

AKASTOR 

# 2017

CORPORATE  
RESPONSIBILITY  
REPORT



## ABOUT THIS REPORT

This report constitutes the corporate responsibility report for Akastor ASA and covers the 2017 fiscal year. In this report, Akastor presents its approach to corporate responsibility as well as the implementation, activities and performance of Akastor and each of its portfolio companies in 2017. The purpose of the report is to support Akastor's primary stakeholders — shareholders (existing and potential), customers of its portfolio companies and employees of the Akastor group — in gaining insight into activities related to corporate responsibility 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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## TABLE OF CONTENTS

Company Profile	4
2017 in Review	6
Managing Corporate Responsibility in the Portfolio	9
Anti-Corruption Initiatives	10
Environmental Impact	12
Working Environment	14
Global Impact	16
Reporting Principles	18
Contact Details	20

Photo: Andrius Jonusas



## COMPANY PROFILE

Akastor ASA is a Norwegian oil-services investment company with a global portfolio of industrial holdings and other investments. 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 percent. The Akastor shares are traded on the Oslo Stock Exchange under the ticker AKA. The Akastor portfolio had 2017 revenues of NOK 4 348 million, EBITDA of NOK 293 million and 2 015 employees (FTE) worldwide at year-end.

The Akastor corporate organization is based in Norway, at Fornebu, with a team of 16 employees, overseeing 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. The aim is to maximize the value potential of each portfolio company by clarifying their business models, capitalizing on their market positions and strengthening underdeveloped areas of value creation.

## CURRENT PORTFOLIO

### MHWirth

MHWirth is a leading global provider of first-class drilling solutions and services. The company's knowledge and technologies span from reservoir to production and through the life of the field. MHWirth has over 1450 employees and presence in 14 countries.

### AKOFS Offshore

AKOFS Offshore is a global provider of subsea well construction and intervention services to the oil and gas industry, with three state-of-the-art vessels: AKOFS Seafarer, Skandi Santos and Aker Wayfarer. AKOFS Offshore has 180 employees and a local presence in Norway and Brazil.

### STEP Oiltools

STEP Oiltools, in which Akastor owns 76 percent, is a provider of solids control and drilling waste management services. STEP Oiltools has 240 employees and offices in 14 countries.

### First Geo

First Geo is the leading provider of operation and wellsite geology services. First Geo delivers products and advice to E&P companies within subsurface, drilling and well management. First Geo is based in Norway and has more than 70 employees.

### Cool Sorption

Cool Sorption is engaged in the design and engineering of Vapour Recovery Units (VRUs) for treatment of volatile organic compounds from the downstream oil and gas industry. The company has 26 employees and its headquarter is in Copenhagen, Denmark

### NES Global Talent

Akastor holds a 15% economic interest in NES Global Talent, which is a provider of professionals to the oil & gas, infrastructure, chemical, life sciences and rail industry. The company is based in the UK and has 40 offices in 26 countries. As NES Global Talent is not an entity controlled by Akastor, its activities are not covered in this report.

Akastor also has other investments, including a 50% ownership share of DOF Deepwater AS, which is a joint venture with DOF ASA. These are not described in this report, but more information about the investments is given in the annual report.









## 2017 IN REVIEW

### Transactions

Akastor continues to manage its portfolio of companies to deliver value and secure the interests of its stakeholders. Over the past three years, Akastor has increased its financial manoeuvrability by divesting parts of its portfolio and reducing debt.

A significant transaction in 2017 was the divestment of KOP Surface Products (KOP). KOP was acquired by The Weir Group PLC, which Akastor believes is a good match for KOP with significant value adding possibilities for both businesses. As reported last year, the agreement to join Frontica Advantage with NES Global Talent was completed in January 2017. Furthermore, Akastor's largest portfolio company, MHWirth, became a 20% owner of the shares in the Norwegian technology company Electrical Subsea & Drilling (ESD). ESD is working on the development of all-electric blow-out preventers and a durable rotating control device for managed pressure drilling. Another event that may provide exciting opportunities going forward is a Memorandum of Understanding signed with Mitsui in October 2017 to further expand the current partnership by establishing a 50-50 joint venture for AKOFS Offshore.

The oil and gas service market continued to show low activity in 2017, and some restructuring and operational changes continued in the group. However, the portfolio companies also managed to secure some victories in terms of new business. MHWirth was awarded a contract for the West White Rose Project, offshore Canada, which was the first complex offshore drilling package awarded in the market for the past several years. AKOFS Offshore has recently manned up to a full crew for Aker Wayfarer for its 5+5 year SESV contract in Brazil, which commenced on 1st of January 2018.

In December 2017, it was announced that Karl Erik Kjelstad was appointed new CEO of Akastor, following Kristian Røkke who is proposed by Aker to be nominated as new Chairman of the Board of Akastor ASA in the spring of 2018.

### Sustainability figures 2017

Akastor maintains a key focus on Health, Safety and Environment (HSE) and integrity, and improved its performance in these areas in 2017. The portfolio companies are continuously keeping employee safety the highest priority. In 2017, the companies experienced three lost time incidents and five recordable incidents, a welcome decline from the prior year. No fatalities occurred in any of the companies or their sub-contractors while working for the group. The recordable incidents related to back, finger and foot injuries. The portfolio companies have launched awareness campaigns to reduce the likelihood of similar incidents happening again.

Akastor's integrity figures have had a positive development in line with the goals for 2017, as more integrity training and on-site reviews were implemented. These efforts are considered to be valuable for implementation and awareness of integrity in Akastor. This focus will continue in 2018.

Many changes in Akastor group key sustainability figures reflect the changes made to the operations throughout the year. Reduced revenues, employee numbers and hours worked are mainly driven by the weak market conditions for Akastor's largest portfolio company, MHWirth.

With AKOFS Offshore increasing its offshore employee base, the already large proportion of men working in the company increased, as offshore crews are largely male. Increased activity of Aker Wayfarer in 2017 is also the key driver for the increase in use of energy this year.

Despite the total energy use in the group increasing slightly in 2017 compared to 2016, the CO<sub>2</sub> emissions (scope 2) were reduced. This is due to a reduction in MHWirth's Asian operations, where the electricity provided in Malaysia, China and South Korea to a large extent is generated from non-renewable sources.

Akastor reduced hours worked in 2017, from 4.9 million to 4.0 million worked hours. Because some energy intensive operations and buildings have remained constant, this caused an increase in the energy intensity reported. Total waste and hazardous waste also increased in 2017. As there have not been any significant relevant changes in the operations, the change likely stems from changes in MHWirth's waste reporting procedures in 2017. The waste reporting procedures were amended after the company, when reviewing their reporting procedures, identified underreporting in 2016. With the improved reporting procedures in MHWirth, it also became apparent that the recycling level (waste segregation) was higher than previously reported. Together with a higher recycling level in AKOFS Offshore, the total recycling level reported in Akastor for 2017 increased by 4 percentage points.

# 4.3 NOK billion

total revenues

# 2015

employees worldwide (FTE)

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

	2017	2016
Total revenues (NOK million)	4 348	4 975
EBITDA (NOK million)	293	91

## PEOPLE

Employees incl. hired-ins (FTE) <sup>2)</sup>	2 015	2 244
Female / Male (%) <sup>3)</sup>	18/82	19 / 81

## INTEGRITY

Integrity classroom training (%) <sup>4)</sup>	92	81
Code of Conduct e-learning (%) <sup>5)</sup>	95	85
On-site compliance reviews (%) <sup>6)</sup>	60	25
Whistleblowing reports	7	13

## ENVIRONMENT

Energy used (MWh)	62 300	58 600
Energy intensity (MWh per million hours worked)	15 575	12 000
CO <sub>2</sub> emissions (tonnes) <sup>7)</sup>	14 600	15 000
CO <sub>2</sub> emissions intensity (tonnes per million hours worked)	3 650	3 050
Total waste (tonnes) <sup>8)</sup>	4 600	2 000
Recycling factor (%) <sup>9)</sup>	86	82
Hazardous waste (tonnes)	170	120

## HEALTH AND SAFETY

Lost Time Incident Frequency (LTIF) <sup>10)</sup>	0.8	1.4
Total Recordable Incident Frequency (TRIF) <sup>10)</sup>	1.3	2.2
Fatalities incl. subcontractors	0	0
Sick leave (% of hours worked)	3.0	3.2

<sup>1)</sup> Following divestment of KOP Surface Products, its operations have been classified as discontinued operations, and excluded from the group's key figures. The figures referred to in this report relate to continuing operations and historical comparative figures have been restated accordingly.

<sup>2)</sup> Include approximately 135 hired-ins.

<sup>3)</sup> The reported figure is based on permanent employees (1880 people).

<sup>4)</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 72% of all employees.

<sup>5)</sup> The participation rate is calculated as percentage of target group. The target group includes all managers and office-based employees with PC, constituting 72% of all employees. Most companies in Akastor define the target group for integrity classroom training and Code of Conduct e-learning as the same.

<sup>6)</sup> The figure is accumulative and includes percent of entities/country operations (>10 FTE, totally 20) that have been the target of a compliance review in the period 2015 to 2017 by Akastor's or the portfolio company's compliance function.

<sup>7)</sup> GHG Protocol standard is used to calculate tonnes CO<sub>2</sub> emissions; the 2017 figures are Scope 1: 10 300 and Scope 2: 4 300.

<sup>8)</sup> MHWirth improved its reporting routines in 2017, and as their operations in 2017 were not significantly different from 2016, it is plausible to assume that the waste in 2016 is likely to have been on a level similar to that reported in 2017. Data for 2016 has not been restated based on new reporting routines in MHWirth.

<sup>9)</sup> Recycling factor is calculated by weight of segregated waste per total waste

<sup>10)</sup> The reported figure for LTIF and TRIF is calculated using incidents per million hours worked and includes subcontractors.





Photo: Rolf Estensen





## MANAGING CORPORATE RESPONSIBILITY IN THE PORTFOLIO

### 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. The focus areas are established to strengthen the companies' long term and continuous focus on corporate responsibility and have been unchanged since 2015. Each portfolio company is required to implement a corporate responsibility strategy based on the main priorities of the group.

Akastor's Code of Conduct constitutes the most important guideline for corporate responsibility and integrity in Akastor. In 2017, the Code of Conduct was relaunched with updates that made it more aligned with Aker ASA's updated Code of Conduct. The update increases the scope and adds four new chapters, including a chapter about protecting the environment, lifting this topic within the governance structure.

Akastor's Code of Conduct describes the group's commitments and requirements to business practices and personal conduct. The Code of Conduct is mandatory 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 Program 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 guide the design of the Akastor Code of Conduct and Integrity Program and provide the overall framework for the corporate responsibility efforts in the Akastor group.

### Operating Model

Akastor is represented on all portfolio company boards and also asserts its active ownership through regular business reviews and 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.

Akastor's Legal and Compliance function supports and monitors policy implementation of Akastor's Code of Conduct and Integrity Program through continuous dialogue with the portfolio companies, quarterly compliance status reports and by undertaking 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 Program, and is the main contact person for day-to-day compliance and integrity assessments and discussions.

Activity and progress in the work with integrity and corporate responsibility in Akastor is reported quarterly by the management to the Akastor Board of Directors and its Audit Committee.

### DATA PRIVACY AND SECURITY

Akastor has had a Data Protection Standard for Processing and Transfer of Personal Data in Akastor (Binding Corporate Rules (BCR)) since 2015 which has guided processing of personal data in the group. In 2017, this procedure was updated to ensure compliance with the General Data Protection Rules (GDPR), a European Union regulation. Akastor will ensure implementation of the updated BCR before the GDPR comes into effect in May 2018.

## ANTI-CORRUPTION INITIATIVES

Corruption has been identified as a key impediment to the UN Sustainable Development Goal 16, which is to promote just, peaceful and inclusive societies. Working against corruption in all of its forms is a key building block of Akastor's Integrity Program, 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. Corruption presents an important risk to Akastor's business, along with related risks such as money laundering, conflict of interest and fraud. Akastor implements a strong zero tolerance policy towards corruption.

### Integrity Training and Awareness

Strong 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 targeting all employees while others are more tailored towards specialized employee functions.

### Third Party Risk

Working with third parties may constitute a potential integrity risk. Akastor implements risk based evaluations and monitoring of suppliers, service providers and JV-partners.

Akastor has had a restrictive approach to third party representatives (agents) for several years and continued this focus in 2017. 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

In order to enable robust 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, human rights impacts and environmental risks. With this, they 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 Program in portfolio companies. The reviews strengthen the implementation of the Akastor Integrity Program through defined follow-up activities, and also provide extended insight into relevant business risks and challenges. In 2017, compliance reviews were undertaken of operations in Azerbaijan, India, Russia and Norway. In addition, the portfolio companies perform their own review activities, such as internal compliance reviews; audits of suppliers and third party representatives; and investigations related to whistleblowing reports.

### Whistleblowing

Whistleblowing is an important channel for receiving information about negative conditions so that they can be corrected. All employees in Akastor are required to report breaches of the Code of Conduct, and Akastor encourages reporting of any concerns pertaining to potential breach of law or ethical standards. Employees can report concerns to their line manager, compliance officer, top management or via the whistleblowing channel.

Akastor's 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 Akastor Whistleblowing Investigation Procedure. The whistleblowing process is monitored by the Akastor Board of Directors and its Audit Committee.

All notifications received in 2017 have been investigated and resolved. Most notifications received were allegations concerning office environment and management issues, and some concerns relating to suspicions of fraud or corruption. Akastor received seven whistleblowing notifications for its continuing operations in 2017. This is a significantly lower figure than for previous years. The reduction is likely due in part to a reduction in the work force, but the number of reports per hundred employees was also reduced by 40%. The number of whistleblowing notifications is still within the international average compared to the number of employees, based on the NAVEX Global 2017 benchmarking report. In 2018, Akastor will continue to foster awareness of the whistleblowing channel and ensure quality in the investigation procedures.







## ENVIRONMENTAL IMPACT

Reducing consumption of materials and solving challenges related to air, soil and water pollution are important steps towards achieving UN's Sustainable Development Goal 12 on Responsible Consumption and Production, and Goal 13, Climate Change. Avoiding discharges to sea is necessary to achieve Goal 14 - conserving and using the oceans, seas and marine resources for sustainable development. Akastor will continue to take responsibility for its activities in these areas. In 2017, our expectations and policy on environmental caution was included as a chapter in the Akastor Code of Conduct.

Akastor works to ensure that its portfolio companies implement strategies to reduce adverse impact 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 boards of directors.

### Supporting Sustainable Operations

Most of Akastor's portfolio has a role to play in reducing environmental risk or impact created by the oil and gas sector. MHWirth's key environmental goal is to provide leading technology and products which reduce the adverse environmental effects of MHWirth's and its customers' operations. For example, in 2017, MHWirth launched an updated RamRig Hydraulic Power Unit (HPU) for lifting operations that will reduce fuel consumption, resulting in reduced emission to air (CO<sub>2</sub> and NO<sub>x</sub>) and lower energy cost for its customers. 2017 also saw the beginning of a project in MHWirth called Greener Drilling which is a range of initiatives designed to address the need for reduced fuel consumption in drilling operations.

MHWirth also contributed well barrier technology for blow-out preventers to Electrical Subsea & Drilling (ESD) in exchange for 20% of the shares in that company. ESD is working to develop drilling technology which is more environmentally friendly and cost efficient than solutions available in the market today, including all-electric control blow-out preventers.

Cool Sorption's Vapor Recovery business experienced continued demand in 2017. Their technologies for the downstream oil and gas segment supports capturing of vapor at loading facilities and thereby reduction in emissions to the air. Volatile Organic Compound (VOC) vapors, for example gasoline or benzene, are harmful to the environment and strict regulations apply to such emissions. Vapor Recovery also provides economic benefits in many cases, where the recovered product can be resold. Cool Sorption's successful

solutions to Vapor Recovery challenges has delivered the largest vapor recovery units (VRU) that are in operation today, making a positive impact on the environment and local communities where these are installed.

### Reducing Emissions and Discharges

AKOFS Offshore operates with annual goals for environmental protection. Each vessel develops a local environmental program with actions to meet these goals. The key environmental goal for the company's offshore operations in 2017, as the year before, was to have no recordable incidents with oil spills to sea. This goal was successfully achieved. Additionally, in order to minimize use of fuel and emissions of CO<sub>2</sub> and NO<sub>x</sub> to air, AKOFS Offshore has developed an Energy Efficiency Management plan (EEMP), with specific actions for optimizing vessel speed used under transit, cleaning of hull and propellers, and use of electricity. While AKOFS Seafarer was idle and cold stacked in 2017, it has been supplied with electricity from the local electricity grid, rather than using its generators for power supply, efficiently reducing emission of NO<sub>x</sub> and CO<sub>2</sub> to air. For future operations, AKOFS Offshore is evaluating the possibility of installing custom-made battery banks to provide back-up power when the ship is operating on offshore fields with its dynamic position system active. Today an extra generator must run as a reserve for this purpose, and a hybrid solution has the potential to reduce the use of marine diesel by 15-18%.

STEP Oiltools achieved its goal to achieve zero environmental incidents in 2017. It also took steps to further improve the sustainability of its operations. At business unit level the various country offices set up objectives to support a sustainable operation and to reduce energy consumption. For example, in Russia the goal was a 3% reduction of energy consumption compared to 2016. The targets are reported mid-year and at year end to management, with an explanation if the targets were not met. The Russian operations met their target and had a 5.3% reduction.

### 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 costs of materials, energy and waste disposal. Recycling (waste segregation) is a key focus in the Akastor portfolio. The recycling factor of the group is 86%. MHWirth reached a recycle factor on 86% and AKOFS Offshore reached a recycle factor on 95%. Akastor AS, STEP Oiltools, Cool Sorption and First Geo generate limited volumes of waste from their operations as they are mainly service driven and/or office based.









## WORKING ENVIRONMENT

Protecting labor rights and promoting safe and secure working environments for all workers are important components of UN's Sustainability Goal 8, to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Akastor had 1880 permanent employees and 135 hired-ins at year end. All Akastor portfolio companies strive to protect the health, safety, human rights, and well-being of their workforce. 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.

### Health and Safety

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 HSE work at all the portfolio companies' sites. The HSE resources have implemented several campaigns during the year, an example being MHWirth's "Just Rules", an awareness campaign that resulted in a handbook with rules to prevent injury or harm. Another example is AKOFS Offshore's launch of an internal "Leading Operations" program where operational safety and excellence is at the core. The program is set up with the aim of aligning and guiding all AKOFS Offshore's supervisors and leaders with regards to practical everyday job and team leadership on board the company's vessels.

STEP Oiltools BV obtained the RoSPA Gold achievement this year based on HSE performance in 2016. Issued by the Royal Society for the Prevention of Accidents (RoSPA), the designation is given based on the organisation's individual occupational health and safety performance assessed against the judging criteria. In 2017 there were no negative Health and Safety events that impacted STEP Oiltools and the management team are extremely proud to have had an incident free year, the first since the company started.

### Working with Trade Unions

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

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 the previous framework agreements. The parties commit 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 2017, as in preceding years, no events violating the agreements were reported.

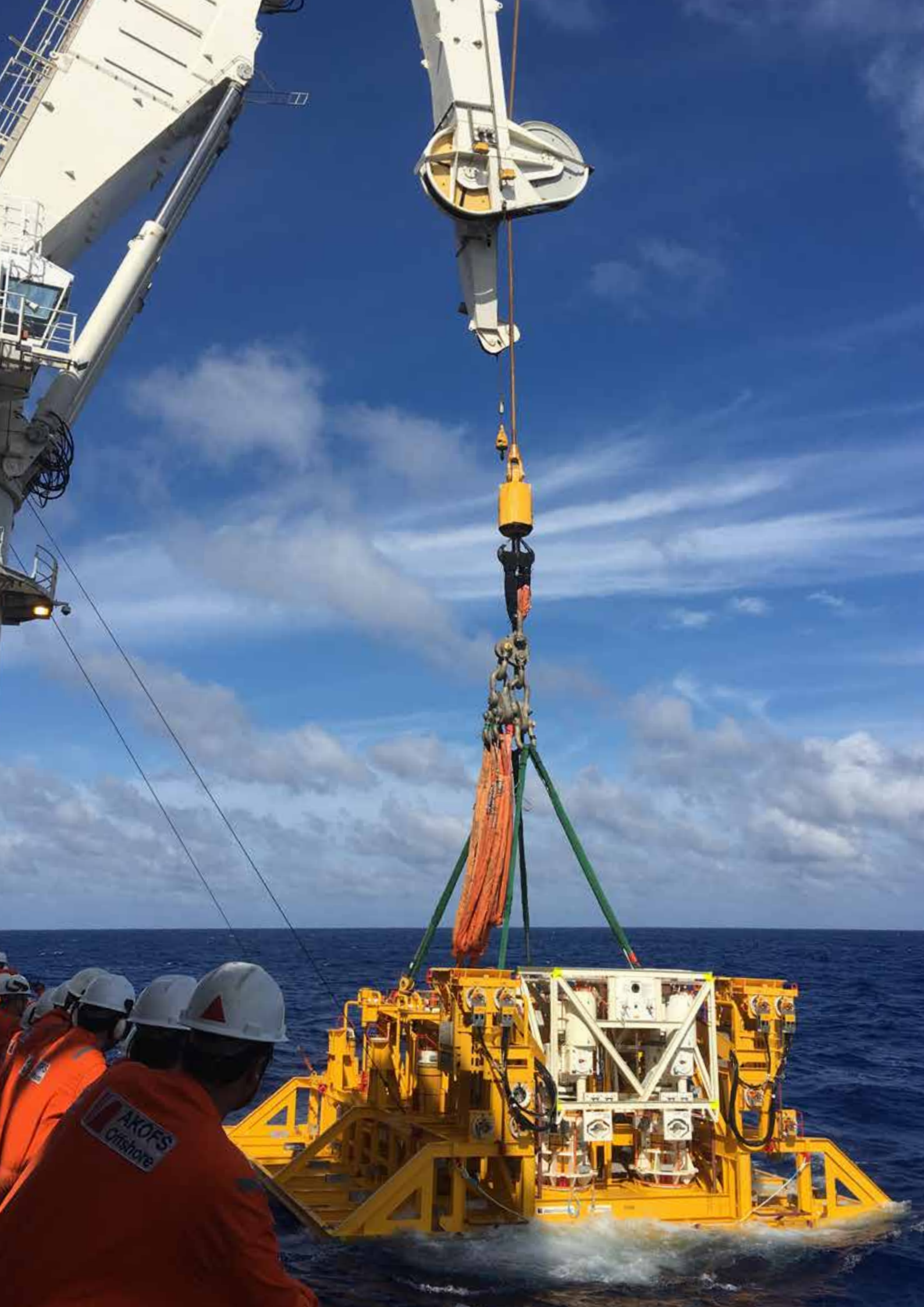
### Equality and Diversity

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 work actively to advance equality no matter gender, sexual orientation or background. A high proportion of the employees in Akastor portfolio companies are male. All portfolio companies regularly assess whether they live up to the principle of equal pay for equal work and no significant differences have been identified.

Employee surveys are regularly conducted throughout the group to obtain feedback on how employees consider the current work environment. Where such surveys or other reports of concerns indicate a need for improvement, the companies work diligently to address the situation, and where relevant with their works councils, which include representatives from management and employees.

In the Akastor group the men/women ratio is 82/18, and both MHWirth and AKOFS Offshore are considering activities that will increase the share of permanently employed women. MHWirth has described its approach in writing and issued a Diversity and Inclusion Guideline designed to promote and manage diversity and provide inclusion to all employees and potential employees. The guideline was published in 2017. In business ethics training, all employees are made aware of the possibility to raise their voice if observing or experiencing any wrong-doing. In 2017, the whistleblowing channel handled four reports related to the work environment. No cases involved allegations of sexual harassment or discrimination.







## GLOBAL IMPACT

COUNTRY	EMPLOYEES including hired-ins (FTE) <sup>1</sup>	REVENUES NOK million <sup>2</sup>	COUNTRY	EMPLOYEES including hired-ins (FTE) <sup>1</sup>	REVENUES NOK million <sup>2</sup>
Australia	12	92	Malaysia	10	10
Azerbaijan	64	216	Nigeria	2	3
Brazil	258	328	Netherlands	2	3
Canada	1	13	Norway	891	2406
China	11	3	Pakistan	92	25
Cyprus	1	1	Russia	36	47
Denmark	26	53	Singapore	63	316
Germany	284	299	Thailand	45	48
India	45	0*	UAE	28	109
Indonesia	20	13	UK	44	83
Kazakhstan	3	17	USA	77	263

\* 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 2017 (continuing operations).

<sup>2)</sup> Revenue figures by country include internal and external revenues and are based on location of the company in which the revenue is recognized. Intercompany sales are subtracted (as "eliminations") to present external revenues in the income statement

Akastor is active on six continents and serves customers based out of more than 20 countries. The divestment of KOP Surface Products in 2017 has resulted in a reduced presence in Asia, especially in Singapore, Indonesia and Thailand, but the portfolio is still highly global. 36 percent of the work force is based outside of the EU and Norway, and 33 percent of revenues 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 that its portfolio companies contribute positively in the societies where they are active, and that they do their utmost in protecting, respecting, and contributing positively towards the environment and human rights.

### Supply Chain

Akastor requires that activities in the supply chain are conducted with focus on integrity and the principles described in our Code of Conduct. The Supplier Declaration outlines key requirements to ethical conduct, respect for environment and human rights, and compliance with HSE requirements, and has to be signed by all significant suppliers as well as other suppliers identified as high risk. The supplier selection criteria also mandate quality, on-time delivery, fulfilling customer requirements, appropriate competition and equal treatment of suppliers.

In order to be qualified for the vendor shortlist, suppliers have to complete a questionnaire regarding HSE, quality, integrity and human rights; sign and agree to the Supplier Declaration; and pass a due-diligence screening. All portfolio companies

have KPIs measuring the supplier's performance, and suppliers not performing according to the requirements will be audited and followed up.

Akastor reviewed its supply chain procedures in 2017, and identified some improvement potential in streamlining the system and facilitating audits of ethical commitments in the Supplier Declaration. In 2018 there will be an increased focus on the evaluation of suppliers in the pre-qualification process with regards to integrity, labor rights and human rights, and an increased focus on this also in supplier audits

### Local Commitment

Akastor has an international portfolio and a widespread local presence. Its social development goal is to safeguard that the value derived from operations also benefits the societies in which the company is present. In 2017 the companies continued their focus on local content, regional production requirements and local expertise, which also support the UN sustainability Goal 8, Decent work and economic growth.

AKOFS Offshore has a goal to use local personnel for local positions within the company. MHWirth aims to benefit from its global reach to develop skills across functions and regional borders. For example, MHWirth's aftermarket division (Drilling Lifecycle Services) re-assigns local service engineers to work with the company's most experienced technicians at other locations. This advances the company's international training environment and sharing of best practices.





### Social Engagement

Several portfolio companies engaged in their local communities and their sustainable development in 2017. For example, MHWirth in India participated in the renovating and upgrading a school in the Masale Belpada region, close to MHWirth's facility outside of Mumbai, with all basic amenities. The school's main aim is to provide basic education to underprivileged students in the region. STEP Oiltools in Pakistan participated in planting trees, in conjunction with the Capital Development Authority and Ministry of Environment in Pakistan. In Norway, several smaller initiatives supported NGOs and charities. For example, Akastor AS made donations to the Church City Mission (NGO in Oslo, "Kirkens Bymisjon") to support homeless and the poor in Oslo (Norway). All portfolio companies have internal processes for assessing donations to NGOs or social engagements.



Photo: Rolf Estensen

## REPORTING PRINCIPLES

This report describes the corporate responsibility approach and activities of Akastor ASA and its investment portfolio in 2017. The report should be read in conjunction with Akastor's Annual Report for 2017 to acquire the complete picture of our business and how Akastor creates value.

Following the divestment of KOP Surface Products in 2017, its operations have been classified as discontinued operations, and excluded from the group's key figures. The figures referred to in this report relate to continuing operations and historical comparative figures have been restated accordingly.

This corporate responsibility report builds on our 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 Guidelines, the UN Global Compact's guidelines for communicating on progress and the Oslo Børs (Oslo Stock Exchange) guidance on reporting of corporate responsibility.

The report covers the activities of the holding company Akastor ASA and its portfolio of companies to the extent these are consolidated as subsidiaries in the Akastor group accounts.

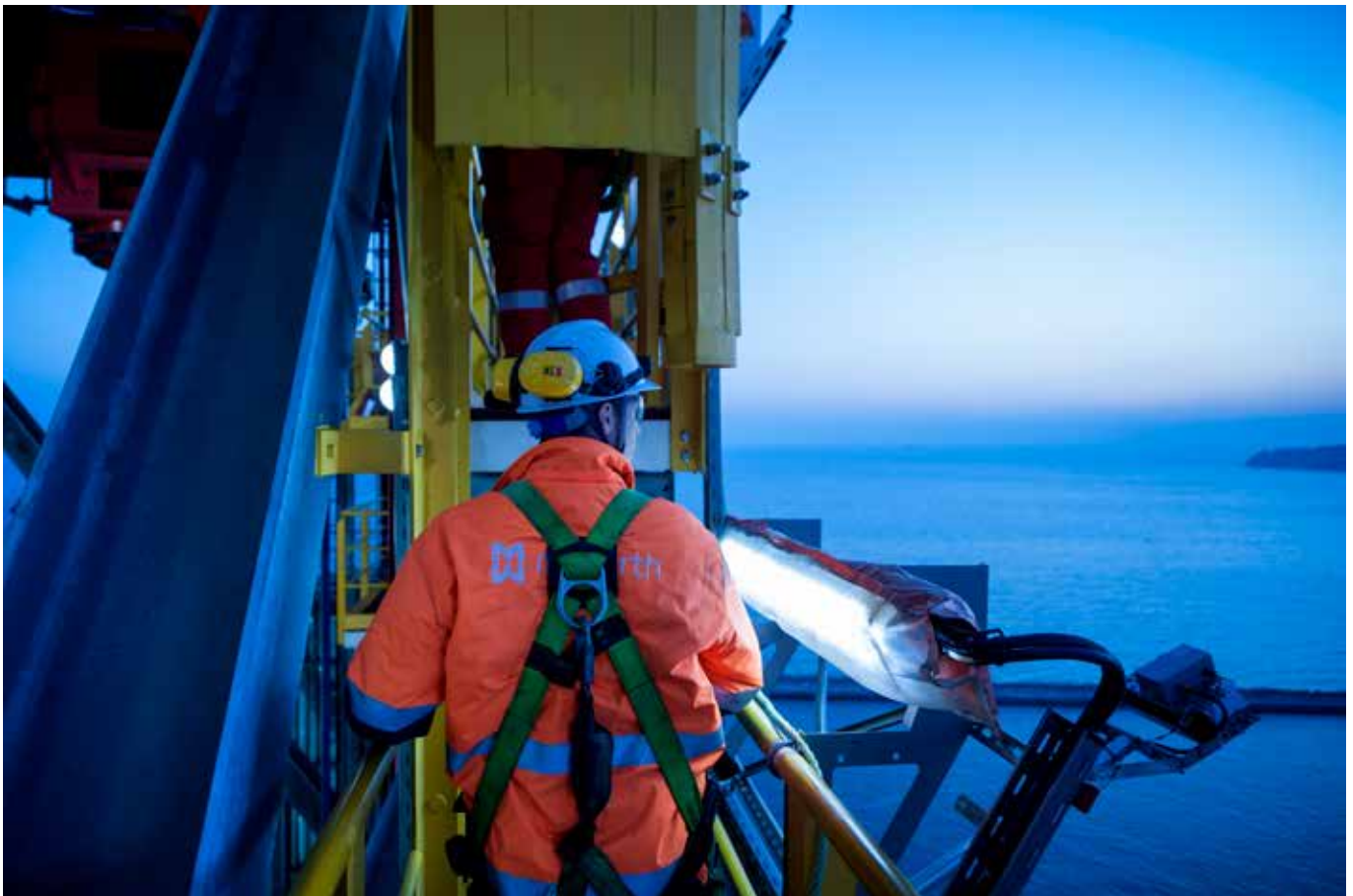


Photo: Rolf Estensen





## CONTACT DETAILS

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### Whistleblowing in Akastor

[whistleblowing@akastor.com](mailto:whistleblowing@akastor.com)

[www.speak-up.info/akastor](http://www.speak-up.info/akastor) (access code: 25278)

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