2020.

The total energy consumption in the group increased in 2019 compared to 2018 — however, the CO<sub>2</sub> emissions (Scopes 1

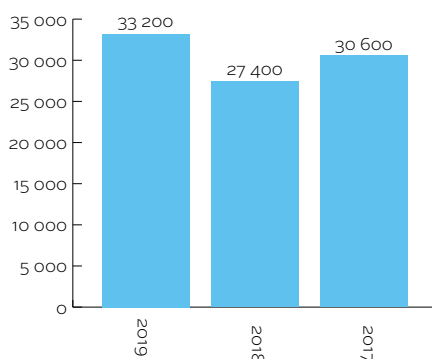
and 2) were reduced by 10 per cent. This is due to increased use of lower emission-based energy, such as hydro powered energy in Germany and a switch from oil to electricity for heating in Norway and the UK. MHWirth Erkelenz has installed new lighting (LED) in its production areas, which used two-thirds less electricity in these areas (approximately 200 MWh) though the production activity had increased. STEP Oiltool's operations in Russia also reduced electricity use by changing to LED bulbs at their warehouse in Nizhnevartovsk.

Akastor showed an increase in recorded hours worked last year, from 3.2 million in 2018 to 4.0 million in 2019. The CO<sub>2</sub> intensity was also reduced in that period, which is mainly a result of the reduced CO<sub>2</sub> emissions.

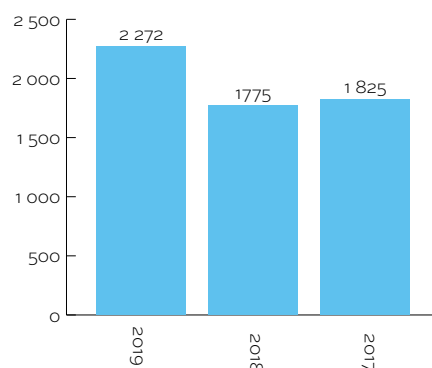
Total waste was reduced significantly in 2019, mainly due to less riser cleaning activity at MHWirth's Mobile location, as such cleaning is performed with extensive use of water resources. Wastewater from riser cleaning is currently 100 per cent collected and hauled off to a local wastewater treatment facility. As the wastewater is not considered recycled waste, this caused an increase in total waste, and a drop in the recycling factor, which impacted the total result for MHWirth and Akastor. Mobile has installed a water filtration system for washing risers, but the system is not yet fully operational and it will need to be used for a while for full benefit. MHWirth in Lyngdal will improve the operation of oil separators and maintain good standards of equipment cleaning. Analyses are showing improvements in emissions, but continued samples of wastewater will be analysed before conclusions are drawn. STEP Oiltools had an increased amount of waste due to its Australia operations having entered into a new contract for waste management, which will have better reporting of its actual waste management.

MHWirth had a slight reduction in hazardous waste, due to less activity that often leads to hazardous waste, such as buoyancy repair and painting. MHWirth will continue to ensure appropriate management of its hazardous waste.

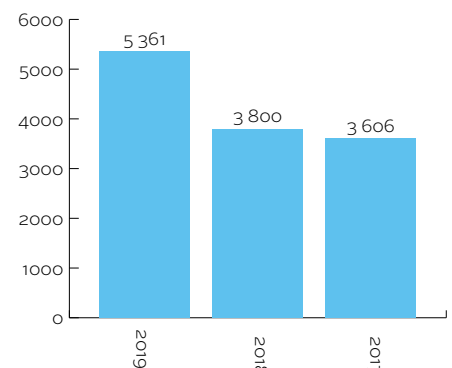
Energy used (MWh)



Employees incl-hired-ins (FTE)



Total revenue (NOK million)



5.4 NOK  
billion  
total revenues

2 272  
employees worldwide (FTEs)

#### AKASTOR GROUP KEY FIGURES(continuing)<sup>1</sup>

ENVIRONMENT	2019	2018
Energy used (MWh)	33 200	27 400
Energy intensity (MWh per million hours worked)	8 400	8 490
CO <sub>2</sub> emissions (tons) <sup>2</sup>	5 050	5 600
CO <sub>2</sub> emissions intensity (tons per million hours worked)	1 280	1 740
Total waste (tons)	5 700	14 500
Recycling factor (%) <sup>3</sup>	35	34

#### SOCIAL (& HSE)

Employees incl. hired-ins (FTE) <sup>4</sup>	2 272	1 775
Female/Male (%) <sup>5</sup>	20/80	19/81
Lost time incident frequency (LTIF) <sup>6</sup>	0.8	1.6
Total recordable injuries frequency (TRIF) <sup>6</sup>	1.5	2.2
Fatalities incl. subcontractors	0	0
Sick leave (% of hours worked)	2.4	2.6

#### GOVERNANCE

Integrity classroom training (%) <sup>7</sup>	86	97
Code of Conduct e-learning (%) <sup>8</sup>	89	96
On-site compliance reviews (%) <sup>9</sup>	75	76
Whistleblowing reports	2	5
Total revenue (NOK million)	5 361	3 800
EBITDA (NOK million)	492	290

<sup>1)</sup> The figures referred to in this report relate to companies of which Akastor has operational control (more than 50 per cent ownership) and historical comparative figures have been restated accordingly.

<sup>2)</sup> The GHG Protocol Corporate Accounting and Reporting Standard is used to calculate tonnes of CO<sub>2</sub> emission; the 2019 figures are Scope 1: 3 100 and Scope 2: 1 950.

<sup>3)</sup> Recycling factor is calculated by weight of segregated waste per total waste.

<sup>4)</sup> Including approximately 360 hired-ins.

<sup>5)</sup> The reported figure is based on permanent employees (1 920 individuals).

<sup>6)</sup> The reported figure for LTIF and TRIF is calculated using incidents per million hours worked and includes subcontractors.

<sup>7)</sup> The participation rate is calculated as percentage of target group. The target group includes all managers and staff who interact with business partners, comprising 78 per cent of all employees.

<sup>8)</sup> The participation rate is calculated as percentage of target group. The target group includes all managers and office-based employees with PC, constituting 89 per cent of all employees.

<sup>9)</sup> The figure is accumulative and includes per cent of entities/country operations (>10 FTE, 20 in total) that have been the target of a compliance review between 2015 and 2019 by Akastor's or the portfolio company's compliance function.



## GOVERNANCE

Akastor's Code of Conduct constitutes the key guidelines for corporate responsibility and integrity at Akastor. It describes the group's commitments to ESG and requirements for business practices and personal conduct. Working against corruption in all its forms is a fundamental part of Akastor's Integrity Programme, which supports the Code of Conduct by outlining procedural requirements and control functions that must be met, which ensures compliance.



Corruption has been identified as a key impediment to the UN Sustainable Development Goal 16 (to promote just, peaceful and inclusive societies). Corruption presents an important risk to Akastor's business, along with associated risks such as money laundering, conflicts

of interest and fraud. Akastor has a firm zero-tolerance policy towards corruption.

### Ethical Commitment

Within its corporate responsibility efforts, Akastor is focused on the Environmental, Social and Governance activities and processes that build financial and non-financial value in the portfolio. Akastor focuses on working against corruption, caring for health and safety, respecting human rights and minimizing adverse impact on the environment. These focus areas were established to strengthen the companies' long-term and continuous focus on ESG and to follow our stakeholder's expectations. Each portfolio company is required to implement a corporate responsibility strategy based on the main priorities of the group. Further, adhering to the Code of Conduct is mandatory for and applicable to all employees, hired-ins and other representatives of Akastor. The Code of Conduct is available for download from the company website, [www.akastor.com](http://www.akastor.com).

The Akastor Integrity Programme is outlined in the Akastor Integrity Policy and describes the processes and internal controls that must be in place in all the portfolio companies to ensure that the principles set out in the Code of Conduct are implemented.

Akastor seeks to align its operations with the principles of the UN Global Compact, the United Nations Convention against Corruption, the Universal Declaration of Human Rights, the UN Guiding Principles for Business and Human Rights, as well as the ILO Declaration on Fundamental Principles and Rights at Work. These international principles underpin the design of the Akastor Code of Conduct and Integrity Programme and provide the overall framework for all ESG efforts in the Akastor group.

### Operating Model

Akastor is represented on all portfolio company boards and asserts its active ownership through regular business reviews, day-to-day interactions and follow-up on business and governance issues. Each Akastor portfolio company conducts its own risk assessment; establishes a process and work flow for risk management; and reports its risk-mitigating activities to the portfolio company's board of directors. It is the portfolio company's board of director that has the overall responsibility for ESG in each respective company.

Akastor's Legal and Compliance function supports and monitors the policy implementation of Akastor's Code of Conduct and Integrity Programme, through continuous dialogue with the portfolio companies; quarterly compliance status reports, which include a summary section for any compliance issues addressed in the quarter; and reviews of portfolio company operations. Certain business activities require approval from Akastor Legal and Compliance before they are carried out. Each portfolio company has appointed a compliance officer who oversees the implementation of the Akastor Integrity Programme and is the main contact person for day-to-day compliance and integrity assessments and discussions.

Integrity and corporate responsibility work is reported quarterly by the management to the Akastor Board of Directors and its Audit Committee.

### Integrity Training and Awareness

High integrity is a valuable safeguard against corruption and unethical conduct, and is a key pillar in a sustainable, value-based business. Training and awareness-raising are in place throughout Akastor to ensure that all representatives of Akastor recognize integrity risks and know when to raise a concern and how to respond to unacceptable practices. Dilemma-based classroom training and e-learning courses are implemented throughout the group — some broadly target all employees while others are more tailored towards specialized employee functions, such as our workshop and supply chain employees. In 2019, Akastor continued to ensure that all new employees in the target group received dilemma-based classroom training.





### Third Party Risk

Working with third parties constitutes a potential integrity risk. Akastor implements risk-based evaluations and monitoring of suppliers, service providers and joint venture partners.

Akastor has had a restrictive approach to third-party representatives (agents) for several years and continued this focus in 2019. Portfolio companies that require the use of sales agents or other third-party representatives are required to implement strong controls, such as in-depth due diligence; integrity training; and monitoring of services and payments.

### Country Risk Evaluations

To enable prudent operations in high-risk countries, Akastor maintains a 'Country Watch List', which prescribes different risk assessment and approval procedures for countries according to their risk level.

Through these due diligence procedures, the portfolio companies build increased awareness of potential risks, such as corruption risk, risk of sanctions and trade embargoes, labour risks, impacts on human rights and environmental risks. The due diligence is mainly done through the use of screening

tools and media reports and, in some situations, with help from external service providers. With this, the portfolio companies are better positioned to address such risks at an early stage or withdraw from the business if necessary.

### Compliance Reviews

Akastor's Legal and Compliance team regularly undertakes on-site compliance reviews to assess and give feedback on the implementation of the Akastor Integrity Programme in portfolio companies. The reviews strengthen the implementation of the Akastor Integrity Programme through defined follow-up activities and provide extended insight into relevant business risks and challenges. In 2019, compliance reviews were undertaken — in co-operation with compliance resources in the portfolio companies — of operations in Erkelenz, Germany and Macae, Brazil. Observations made in the reviews were related to challenges around ensuring segregation of duties in offices with few employees; documentation of Know Your Customer assessments; and conducting Supplier Declaration-based audits in the supply chain. In addition, other review activities were completed, including HSE and quality audits of suppliers and investigations related to whistleblowing reports.





### Whistleblowing

Whistleblowing is an important channel for receiving information about negative issues so that they can be properly corrected and followed up with. All employees of Akastor are required to report breaches of the Code of Conduct, and Akastor encourages everyone to report any concerns pertaining to possible breach of law, ethical standards or expected conduct/behaviour. Employees can report concerns to their line manager, compliance officer or top management, or via the anonymous whistleblowing channel. As part of their business ethics training, all employees are made aware of the responsibility to raise their voice if observing or experiencing any wrongdoing.

The whistleblowing channel is available for reports relating to all Akastor portfolio companies. All notifications reported are received by Akastor Legal and Compliance and investigated in accordance with the Whistleblowing Investigation Procedure. The whistleblowing process is monitored by the Board of Directors and its Audit Committee. Akastor received two whistleblowing notifications during 2019, which is considered

to be less than the international average compared to the number of employees, based on the last NAVEX Global benchmarking report.

In 2019, Akastor launched the 'Akastor Integrity Survey', partly to assess trust in the whistleblowing channel and partly to raise awareness of this function. All responses were anonymous, and 90 per cent answered that they trusted the whistleblowing channel.

### Data Privacy and Security

Akastor has had a Data Protection Standard for Processing and Transfer of Personal Data (Binding Corporate Rules (BCR)) in place since 2015, which guides the processing of personal data in the group. In 2019, Akastor experienced no breaches of data. To increase awareness of the regulation and uphold levels of internal control, several internal reviews were completed; additional training for selected employees was launched; and one scenario test in MHWirth was initiated to assess the process of a data subject using its 'right to access'. The test was successfully completed, with positive results.

## GOVERNANCE

Akastor's Code of Conduct constitutes the most important guidelines for corporate responsibility and integrity within Akastor. It describes the group's commitments to and requirements for business practices and personal conduct. Akastor's governance principles are based on the recommendations of the Norwegian Corporate Governance Board (NUES).

Working against corruption in all its forms is a key building block of Akastor's Integrity Programme, which supports the Code of Conduct by outlining procedural

requirements and controls that must be in place to ensure compliance, such as integrity training, due diligence and know your customer procedures. Akastor has a dedicated whistleblowing channel.

Akastor's target is to provide annual Code of Conduct training to all employees.

Within Governance, Akastor has identified the UN Sustainable Development Goal 16 to be the main focus area.







## ENVIRONMENT

Akastor works to ensure that its portfolio companies implement strategies to reduce adverse impacts on the environment caused by their products or operations. The portfolio companies also aim to support their customers in managing environmental risks. Akastor requires each of its portfolio companies to set goals and strategies for their environmental impact, which are monitored by their own board of directors.



Akastor has identified UN Sustainable Development Goals 12 and 13 to be the main focus areas for Akastor within Environment.

Reducing consumption of materials and solving challenges related to air, soil and water pollution are important steps towards achieving UN Sustainable Development Goal 12 (on responsible consumption and production), and Goal 13 (on climate change). Akastor will continue to take responsibility for its activities in these areas. Akastor's expectations and policy concerning environmental caution is included in the Akastor Code of Conduct, which states that Akastor shall act responsibly, with the goal of reducing direct and indirect negative impacts on the external environment from the operations, products and services Akastor provides.

Several of Akastor's portfolio companies are primarily office-based, and thus have less direct impact on the environment; its environmental footprint is largely from business travel. Akastor's main investments are within the oil and gas industry, and the focus is primarily on how the companies can use its core methodologies and technologies to support customers in reducing their environmental footprint. Examples of this from the portfolio companies include (i) MHWirth's contributions in delivering solutions to offshore wind farms; (ii) AGR's support for carbon capture and storage (CCS) services; (iii) AKOFS Offshore's investment in a battery pack onboard the AKOFS Seafarer that will significantly reduce fuel consumption; and (iv) Cool Sorption's and STEP Oiltools's services that assist the oil and gas industry in capturing and re-using emissions to air and effectively managing waste.

### Climate Change

Each portfolio company in Akastor addresses climate change risk and opportunities within its regular annual risk management process, the results of which are reported to Akastor. Akastor uses the risk and opportunity assessment as a building block for the strategy and business set out by Akastor and the portfolio companies. The main elements of risk management and internal control process are described

in the corporate governance statement in chapter three of the Annual Report.

The main climate-related risk identified by the companies in the short-term is that operations may be stopped or assets damaged by extreme weather, such as flooding, lightning and rising temperatures. In addition, restrictive regulation of the oil and gas industry may increase the cost of capital and operations, which may result in less demand for certain services provided by Akastor's portfolio companies. Further, a change in government regulations may affect demand for and perception of the portfolio companies' products and services. However, for some Akastor portfolio companies, the effect may be the opposite, depending on what the regulations will be: for example, Cool Sorption (vapour recovery) and STEP Oiltools (waste management) may see a positive effect on demand for their products. By contrast, MHWirth's drilling equipment and AGR's well management services may be more vulnerable if regulations relate to reduced activity around oil and gas extraction.

The medium-term risks identified concern the next generation of employees, as individuals with strong environmental beliefs may not want to work in the oil and gas industry. The potential imbalance between skilled workers and the need for resources may be challenging. Acts of demonstration against the oil industry that prevent employees from going to work and eco-terrorism in the oil and gas industry may also occur. With regards to long-term risk, climate change is real and its impact may partly be reduced by a transition in the oil and gas industry. The scenario currently being considered is that many of Akastor's portfolio companies' current product lines could become obsolete if fossil fuels are reduced to a minimum or to zero.

To meet both risks and opportunities, Akastor and its portfolio companies are rebalancing its product lines and services to ensure sustainable operations, using existing knowledge and technology and investing in new knowledge and technology; it also seeks to develop sustainable solutions for new energy sources and effectively managing the closing down of obsolete installations for oil and gas extraction. For example, MHWirth is delivering services to offshore wind and AGR is working on CCS services, in addition to its extensive experience in the plugging and abandonment of oil and gas reservoirs.

### Supporting Sustainable Operations

Ensuring sustainable operations means that all Akastor's portfolio companies are required to assess the extent to which it may contribute in reducing environmental risk or impact created by the oil and gas sector. In addition, clear targets for sustainability must be set that can be monitored to



measure operations with respect to sustainability. MHWirth's target is to provide leading technology and products that are energy-efficient and thereby contribute to reducing the environmental impact of its customers' operations. For example, 'Greener Drilling' is an MHWirth innovation initiative to reduce the overall environmental footprint of drilling operations. Thus far, 'Greener Drilling' consists of three main components: utilizing batteries instead of fuel; reducing power consumption due to adjusting speed on pumps to be on demand rather than constant; and utilizing power regeneration when lowering equipment with hoisting systems. The next rig to be delivered to Keppel FELS, and its end customer Awilco Drilling, will be delivered with all three 'Greener Drilling' components as part of the design. The estimated fuel reduction on the Awilco rig compared to a similar rig from early 2000 is 25 per cent. MHWirth will continue with the 'Greener Drilling' project in 2020, identifying possible energy-efficient solutions that will lead to an improved environmental footprint. Another example is the roll-out and continuous development of automation and digitalization initiatives that target a significant reduction of average time spent on drilling a well (>15% reduction of time). The time reduction is proportional to reduction in CO<sub>2</sub> emission, and through that contributes to reduction of CO<sub>2</sub> emission per barrel of oil equivalent (BOE).

Further, MHWirth has continued to follow up with the Ecotrack tool — a life cycle assessment model developed in co-operation with the Global Centre of Expertise (GCE) NODE, which is an industry-driven cluster of 93 companies in the southern part of Norway. MHWirth's CEO is a member of the board of GCE NODE. The Ecotrack tool is used to calculate and document CO<sub>2</sub> emissions throughout the entire value chain and life cycle of products. The information can be used to help suppliers establish and maintain a sustainable value chain and to help customers choose between environmentally (CO<sub>2</sub>) friendly products or production alternatives. The knowledge from and eventual usage of the tool will aid MHWirth in meeting future customer requirements.

MHWirth is also a member of the Green Energy Network, which is a new industrial network across industries in the southern part of Norway. Still at an early stage, the network is focusing on exploring possibilities within renewable energy. The network is a response to stakeholders' challenge to the industry to develop solutions for offshore wind.

Cool Sorption's vapour recovery business experienced continued demand in 2019. Their technologies for the downstream oil and gas segment support the capturing of vapour at loading facilities, thereby reducing emissions to the air. Volatile organic compound (VOC) vapours, for example

gasoline or benzene, are harmful to the environment and strict regulations apply to such emissions. Vapour recovery also provides economic benefit in many cases where the recovered product can be resold. Cool Sorption's successful solutions to vapour recovery challenges have delivered the largest vapour recovery units (VRU) in operation today, making a positive impact on the environment and local communities where these are installed.

STEP Oiltools' industry-leading Advantage Slop Water Treatment System continues to perform above expectations. It greatly reduces the environmental impact of the customer's operations by treating slop water at the source and eliminating the need for transportation and treatment of the waste stream onshore.

AGR provides expertise for well and field abandonment projects — projects that clearly need to be performed diligently and with due care for the environment. There are many mature fields globally, both onshore and offshore, with wells that must be abandoned. The demand for closing such fields is expected to increase if the market for oil and gas energy is reduced.

### AKOFS OFFSHORE INVESTMENT IN REDUCED EMISSIONS

AKOFS Offshore, 50% owned by Akastor, has three light well intervention ships. AKOFS Offshore has invested 45 MNOK in an energy storage (battery) system and ECR, selective catalytic reduction system for the AKOFS Seafarer to reduce fuel consumption and CO<sub>2</sub>/NO<sub>x</sub> emissions. The fuel consumption during well operations will be ~15% reduced, leading to ~2500 tonnes per year lower CO<sub>2</sub> emission. The combination of the energy storage system and ECR will reduce NO<sub>x</sub> emissions ~87%, lowering NO<sub>x</sub> emissions by ~280 tonnes per year.



Photo: AKOFS Offshore

### Reducing Emissions and Discharges

MHWirth has several initiatives that contribute to reducing emissions into the environment. For example, on 1 January 2019, their Erkelenz operations began using certified hydropower that has reduced CO<sub>2</sub> emissions. In the Lyngdal facility, they have removed/disconnected their oil heating system. The buildings are now heated by use of heat pumps, powered by less CO<sub>2</sub> emission intense electricity originating from Norway. Mobile has installed a water filtration system for washing risers, but the system has not yet been taken into operation and will need to be used for a while to get the full benefit. Lyngdal will improve the operation of its oil separators and maintain a good standard of equipment cleaning. Analyses are showing improvements in emissions, but continued samples of wastewater will be analysed before conclusions are drawn. In addition, there will be unannounced annual sampling ordered by the authorities. Erkelenz has installed new lighting (LED) in its production areas, with the result of saving two-thirds of the electricity used in this area — it used in total 200.000 KWh less than in 2018, although the production activities have increased. STEP Oiltools has changed to LED bulbs in its location in Nizhnevartovsk, which also reduced its use of electricity. In Pakistan, STEP Oiltools treated more than 12.100 million tonnes of drill cuttings at their centrally operated facility during its 2-year contract period with the state-owned oil and gas company — and it was powered by a green solar energy system the entire time.

AGR has performed several carbon capture and storage (CCS) studies, and in Australia, AGR is managing a drilling programme for a CO<sub>2</sub> well for CarbonNet, funded by the federal and Victoria state governments. CCS involves capturing CO<sub>2</sub> released by industrial processes, compressing it and storing it deep underground. CCS is being explored as a way to reduce greenhouse gas emissions and help address climate change.

### Targets on climate and sustainability

Akastor's main target is for its portfolio companies to actively contribute to the industry's transition towards more sustainable operations. In order to support and monitor this overall target, the portfolio companies will need to develop objective climate-related targets that can be measured and monitored to show performance related to climate and sustainability. This, in turn, will allow for benchmarking towards other players in the industry.

Akastor currently reports on CO<sub>2</sub> emissions from its own activities, which primarily come from the activities of MHWirth. CO<sub>2</sub> emission intensity (CO<sub>2</sub> emissions per worked hours) from Akastor's activities has been reduced every year since 2017, and Akastor will seek to continue this reduction from year-to-year. In 2020, Akastor will continue to work with MHWirth, as well as other portfolio companies, to map other areas where climate impact and sustainable operations can be monitored and measured.

### Recycling and Waste Reduction

All Akastor companies work to conduct their operations with efficient use of materials and energy, and with minimum waste and damage to the environment. This approach also reduces the cost of materials, energy and waste disposal. Recycling (waste segregation) is a key focus in the Akastor portfolio, and the recycling factor of the group is 35 per cent, mostly influenced by MHWirth's operations. MHWirth is actively working with contractors to design filtration systems optimized for the recycling of water, and the goal is to reduce waste and save cost from reduced waste disposal fees. Akastor AS, STEP Oiltools, Cool Sorption and AGR generate limited volumes of waste from their operations, as they are mainly service-driven and/or office-based.



Photo: AGR/CarboNet





## ENVIRONMENTAL

Akastor, and its portfolio companies, will act responsibly with the aim of reducing direct and indirect negative impact on the external environment, from its operations and the products and services it provides.

Akastor's main target is for its portfolio companies to actively contribute to the industry's transition towards more sustainable operations. To support and monitor this overall target, the portfolio companies will need to develop objective climate-related targets that can be measured and monitored to show performance related to climate and sustainability.

'Greener Drilling' is an MHWirth innovation initiative to reduce the overall environmental footprint of drilling operations.

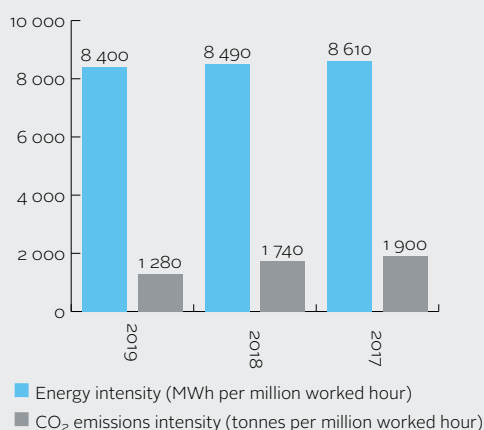
Cool Sorption's vapour recovery technologies for the downstream oil and gas segment support the capturing of vapour at loading facilities, thereby reducing emissions to the air.

STEP Oiltools' Advantage slop water treatment system reduces the environmental impact of the customer's operations by treating slop water at the source and eliminating the need for transportation and treatment of the waste stream onshore.

AGR is working with carbon capture and storage, which will help large projects that would otherwise release significant amounts of CO<sub>2</sub> into the environment store in deposits.

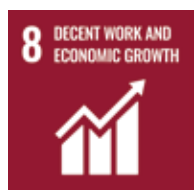
Within Environment, Akastor has identified the UN Sustainable Development Goals 12 and 13 to be the main focus areas.

Figure – last three year of CO<sub>2</sub> emission intensity



## SOCIAL

At year-end, Akastor had approximately 1 920 permanent employees and 360 hired-ins. All Akastor portfolio companies strive to protect the health, safety, human rights, labour rights, and well-being of their workforce, in line with international standards such as those put forth by the ILO and OECD. Akastor has an international portfolio and a widespread local presence. Its goal is to ensure that the value derived from its operations also benefits the societies in which the company is present.



Akastor has identified UN Sustainable Development Goal 8 to be the main focus area within Social, with regards to the ESG consideration. Protecting labour rights and ensuring safe and secure working environments for all workers are important components of the UN Sustainability

Goal 8, which promotes sustained, inclusive and sustainable economic growth, and full and productive employment and decent work for all.

### Health and Safety

In particular, health, safety and environment (HSE) is a key priority for Akastor businesses. Akastor believes that value is created when people are motivated, engaged and allowed to challenge themselves in a safe and healthy working environment. Each Akastor portfolio company works to ensure safe working conditions for its employees, and brings this core value and commitment to its customers, employees and business partners. The portfolio companies have implemented occupational HSE management systems, policies and procedures to ensure that HSE is an integrated part of the companies' cultures. All portfolio companies have dedicated resources to follow up on HSE work at each of the portfolio companies' sites. These HSE resources implemented several campaigns during the year — for example, MHWirth's travel security campaign, power tool safety campaign, and first aid training. In January 2019, a total of 326 MHWirth employees attended the first aid trainings at various locations. MHWirth has set a global HSE plan that contains several goals for improving HSE performance, including revamping global HSE networks; updating the HSE course portfolio; and conducting internal HSE audits across locations.

In 2019, no negative health and safety events impacted STEP Oiltools, and the management team are extremely proud to have had another lost time incident-free year. In addition, in 2019, for the third year in a row, STEP Oiltools was given the RoSPA Gold Award based on its HSE performance the previous year. Issued by the Royal Society for the Prevention of Accidents (RoSPA), the designation is awarded based on an organization's individual occupational health and safety performance assessed against the judging criteria.

### Working with Trade Unions

Akastor acknowledges the right of all employees to form and join trade unions of their own choice, and works to ensure that global operations are free from harassment, discrimination and use of child or forced labour.

MHWirth considers its co-operation with local unions to be of great value, and where local unions are present, all main events and changes in the organization will involve an open discussion with unions before implementation.

Akastor is also committed to following the Global Framework Agreement entered into by Aker with the trade unions Fellesforbundet, IndustriALL Global Union, NITO and Tekna on 17 December 2012. The agreements build on and continue the commitment from previous framework agreements. The parties have committed themselves to achieving continuous improvement within the areas of working conditions; industrial relations with employees; health and safety standards at the workplace; and environmental performance. In 2019, as in previous years, no events violating the agreements were reported.

### Equality and Diversity

The Akastor portfolio companies have a world-wide presence and the employees represent a multitude of nationalities and cultural backgrounds. Akastor works to ensure that all employees can expect a workplace free from harassment and discrimination. All portfolio companies actively work to advance equality regardless of gender, sexual orientation or background. While a high proportion of the employees in Akastor's portfolio companies are male, each portfolio company regularly assesses whether the principle of equal pay for equal work is being upheld, and no significant differences have been identified.

Employee surveys and other measuring assessments are regularly conducted throughout the group to obtain feedback on how employees perceive the current work environment. In 2019, employees seemed generally satisfied working in their respective company. Where such surveys or other reports of concerns indicate a need for improvement, the companies work diligently to address the situation, and, where relevant, involve their work councils, which include employee and management representatives. MHWirth has implemented PEAKON as a tool to follow up on working environment and employee engagement. The tool has been launched for all parts of the company except for those in the Asia region, which will be included during Q1 2020.

In the Akastor group, the ratio of men to women is 80/20, which is a slight improvement over previous years, but it has



been a challenge to increase the number of women employed in the Akastor portfolio companies. In portfolio companies where there is a large proportion of men working, the companies are considering activities that will increase the share of permanently employed women. MHWirth has developed, as part of its management system, a set of 'Diversity and Inclusive Guidelines'. The purpose of this policy is to promote and manage diversity and provide inclusion to all (potential) employees. The guidelines provide principles with regards to recruitment, succession planning and talent management. MHWirth will continue to reinforce the principles in these guidelines, and their targets include increasing the proportion of women in management positions; securing diverse age distribution across all management roles; and continuously improving the Diversity and Inclusion Guidelines. Throughout 2019, MHWirth continued its focus on diversity and equality. Due to slow growth and few open positions outside of specific disciplines with male-dominated applications (such as service engineers, software and mechanics), MHWirth has not managed to improve its gender balance. However, it did recruit two women for senior management positions.

### Supply Chain

Akastor requires that activities in the supply chain are conducted with a focus on integrity and the principles described in the Code of Conduct. In assessment of risk of human rights breaches within Akastor and its portfolio companies' value chain, the supply chain is considered the most vulnerable to breaches of human rights.

To qualify for the vendor shortlist, suppliers must complete a questionnaire regarding HSE, quality, integrity and human rights; sign and agree to the Supplier Declaration; and pass a due-diligence screening. The Supplier Declaration outlines key requirements concerning ethical conduct, respect for the environment and human rights, and compliance with HSE requirements, and must be signed by all suppliers. The supplier selection criteria also mandate quality, on-time delivery, fulfilling customer requirements, appropriate competition and equal treatment of suppliers.

All portfolio companies have KPIs on quality and on-time delivery, measuring the supplier's performance, and suppliers not performing according to the requirements will be audited and followed up with. The Supplier Declaration was updated in 2019. In parallel with this update, MHWirth also implemented a new supplier management system, LeanLinking. This is a global tool, for which adherence was confirmed in the latest ISO 9001 audit of MHWirth. The focus on the distribution and ratification of and adherence to the Supplier Declaration is well described in the procedure and dictated by the tool.

When implementing the supplier management system, MHWirth's portfolio of suppliers was reassessed, and if any supplier did not meet the requirements, and reasonable discussions to address concerns were unsuccessful, their services were ended.

### Social Engagement

Akastor and its portfolio companies endeavour to engage in their local communities and consider strong local social engagement an important part of their sustainable development. In Norway, Akastor is part of an initiative called 'Stiftelsen VI', which is a non-profit entity working to provide disabled people equal opportunities to have a meaningful and active life. In addition, in 2019, Akastor made a donation to Doctors Without Borders and MHWirth donated to the Red Cross. In Thailand, STEP Oiltools is an active sponsor of and participant in the Thailand Oilmen's Charity Invitational Golf Tournament, the proceeds from which are donated to Thai charitable organizations. All portfolio companies have internal processes for assessing donations to NGOs or social engagements.







### Local Commitment

Akastor has an international portfolio and a widespread local presence. Its social development goal is to ensure that the value derived from operations also benefits the societies in which the company is present. In 2019, the companies continued their focus on local content, local production requirements and local expertise, which also supports the UN Sustainability Goal 8 (on decent work and economic growth). One example is MHWirth, which is working with the University of South-Eastern Norway to offer students internships with the company or opportunities to write graduate and master's theses.

### Global impact

Akastor is active on 6 continents and serves customers from bases in 20 countries. Thirty per cent of its work force is based outside of the EU and Norway, and 26 per cent of its revenue are generated from operations outside of Europe. The portfolio companies are integral participants in the countries and regions in which they operate and are often important contributors in local communities. Akastor's goal is for its portfolio companies to contribute positively in the societies where they are active, and to do their utmost in protecting, respecting, and contributing positively towards the environment and human rights.

## GLOBAL IMPACT TABLE

COUNTRY	EMPLOYEES including hired-ins (FTE) <sup>1)</sup>	REVENUES NOK million	COUNTRY	EMPLOYEES including hired-ins (FTE)	REVENUES NOK million
Australia	78	174	Malaysia	2	5
Azerbaijan	61	300	Netherlands	1	4
Brazil	118	135	Mexico	0	1
Canada	1	42	Norway	1118	2 755
China	8	1	Pakistan	62	24
Denmark	52	239	Russia	57	53
Germany	286	745	Singapore	45	77
India	38	0*	Thailand	33	26
Indonesia	21	14	UAE	28	253
Kazakhstan	3	19	UK	132	180
			USA	129	316

\* Internal revenue only

<sup>1)</sup> The location of employees and hired-ins under contract is based on the location of the company where they were employed as of 31 December 2019 (operations with more than 50 percent ownership).



## SOCIAL

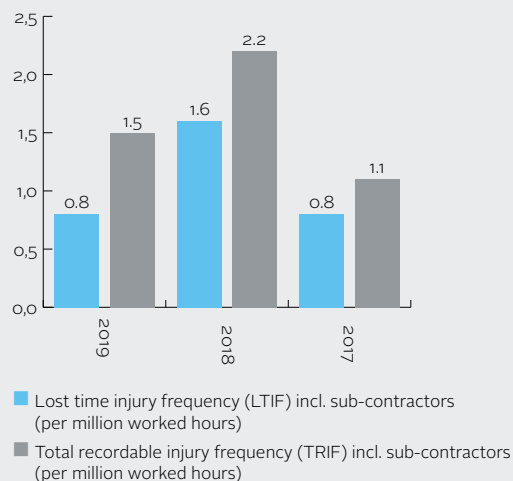
All Akastor portfolio companies strive to protect the health, safety, human rights, labour rights, and well-being of their workforce. The most important target is zero fatalities, and all portfolio companies are promoting safe, reliable and sustainable operations.

Akastor has an international portfolio and a widespread local presence. Its goal is to ensure that the value derived from operations also benefits the societies in which the company is present.

*Akastor supports 'StiftelsenVI', which is a non-profit entity working to provide disabled people equal opportunities to have a meaningful and active life. MHWirth has entered into a co-operation agreement with the University of South-Eastern Norway (USN) regarding its masters' programme in industry. All portfolio companies have internal processes for assessing donations to NGOs or social engagements.*

Within Social, Akastor has identified the UN Sustainable Development Goal 8 to be its main focus area.

### LTIF and TRIF



## REPORTING PRINCIPLES

This report describes the corporate responsibility approach and activities of Akastor ASA and its portfolio of companies in 2019, to the extent these are consolidated as subsidiaries in the Akastor group accounts. The report should be read in conjunction with Akastor's Annual Report for 2019 to acquire the complete picture of its business and how Akastor creates value.

The figures referred to in this report relate to operations where Akastor has more than 50 per cent ownership. Following the sale of 50 per cent of its shares in AKOFS Offshore in 2019, Akastor no longer has operational control of the company. Hence, its activities are not covered by this report. Historical comparative figures have been restated accordingly.

This ESG report builds on Akastor's own analysis of stakeholder expectations. This analysis has not been validated by stakeholders. The information presented about corporate responsibility activities and key performance indicators (KPIs) is based on reporting by Akastor's portfolio companies.

This report is intended to make Akastor and its portfolio companies compliant with the corporate responsibility requirements of the Norwegian Accounting Act. The report has been prepared with inspiration from the Global Reporting Initiative (GRI) Sustainability Reporting Standards, the Task Force on Climate-Related Financial Disclosures (TCFD), the OECD Guidelines for Multinational Enterprises (OECD Guidelines), the UN Global Compact's guidelines for communicating on progress and the Oslo Børs' (Oslo Stock Exchange) guidelines to issuers for ESG reporting.







## TCFD REFERENCE TABLE

Task Force on Climate-Related Financial Disclosures (TCFD) reference index	
TCFD Recommendation	Reference to Akastor disclosure
<b>Governance: Disclose the organization's governance around climate-related risks and opportunities</b>	
a) Describe the board's oversight of climate-related risks and opportunities.	<ul style="list-style-type: none"> <li>• ESG report, Environment, Climate Change chapter</li> <li>• ESG report, Governance, Ethical Commitment and Operating Model chapter</li> <li>• Annual Report, Corporate Governance Statement, 'The Work of the Board of Directors', chapter</li> <li>• Annual Report, Corporate Governance Statement, 'Risk Management and Internal Control', chapter</li> </ul>
b) Describe the management's role in assessing and managing climate-related risks and opportunities.	As above
<b>Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</b>	
a) Describe the climate-related risks and opportunities the organization has identified over the short-, medium- and long-term.	<ul style="list-style-type: none"> <li>• ESG report, Environment, Climate Change chapter</li> </ul>
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	<ul style="list-style-type: none"> <li>• Akastor has only briefly described their considerations of the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning. This limited information is described in the ESG report, Environment, climate change chapter and in the Annual Report, Board of Directors' report on risk management.</li> </ul>
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> <li>• Akastor has provided only a limited description of their organization strategy in which they take into consideration different climate-related scenarios: some may be found in the ESG report, Environment, climate change chapter.</li> </ul>
<b>Risk management: Disclose how the organization identifies, assesses and manages climate-related risks.</b>	
a) Describe the organization's processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> <li>• ESG report, Environment, Climate Change chapter</li> <li>• ESG report, Governance, Operating model chapter</li> <li>• Annual Report, Corporate Governance Statement, 'Risk Management and Internal Control', chapter</li> </ul>
b) Describe the organization's processes for managing climate-related risks.	<ul style="list-style-type: none"> <li>• As above</li> </ul>
c) Describe how processes for identifying assessing, and managing climate-related risks are integrated into the organization's overall risk management.	<ul style="list-style-type: none"> <li>• As above</li> </ul>
<b>Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</b>	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<ul style="list-style-type: none"> <li>• ESG report, ESG figures chapter</li> </ul>
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<ul style="list-style-type: none"> <li>• ESG report, ESG figures chapter</li> </ul>
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> <li>• ESG report, Environment, Emission target chapter</li> </ul>







## CONTACT DETAILS

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