



ESG Report 2019

Becoming a Climate Leader

Environmental | Social | Governance





Our business

Scandinavia's leading end-to-end technical contractor and facility manager

Vision

Becoming a
climate leader

Mission

To build sustainable
communities for
generations to come

Promise

We take actions
that count

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Sustainability – What does it mean to GK?

GK is about to embark on a new strategic period (2020–2025), where we as an organisation will gather our forces to create one united GK.

GK's vision is to be at the forefront in the fight against climate change and to become a climate leader. Climate change require drastic restructuring of society in a more sustainable direction. The construction industry is responsible for 40 per cent of worldwide energy use and greenhouse gas emissions, and it is necessary to reduce the built environment's impact on the climate. Creating good solutions can also provide a competitive advantage. GK will take the lead and shoulder our share of the responsibility for ensuring a better climate and for developing sustainable solutions for generations to come.

As one GK, we can be a driving force for a more sustainable construction industry. We have the skills and the size, the ambition and the ability to create real change in our company, in the industry and for society as a whole. One GK is about the power of collaboration. The power that is unleashed when 3,500 employees pull in the same direction.

What does it mean to GK?

For us, sustainability means that we are all part of a task bigger than ourselves. We will be a driving force to build sustainable communities, both large and small. We will endeavour to prioritise long-term environmental choices ahead of short-term gain and lead the way to a sustainable future.

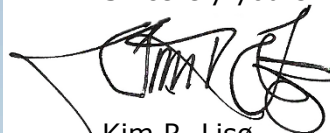
To create internal awareness of GK's impact on the climate and show the outside world how GK is working with regard to sustainability, we will, beginning in 2020, report on important sustainability indicators. We have chosen to base our reporting on Nasdaq's "ESG Reporting Guide". ESG stands for "Environmental, Social and Governance". In this report, we show the status and objectives for indicators related to environmental factors, social and societal responsibilities, and corporate governance. Nasdaq's ESG Guide is based on recognised, international frameworks for ESG reporting and covers 30 defined target areas.

Thousands of companies globally are reporting ESG data to an increasing extent. GK's decision to follow their lead exemplifies our promise to take actions that count.

" The world is changing, and we must change with it "



Sincerely yours



Kim R. Lisø

CEO
GK Gruppen

UN Global Compact – for responsible business

In August 2018, GK signed up to the UN Global Compact – a global network of businesses committed to sustainability. In becoming a member, GK commits to implementing the UN Global Compact's principles for responsible business practice in all stages of its operations; strategically, operationally and culturally.

[The UN Global Compact has ten principles](#), which provide guidance on how a company ensures responsible operations within the areas of human rights, employment conditions, the environment and anti-corruption. Endorsing the UN Global Compact means doing one's best to conduct business in line with the ten principles and preparing an annual report, called a "Communication on Progress".

The requirement for responsible operations applies not only to our own company, where we must check whether there are issues related to labour standards, the environment, corruption or human rights that need to be solved, but also to our subcontractors. Even though GK works within a strong regulatory framework in Scandinavia, subcontractors may face challenges in other countries. GK must therefore be aware of the conditions under which the products we use are made. This is an important part of our work on sustainability.

For GK, there is a clear relationship between our sustainability efforts and our long-term profitability. Work to promote sustainability will strengthen GK's risk management and credibility, reduce costs through lower energy consumption, and increase satisfaction among our employees. A deliberate approach to sustainability and the UN Global Compact's ten principles will enhance our reputation. Participation in the UN Global Compact gives GK the opportunity to contribute to global initiatives for sustainable development, while simultaneously making a greater difference locally.

The UN Global Compact's ten principles:

Human rights

[Principle 1](#): Businesses should support and respect the protection of internationally proclaimed human rights, and

[Principle 2](#): make sure that they are not complicit in human rights abuses.

Labour

[Principle 3](#): Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,

[Principle 4](#): the elimination of all forms of forced and compulsory labour

[Principle 5](#): the effective abolition of child labour, and

[Principle 6](#): the elimination of discrimination in respect of employment and occupation.

Environment

[Principle 7](#): Businesses should support a precautionary approach to environmental challenges,

[Principle 8](#): undertake initiatives to promote greater environmental responsibility, and

[Principle 9](#): encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

[Principle 10](#): Businesses should work against corruption in all its forms, including extortion and bribery.

ESG reporting

Sustainability has gone from being information-driven to becoming data-driven; from words to actions. An ESG report measures a company's environmental, social and corporate governance performance. This encompasses everything from money laundering, corruption, environmental risks and greenhouse gas emissions to safety, human rights and labour rights. A company that actively measures and reports on ESG indicators will find it easier to market itself as a responsible and sustainable company. In addition, such a company will be better able to respond to requirements from public authorities and customers, and set standards for its own suppliers and subcontractors.

Risk management of material sustainability matters

At present, ESG reporting is voluntary for all companies. The trend, however, indicates that it is increasingly being demanded by various stakeholders, such as banks, investors, customers, employees, potential employees and society in general. Companies are today expected to understand the risks that confront them and seriously address how they affect their surroundings. By being open with respect to risks and objectives for material sustainability matters, we help the outside world to understand the company better.

This is GK's first measurement of sustainability at corporate level. Some areas of ESG reporting are well known to GK and are included in other types of reports, whereas others have not previously been measured and reported by the company. GK was one of the first in the industry to become a Norwegian Eco-Lighthouse ("Miljøfyrtårn"). This Norwegian certification scheme covers different environmental aspects. It has been applied by GK in Norway to report energy use, recycling and emissions at a number of GK's Norwegian office locations.

GK has adopted Nasdaq's guide for ESG reporting and has carried out an analysis of relevant sustainability factors with the assistance of a sustainability consultant from By Nature. An internal sustainability group has worked to identify the most important legal requirements, political and market expectations, internal competences and systems, and other sustainability-related risks. These have been taken into consideration when setting the various ESG performance indicators. Going forward, GK will continue with annual risk assessments and related action plans in order to deal with the largest sustainability risks. In addition, the ESG report will become a part of GK's annual report with effect from 2020.

Substantial efforts have been made internally to collect and analyse ESG reporting data. This is the very first time that GK has compiled and communicated this type of data for all countries combined. The data sources are therefore not wholly consistent, and GK will continue working to collect and systematise them in order to achieve better comparisons across countries, with the goal of uniform monitoring, reporting and communication. In addition, GK will work on related procedures and compliance to ensure sustainability is implemented in all of GK.

Goal setting

GK's ESG reporting includes both one-time goals and continuous goals. Continuous goals, such as reducing greenhouse gas emissions, are based on one-time goals such as establishing data capture in order to measure greenhouse gas emissions. Since this is the first reporting period, the report contains many one-time goals on establishing key indicators or policies that form the basis for continuous improvement processes. This is necessary in order to increase the level of knowledge about the effectiveness of GK's sustainability work, reduce risk and create insight into our potential for improvement.

Key indicators may be directly measured parameters, or a combined value calculated on the basis of several parameters and algorithms. For example, future environmental goals are set on the basis of the key indicators that will be achieved through specific actions. The effect of the actions will be measured regularly through departures from progress for the key indicators, so that corrective measures can be taken or the environmental goal can be changed. Continuous monitoring of the key indicators also helps us capture and manage unforeseen environmental incidents.

In the following chapters, we will explain how GK responds to the 30 indicators in Nasdaq's ESG guide and which targets we are setting for ourselves in order to become an even better company in the future.

Environmental

This chapter concerns the environment and focuses on the measures that GK is implementing to nudge society in a more sustainable direction, over and above its normal commercial activities.



Environmental (E)

Reducing greenhouse gas emissions is one of the most important actions we can take to reduce global warming and contribute to achieving the goals of the Paris Agreement. GK has considerable opportunities to reduce its customers' emissions through existing and future deliveries of systems and services related to the indoor climate and increased energy efficiency. The challenge for GK is to make it attractive for customers to improve, measure and monitor their own environmental performance, while simultaneously ensuring sound financial development.

In addition, GK can and will take steps to reduce our own emissions. The ESG reporting process has revealed unnecessarily large transport-related emissions, particularly from our own vehicles. In addition, it has revealed a need for better internal coordination with respect to conduct that affects the climate and the environment.

Our new vision, which articulates GK's ambition to become a climate leader, means a new awareness about our own and customers' environmental performance. Some of our main environmental steps for the coming strategy period are:

- All of GK will be certified in accordance with the ISO 14001 environmental management standard.
- GK will adopt a uniform environmental policy and uniform procedures at the department level. This will ensure that environmental measures are implemented along the entire value chain.
- GK will be a driving force for creating and using products with Environmental Product Declarations and facilitating a circular economy with increased reuse and recycling.

Our long-term environmental goals:

- GK will halve its own emissions by 2030, and half of the portfolio will be climate-neutral in 2035.
- GK will reduce its own greenhouse gas emissions by aggressively phasing leased fossil-fuelled vehicles out of its corporate fleet.
- GK aims to offer and supply technical installations with greenhouse gas accounting.
- GK will continue to develop and supply energy solutions for buildings that offer the lowest possible energy consumption and a good indoor climate, as well as develop new services that reduce our customers' greenhouse gas emissions.
- GK will develop and offer GK Cloud as a leading digital management system for buildings. GK Cloud is, cloud-based platform for demand-controlled and predictive energy monitoring, as well as building management and surveillance.
- GK will be a leader in natural refrigerants and promote and motivate our customers to use natural refrigerants where appropriate.

Establishing data capture and monitoring key indicators are our most important tools for assessing our own goal attainment. Below you will see how we set goals and meet ten climate and environmental indicators, and how we include them in GK's reporting.

E1. Greenhouse gas emissions (GHG emissions)

In order to reduce greenhouse gas emissions, the emissions must be known and measurable. This indicator identifies the emissions in a standardised manner in absolute numbers. The greenhouse gas emissions are divided into three focus areas (scopes). Scope 1 concerns direct greenhouse gas emissions from the consumption of fuel by our own or leased vehicles. Scope 2 concerns indirect greenhouse gas emissions from electrical power and thermal energy purchased from third parties. Scope 3 includes other indirect greenhouse gas emissions, such as those deriving from the use of means of transport not controlled by GK, or emissions related to residual waste.

Our interpretation

GK's reporting in Scope 1 concerns direct emissions from GK's owned or leased vehicles.

The reporting figure also includes private use of these vehicles, which we are unfortunately unable to identify or extract at present. This means that the actual emissions for GK's business-related passenger transport are somewhat lower. Commuting trips are reported under Scope 3.

GK's reporting in Scope 2 concerns indirect emissions from purchased electricity and purchased thermal energy for GK's operations. Purchased electricity and purchased heat for GK's company buildings and GK's electric vehicles are reported here. For plug-in hybrids, fuel consumption is reported in Scope 1 and electricity consumption in Scope 2, something we currently have to do on a generic basis due to a lack of vehicle-specific data.

GK's reporting in Scope 3 concerns indirect emissions for business travel using means of transport not controlled by GK (aircraft, taxis, trains and business travel using private vehicles), as well as emissions related to residual waste from GK's office locations. Private use of vehicles controlled by GK should be reported in Scope 3, but is included in the statistics reported in Scope 1.

It is also worth noting that according to the ESG Guide, reporting should include CO₂ equivalents (CO₂e). This encompasses all greenhouse gases defined in the standard [Greenhouse Gas Protocol](#). We do not have access to information about CO₂ equivalents from all our emission sources. The reporting figure is therefore a mix of CO₂ and CO₂e (for example, Sweden's energy mix for heat is only in CO₂e). It is our goal to present all data in CO₂e in order to follow the international standard for reporting. This will also provide a more accurate comparison with other companies.

Measures GK is taking to be able to report

In Norway, GK has reported greenhouse gas emissions through the Eco-Lighthouse scheme since 2007. In 2019, this covered 20 out of GK's 48 office locations in Norway and included emissions from GK's vehicles, air travel and waste, as well as the building area that houses GK's operations. In Sweden and Denmark, we have obtained data on emissions from GK's vehicles, private vehicles used on GK business, taxi trips, air travel and the building area housing GK's operations. At GK Sweden, the statistics have been obtained from the suppliers. Supplementary emission factors come from the Swedish Environmental Protection Agency, the Swedish Energy Agency and the Norwegian Eco-Lighthouse scheme

Data source: GK's own greenhouse gas emissions

In sum, we estimate that our recorded emissions of 8,164 tonnes of CO₂* represent 73 per cent of our total emissions. Based on this, our total emissions in 2019 are calculated at 11,140 tonnes of CO₂.

Table E1. Total emissions (tonnes CO₂*). The calculation is based on figures from 2019.

| | Total recorded | Total estimated | Recorded Norway | Total Norway | Recorded Sweden | Total Sweden | Recorded Denmark | Total Denmark |
|--------------|----------------|-----------------|-----------------|--------------|-----------------|--------------|------------------|---------------|
| Vehicles | 6,494 | 8,364 | 3,619 | 5,171 | 1,952 | 2,169 | 922 | 1,025 |
| Aircraft | 717 | 1,159 | 652 | 1,086 | 63 | 70 | 2 | 3 |
| Buildings | 811 | 1,382 | 567 | 944 | 176 | 353 | 37 | 85 |
| Other | 141 | 235 | 138 | 230 | 0 | 0 | 4 | 6 |
| Total | 8,164 | 11,140 | | 7,431 | | 2,592 | | 1,118 |

Goals

- GK will halve its own emissions by 2030, and half of the portfolio will be climate-neutral in 2035.

Monitoring goal* (see also E2. Emissions intensity/specific greenhouse gas emissions)

1) We monitor absolute emissions as a basis for our E2 goal of halving specific emissions.

Reduce direct greenhouse gas emissions from GK's vehicles

- 2) Owing to varying national incentives, we are setting the following national targets for 2025:
- Norway: 75% reduction in greenhouse gas emissions
 - > 80% of passenger vehicles will be electric vehicles.
 - > 70% of goods/service vehicles will be electric vehicles.
 - Sweden:
 - > 50% of passenger vehicles will be low-emission vehicles with emissions lower than 70 grams CO₂/km.
 - > 70% of light commercial vehicles will have emissions lower than 140 grams CO₂/km.
 - Denmark:
 - > 50% of the vehicles will be electric vehicles.

* Monitoring goal means that we monitor the indicator.

Reduce energy consumption in the customer portfolio

- Identify/record energy-labelled buildings in our portfolio in 2020 as a baseline. Goals will be set in 2021, for example, number of buildings with "Energy Label A".
- Increase the number of buildings in GK Cloud by 50% per year.

Increase focus on indoor climate at customer sites (which is a primary purpose of the customer's greenhouse gas emissions)

- 5) At least one project with [WELL certification](#) to be completed by 2022 in Norway and Sweden.

Reduce greenhouse gas emissions from our customer portfolio

- 6) Be a leader in natural refrigerants and promote and motivate our customers to use natural refrigerants where appropriate.

Measures

Emissions from GK's vehicles accounted for 75 per cent of our total emissions in 2019. Reducing greenhouse gas emissions from GK's vehicles by converting to electric vehicles is the most important measure for reaching our primary goal of halving greenhouse gas emissions by 2030. The national targets have been set realistically, but optimistically. The targets have also been set with substantial margins with respect to the overall goal. If we succeed in reaching our national targets, we will realise the goal of halving our emissions much sooner than 2030.

The starting point is the replacement of the entire vehicle fleet in the course of five years, based on previous guidelines that GK's vehicles should not be more than five years old. Another important premise is that there are now well-functioning electric vehicles on the market for both passenger and goods transport, with a driving range greater than 300 km, and the trend is continuing. A third premise is positive feedback from our pilot users. Financial incentives and charging infrastructures vary between the countries, and for this reason targets and implementation plans have been set at the national level.

Norway:

Approximately 65 per cent of GK's vehicle fleet is in Norway. In Norway, charging infrastructure is well developed in most of the country, particularly around the major cities. We anticipate that the charging infrastructure will improve during the reporting period.

Electric passenger vehicles are considered a satisfactory alternative when it comes to functionality, and, in most cases, they are also economically advantageous. Arranging lease agreements and encouraging the selection of an electric vehicle at renewal, where this is a satisfactory alternative, are probably sufficient to achieve >80 per cent electric vehicle share for passenger vehicles by 2025.

The range of available electric goods vehicles is also improving. However, the number of cases in which electrical goods vehicles are considered a satisfactory alternative is lower than for passenger vehicles. GK is conducting a test project with electric vehicles that will be evaluated. Electric goods vehicles have higher investment costs, which in 2020 are offset by government investment support. Electric goods vehicles have lower operating costs. Overall, we consider electric vehicles to be financially comparable with fossil-fuelled alternatives. Arranging lease agreements and encouraging the selection of an electric vehicle at renewal, where this is a satisfactory alternative, are probably sufficient to achieve >70 per cent electric vehicle share for goods vehicles in Norway by 2025.

Sweden and Denmark:

Greater effort and more resources are required to reduce greenhouse gas emissions from GK's vehicles in Sweden and Denmark than in Norway. Tax benefits and state support are lower.

Poorer charging infrastructure can result in a need for vehicles with a longer range than the electric goods vehicles that are currently on the market. Our national targets for Sweden and Denmark reflect these differences.

E2. Emissions intensity/specific greenhouse gas emissions

Use of specific emissions as an indicator makes sense for a growing business. This indicator shows emissions per NOK sales by dividing absolute emissions by GK's operating revenues (sales) minus internal transactions. Greenhouse gas emissions related to the development of the business can be monitored through the intensity measurement. This differs from absolute emissions in E1, but has the same scope as E1.

Our interpretation

GK uses specific emissions of greenhouse gases (see E1) in the numerator and net production volume, which is GK's sales minus internal transactions, in the denominator (net PV VI).

Table E2. Specific emissions (kg CO₂/NOK 1,000). The calculation is based on figures from 2019.

| | Unit | Combined | Norway | Sweden | Denmark |
|-----------------------|----------------------------------|----------|--------|--------|---------|
| Total emissions | CO ₂ | 11,140 | 7,431 | 2,592 | 1,118 |
| Net production volume | (million NOK) | 5,382 | 4,043 | 1,713 | 550 |
| Emissions intensity | (kg CO ₂ / 1,000 NOK) | 1.77 | 1.84 | 1.51 | 2.03 |

Goals

- In 2030, GK's own emissions (see E1 and Scope 1) per NOK sales will be half what they were in 2019.
- Target: In 2025, GK's emissions per NOK sales (Scope 1) will be 25 per cent less than they were in 2019.

The overall goal means that GK will reduce its specific emissions to less than 1.35 kg CO₂/1,000 NOK in 2025 and to less than 0.90 kg CO₂/1,000 NOK in 2030.

Increased focus on emissions will improve data quality, provide a broader source of data, more meaningful CO₂ factors and more uniform reporting standards. Identifying GK's emissions (see Table E1) and setting clear objectives will in turn create an awareness that will help us reach the goal. When the data quality and coverage improve, the proportion of recorded emissions will increase.

E3. Energy usage

The use of electricity and thermal energy for our buildings results in greenhouse gas emissions. This indicator reflects total energy consumption in the heated area that houses GK's operations. The indicator distinguishes between direct energy consumption, including energy that is converted and used within the building's system boundary, and indirect energy consumption, which is energy purchased from a third party.

Our interpretation

We report on energy consumption in the heated area that houses GK's operations. GK leases all its buildings and only measures indirect energy, i.e. purchased electrical or thermal energy.

We have obtained energy consumption data for the heated area that houses GK's operations. GK has a reasonable amount of data for 50–70 per cent of its operations in Norway, Sweden and Denmark, but there is a potential for increased data quality and uniformity in reporting.

Table E3. Energy use and energy mix for GK's locations (kWh). Figures from 2019.

| Energy source | Norway | Sweden | Denmark | Total | Share of total |
|------------------|------------------|------------------|----------------|------------------|----------------|
| Electricity | 2,777,921 | 992,094 | 106,255 | 3,876,270 | 65.4% |
| District heating | 190,582 | 857,096 | 209,490 | 1,257,168 | 21.2% |
| Pellets | 733,860 | 0 | 0 | 733,860 | 12.4% |
| Natural gas | 0 | 0 | 26,448 | 26,448 | 0.4% |
| Oil | 0 | 0 | 32,460 | 32,460 | 0.5% |
| Grain | 0 | 0 | 80,000 | 80,000 | 1.3% |
| Total | 3,702,363 | 1,849,190 | 374,653 | 5,926,206 | |

Goals

- All of GK's company buildings will have energy and operations monitoring by 2021, preferably with the aid of the GK Cloud management platform.

GK will have in place uniform reporting of energy consumption in all buildings that house GK operations by 2021 through systematic surveying and monitoring. This will be achieved by setting requirements for lessors. When renewing leases, GK will set requirements for energy use, indoor climate and sustainability so that our locations reflect our values.

E4. Energy intensity

Energy intensity concerns specific energy consumption in the heated area that houses GK's operations. The total quantity of energy used is divided by our area (kWh/m²). By monitoring specific energy use, we see how energy-efficient the buildings are, independent of size.

Our interpretation

We report on specific energy consumption in the heated area that houses GK's operations with energy use in kWh in the numerator and area in square metres in the denominator.

We have obtained energy use and area data for the heated area that houses GK's operations for each country. GK will coordinate its reporting of area use. In the long term, we want to report on energy use for the share of our customer portfolio that we control through GK Cloud.

Table E4. Energy intensity (kWh/m²) in 2019. The area in Norway is from reporting to the Eco-Lighthouse scheme and corresponds to the area where energy consumption has been recorded. In Sweden and Denmark, total area is used.

| Energy intensity | Norway | Sweden | Denmark | Total | Number of offices |
|--|------------|------------|-----------|------------------|--------------------|
| Total energy use, electricity and heat (kWh) | 4,047,835 | 1,849,190 | 374,653 | 6,350,896 | All |
| Total area (m ²) | 28,996 | 16,174 | 5,589 | 50,759 | 25 of 48 in Norway |
| Total kWh/m² | 140 | 114 | 81 | 125 | All |

Goals

- All of GK's company buildings will have energy and operations monitoring by 2021, preferably with the aid of GK Cloud.

E5. Energy mix

Energy mix concerns the breakdown of energy consumption by energy source for the heated area that houses GK's operations. The indicator reveals a potential for sourcing energy with lower greenhouse gas emissions.

Norway:

The use of fossil oil for heating has been prohibited by law in Norway with effect from 2020. The district heating companies have nearly phased out all oil (1 per cent in 2019) as an energy source, but they use some LNG or LPG for peak loads in cold periods (4 per cent in 2019) (source: www.fjernkontrollen.no). District heating in Norway can be considered on average to be 95 per cent renewable (surplus heat from waste incineration, biofuel, ambient heat (heat pump solutions) or electricity).

Norwegian electrical power is in practice 98 per cent renewable, but on paper we have a larger share of fossil thermal power because the renewable energy producers in Norway sell their renewable guarantees to companies, municipalities and individuals in Europe.

In Norway, changing the energy mix to reduce greenhouse gas emissions would have little effect. One possible measure for GK may be to buy electrical power with a guarantee of origin

that provides a calculable emissions reduction, but the actual positive green house gas impact is probably small. Reduced use of electrical power for heating deliberate power for export, for example through [NorthConnect](#), a planned power transmission cable from Norway to the United Kingdom through which renewable energy may be imported and exported between the two countries.

Sweden and Denmark:

Sweden and Denmark have a great deal of renewable energy available, and Sweden has an extensive offering of environmentally-labelled power agreements. District heating can generally be regarded as renewable, but there is a potential to reduce emissions from electricity production through agreements.

The data sources and data capture methods are different for Norway, Sweden and Denmark. In Sweden, the source data are obtained from the building owner or lessor. In Norway, the source data from the Eco-Lighthouse reporting are used. In Denmark, the heat consumption figure comes from the building owner or lessor and electricity consumption from the online [Eloverblik](#) platform.

Table E5. Energy mix for GK's locations (kWh).

| Energy mix | Norway | Sweden | Denmark | Total | Share of total |
|---|------------------|------------------|----------------|------------------|----------------|
| Electricity | 3,346,096 | 992,094 | 106,255 | 4,444,445 | 70% |
| • 100% renewable | | 41% | | | |
| • Renewable and nuclear power | | 24% | | | |
| • Renewable, nuclear power and fossil fuels | | 11% | | | |
| District heat | 137,365 | 857 096 | 209,490 | 1,203,951 | 19% |
| Pellets | 413,386 | | | 413,386 | 6.5% |
| Natural gas | 150,988 | | 25,667 | 176,654 | 2.8% |
| Oil | | | 32,460 | 32,460 | 0.5% |
| Grain | | | 80,000 | 80,000 | 1.3% |
| Total | 4,047,835 | 1,849,191 | 453,872 | 6,350,897 | |

Goals

- 100 per cent of energy sources for electricity and heating agreements to be identified by 2021.
- 100 per cent of the energy sources in heating agreements to be fossil-free when renewed and existing agreements to be upgraded if possible.

E6. Water usage

This indicator shows water consumption and how much water is treated for recirculation. Water is not considered a scarce resource in the Nordic countries, and GK is not reporting on water usage during this reporting period. Climate change may affect our water systems and groundwater level and result in monitoring of this indicator in the long term.

E7. Environmental operations

Systematic environmental monitoring makes our business more efficient and goal-oriented in the environmental area. This indicator reflects whether the company has adopted an environmental policy, a specific policy on water consumption, energy use, waste management and recycling, and whether the business uses an energy monitoring system.

Assessment

GK has previously had different environmental policies for each country. GK is now introducing a common environmental policy with the following main elements:

- GK will be ISO 14001-certified in order to create the framework conditions for good planning, risk management, implementation, monitoring and development of environmentally sound actions throughout the company.
- GK will be a driving force for creating and using products with Environmental Product Declarations and facilitating a circular economy with increased reuse and recycling.
- Environmental measures are acknowledged as prioritised activities in the entire company, with reporting to group management and the Group Board of Directors.

Most of the indicators are dealt with under E1–E5. Here we will focus on recirculation and waste. The potential for better waste and recycling procedures in the company has been identified. Norway separates at source and monitors residual waste for 26 of 48 office locations. The same system will be implemented in Sweden and Denmark.

Data source

Table E1 shows emissions related to waste under the category “Other”.

Goals

- All office locations to be ISO 14001-certified by 2025.
- All office locations will separate at least 60 per cent of their waste at source by the end of 2022.
- All office locations will separate at least 80 per cent of their waste at source by the end of 2025.

E8. Climate oversight/Group Board of Directors

The indicator examines whether the company's board of directors monitors and manages GK's climate-related risk. The goals and ambitions in the area of sustainability require the full support of the group's board of directors, which must also have the necessary competence.

Assessment

Briefings on sustainability have been included as a permanent item at board meetings since May 2020. This will be further developed to ensure that climate risk analyses are performed and become a part of the environment management system as GK becomes ISO 14001-certified. Climate risk analysis has not been carried out previously, and this indicator will therefore be reported for the first time in the report for 2020.

E9. Climate oversight/Group management

The indicator examines whether the company's group chief executive monitors and manages GK's climate-related risk. The goals and ambitions in the area of sustainability require the full support of the Group's senior management, which must also have the necessary competence.

Assessment

The Group Chief Executive Officer has conducted a sustainability briefing at executive management meetings since May 2020. This will be further developed to ensure that climate risk analyses are performed and become a part of the environment management system as GK becomes ISO 14001-certified. Climate risk analysis has not been carried out previously, and this indicator will therefore be reported for the first time in the report for 2020.

E10. Climate risk mitigation

This indicator reflects the company's total investment in "environmentally appropriate development", measured in NOK. The indicator provides a basis for assessing whether GK reinvests an adequate share of its profits in environmentally appropriate development.

Assessment

GK invests a great deal in R&D and innovation that promotes environmentally appropriate development. In 2019 we invested in the following projects:

| | | |
|---|------------|------------------------|
| FME ZEN (partner in NTNU/SINTEF's research centre for environmentally friendly energy) | NOK | 501,500 |
| BEST VENT (supported by The Research Council of Norway) | NOK | 67,500 [*] |
| SvalVent (supported by The Research Council of Norway) | NOK | 291,500 |
| Smart building signatures (supported by Innovation Norway) | NOK | 1,772,000 [*] |
| One thousand buildings – ten thousand opportunities (innovation project under the auspices of Bergen Municipality) | NOK | 1,717,000 |
| BIM integrated with BAS | NOK | 1,300,000 [*] |
| Total 2019 | NOK | 5,649,500 |

^{*} Figures from budget

Goals

- GK will support environmentally appropriate knowledge and product development through active participation in R&D and innovation projects that can provide us with competitive advantages in our core business.
- GK will develop a method to make our customer portfolio climate-neutral by 2035 with the help of GK Cloud, with a result no later than 2025.
 - Pilot project: Develop a method to include greenhouse gas accounting with all tenders.



Social

GK strives to ensure that social conditions, such as human rights, labour rights, gender equality, health, the environment and safety, are safeguarded not only in all of GK's activities but in the industry as a whole. In this chapter of the ESG report, we show how GK is working in this area.

Social (S)

GK fully supports the UN's Declaration of Human Rights and The International Labour Organization's Labour Rights Convention. These rights cover all GK employees as well as contract workers, subcontractors and third-party suppliers of materials and services. In Scandinavia, working environment legislation is strongly established and there are good systems and procedures in place to prevent negative effects on people in the employment context. GK works continuously to promote a safety-conscious corporate culture and prevent incidents in the areas of health, safety and the environment.

At the same time, as part of the construction industry, GK is in a high-risk sector with respect to several matters. The construction industry is characterised by a high risk for accidents, varying working conditions and large, complex supply chains.

Inadequate monitoring and control of subcontractors and other contract workers poses one of the largest risks with respect to human and labour rights in Scandinavia. Good quality employment contracts pay and working conditions, and competence are all important aspects for which GK must ensure full compliance.

For the construction industry, inadequate health and safety measures, overtime work, harm to minority groups, discrimination and sexual harassment, forced labour, child labour and low wages are the greatest areas of risk. In 2020, GK has developed and introduced a human rights policy and associated monitoring measures in order to ensure that human and labour rights requirements are met.

S1. CEO pay ratio

The CEO compensation is measured in order to illustrate a company's costs related to the CEO role compared with the median compensation for the workforce as a whole. It is used mainly by investors who want to verify that the gap between the two is not too large. The reason for measuring this value is the supposition that a large gap could potentially lead to higher employee turnover and/or lower productivity. This may also be viewed in light of the company's profit. To properly illuminate this value, it is recommended that it be compared with the industry average, as industry differences are affected by factors such as education level and gender composition.

Assessment

Details of senior management salaries at GK are available within the Group, and the compensation paid to the Group Chief Executive Officer is publicly available information. In the construction industry, the majority of employees engage in a variety of trades, while a minority work in administrative positions, including management positions. The industry has considerable pay differences mostly based on variations in education level and work tasks. This is reflected in the indicator and distinguishes the construction industry from many other industries.

GK is considering whether to include a survey of pay levels in comparable companies in the Nordic countries in future reports, in order to put GK's figures in a broader context.

Goals

- GK will consider surveying the pay level in comparable companies in the Nordic countries in order to put GK's figures in a broader context.

S2. Gender pay ratio

The indicator measures equal pay for equal work and considers gender differences. Many countries have introduced laws to safeguard the principle of equal pay for equal work, and this is supported by the ILO Convention. Companies that uncover large gender-based pay differences risk reputational and legal challenges.

Assessment

Women make up just 9.7 per cent of the group's workforce, which must be considered low. The majority of the women work in administrative positions and are under-represented in the more operational occupational categories. Because of an incomplete data source, we have been unable to analyse sufficiently the extent of gender pay disparity for this report.

GK is working to boost the number of female employees, and equal pay is an important principle. GK will arrange for better systems to facilitate reporting and provide a data source in this area for future reporting.

Goals

- By 2025, internal systems will be improved to ensure adequate data sources that facilitates the reporting of equal pay.

S3. Employee turnover

A high degree of employee turnover (the percentage of employees who leave the company annually) may indicate uncertainty or dissatisfaction among employees, or other aspects of the working environment that are worth looking into. These are all important aspects for the company to gain insights into. High employee turnover can mean higher recruitment and employment costs, which over time can be a burden for the company. A stable workforce is also an important element in building a corporate culture that contributes to compliance and ownership of the company's values.

Assessment

For GK, employee turnover statistics are presented somewhat differently for Denmark, Sweden and Norway. This is caused by different HR systems and different practices in each country. Based on this, it has not been possible to measure accurately the employee turnover rate at group level for 2019.

In its current HR systems, GK has aggregate figures for all employee categories. In Denmark, however, employee turnover is broken down between administrative positions and vocational positions (a normal practice in the Danish construction industry). For all companies, employee turnover includes both full-time and part-time employees. Current payroll and HR systems cannot filter out part-time employees or consultants from the data sources. The total employee turnover rate nevertheless provides an indicator of circumstances that may be worth examining in more detail.

For GK in Sweden, employee turnover in 2019 has been calculated at 19.8 per cent in GK Sverige AB and at 14.5 per cent in GK Rör AB. GK in Norway has calculated a total employee turnover of 16 per cent for its operations. In the Danish part of the company, the employee turnover rate is relatively high, but the figure is influenced by the fact that tradespeople in Denmark more often change employers when a project is finished. Employee turnover for administrative roles in GK Denmark is calculated to be 9.6 per cent.

Measures

For GK as a whole, the employee turnover rate is higher than the target figure of 7 per cent. However, the extent to which the 7 per cent target is realistic for the industry will be assessed more closely.

At GK, several measures are being implemented to reduce the employee turnover rate. These include a focus on the working environment and employee satisfaction, training programmes and internal development, as well as a set of shared values that includes all employees in GK's vision for the group.

Employee turnover at GK is quite evenly distributed among the various job categories. Turnover is highest in the category "apprentice/assistant" (35 per cent) and lowest in the category "staff functions" (11 per cent). This can be explained in part by the above-mentioned practice in Denmark where tradespeople more often change employer, but it should be examined more closely to see whether there may be additional explanations.

GK realises that the data source should be improved so that figures from each position category can be extracted and analysed separately. It is also important that employee turnover data are communicated to the organisation continuously so that managers and departments can establish remedial measures where possible.

Low employee turnover could be a good indicator of satisfaction and might provide an indication of how changes in the organisation are perceived. Specifically examining the causes of employee turnover will also be an important element in the implementation of good measures.

Goals

- GK will report annual changes in employee turnover and aims to reduce the employee turnover rate. In the period up to the next ESG report, a realistic performance indicator, based on industry insight, will be set.
- By 2025, internal systems will be improved so that the data source facilitates reporting of both total employee turnover and other relevant performance indicators.

Targets:

- The need for separate figures for employee turnover for office personnel/ salaried employees will be identified by 1 June 2021.
- The need for separate figures for employee turnover for field personnel will be identified by 1 June 2021.
- By the end of the strategy period, the data source for employee turnover will be improved so that reasons for turnover can be revealed and targeted measures implemented.
- A procedure for conducting exit interviews with all employees who leave GK will be finalised by 31 December 2020.

S4. Gender diversity

The gender balance in a company indicates the overall proportion of men and women in the workforce and the roles in which they work. This can show where the greatest disparities are in the company and where an effort can be made for a more gender-balanced workforce. The gender balance is usually seen in context with trends in the industry, and here GK is in line with other comparable companies.

As of 31 December 2019, GK had a total of 3,187 employees, divided into 2,891 full-time equivalents. Women made up 9.7 per cent of the workforce.

The construction industry has traditionally been male-dominated. This is due to a variety of reasons, but the female recruitment base for operational positions within the industry is low, particularly in the craft trades.

As a Gold Partner in [the Ingeborg Network](#), GK Rør in Norway has endeavoured in recent years to foster more female role models in the construction sector in order to increase the number of women working in both the industry and in the company. When hiring new employees, the company practises gender equality and arranges seminars under the auspices of the Ingeborg Network for the plumbing trade.

Assessment

In Nasdaq's ESG guide, a distinction is made between the categories "senior" and "entry/mid- level" positions to highlight where in the company men and women work. At present, there is no system at GK for designating which positions fall within these two levels. In order to report, the grouping of positions at GK into senior and entry/mid-level has therefore been manually standardised.

The data source has some limitations and is not complete for this report. Although, it provides a picture of the total number of women and men for both categories. At GK, the majority of women belong to the category entry/mid-level.

| Category | Number of employees | Full-time equivalents | Female share |
|-------------------|---------------------|-----------------------|--------------|
| "Senior level" | 272 | 254 | 5.5% |
| "Entry/mid-level" | 2,914 | 2,636 | 10.1% |

No. of job applications for GK

By looking at the applications for situations vacant in the Norwegian part of the operation, internal female employment statistics are confirmed. 52 per cent of applicants for administrative positions are women. In Sweden, 73 per cent of applicants for administrative, HR and finance positions are women. This is also where most women in the group currently work (77.1 per cent of positions in the category "staff functions" are held by women).

GK's potential to attract young applicants in the future

For young applicants, we can look at the proportion of women who apply for GK's apprenticeships. In 2019, women accounted for 5.9 per cent of all those taking a trade apprenticeship at GK Norway.

| GK's apprenticeships in Norway | Total number of applicants 2019 | Number of female applicants 2019 | Number of female applicants in % |
|--------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Plumber | 463 | 21 | 4.5% |
| Ventilation and tinsmith | 52 | 6 | 11.5% |
| Automation | 1,021 | 53 | 5.2% |
| Electrician | 1,952 | 94 | 4.8% |
| Cooling | 102 | 4 | 3.9% |
| Telecom Installer | 138 | 3 | 2.2% |

GK as an attractive workplace for female engineers

In Norway, the 100 most attractive employers are ranked each year by *Universum*. The ranking distinguishes between field of study and the sectors in which new graduates are seeking employment. For several years, GK in Norway has been among the 100 most attractive workplaces for both male and female engineering students. Figures for applicants in 2020 show that GK is ranked as number 74 among female engineers. This is down 10 places from the year before. For male engineers, GK is placed at number 58, which is 14 places higher than year before.

In 2019, 36.2 per cent of those applying to study *Energy and Environment* at the Norwegian University of Science and Technology (NTNU) were women. In 2018, the figure was closer to 40 per cent (Source: EnergiKontakten). At GK in Norway by comparison, 11.1 per cent of those employed in the position category “Project Managers” in 2019 were women. This is an opportunity that GK could become more adept at exploiting, so that female engineering students apply to GK.

In light of this, GK will develop a strategy and associated action plan to increase the percentage of women in the company, as companies with a more gender-balanced workforce often achieve increased efficiency, creativity and productivity. National absenteeism statistics in the Nordic countries also show that absence due to illness often is lower in companies with a more equal gender balance. In order to be a driving force in the industry, GK is prepared to challenge the gender composition in the company and become a more attractive workplace for both women and men. GK has many skilled tradespeople, who can market GK to potential applicants. It is important to consider the recruitment base in the industry in order to set realistic goals for both operational and administrative positions at GK.

Goals

- The proportion of women at GK to be increased to 20 per cent by 2025.

Given the sector’s recruitment base, GK will endeavour specifically to increase the number of female tradespeople, project managers and other engineering staff, as well as the number of women in managerial positions.

S5. Temporary worker ratio

Measuring the proportion of temporary staff in a company provides a breakdown of the workforce by form of employment. The indicator provides valuable insight into HR strategies and business models, and can provide an indication of job stability and use of resources.

Assessment

At present, GK cannot report on this, as its personnel and pay systems do not include this information. Nor does GK have data for consultants, contract workers or part-time employees in its current HR systems.

Goals

- By 2025, internal systems will be improved so that the data source facilitates reporting of form of employment.

An HR system that records and distinguishes between temporary and permanent employees is being implemented.

S6. Non-discrimination

In order to uncover any incidents of sexual harassment and/or any other form of discrimination or censurable conditions, companies must have appropriate notification procedures in place. This is viewed as part of a company's risk management and shows how management acts to protect vulnerable employee groups and employees who experience discrimination in the workplace.

Assessment

GK has good procedures for preventing and dealing with discrimination and other serious wrongdoing. GK's ethical guidelines, human rights policy and gender equality policy reject all forms of discrimination and further establish that all employees will be ensured a safe working environment both physically and psychosocially.

GK has devised and provided effective notification procedures for all employees and business partners through access to a whistle-blower function where reprehensible conditions can be reported anonymously. The system has been established to deal with protected disclosures in a secure and confidential manner so that sensitive and privacy is protected. The solution is called "GK Whistle" and is supplied by WhistleB, a third-party service that anonymises the sender's IP address and encrypts the disclosure.

Sweden has used the notification system for two years without any protected disclosures being received via GK Whistle. It is unclear whether this is due to few censurable cases or because the service is not sufficiently well known among the employees and in the market. In the past two years, how GK Sweden manages the risk of harassment and discrimination among its employees has been inspected and monitored by the Swedish Work Environment Authority and the Swedish Equality Ombudsman. This has resulted in no adverse comments and commendations for the company's procedures and risk management guidelines.

Goals

- The notification system GK Whistle will be clearly and effectively communicated to all employees and the market by the end of 2020.
- A group-wide notification procedure will be in place by the end of 2020, with related KPIs for the number of protected disclosures and processing time for cases received.

S7. Injury rate

Injury and accident statistics are reported to reveal the total number of injuries and accidents in relation to the total labour force. A positive trend in this indicator could improve morale and productivity in the company, and is an important indicator of good leadership and a good safety culture. High injury statistics can negatively impact the group's financial growth and challenge the company's accountability and professionalism.

Assessment

The data source and practices for reporting incidents at GK vary between countries, but are sufficient for reporting HSE statistics at group level. It has been decided to use a method for calculating H and F values that provides an insight into the group's accident statistics, including the extent of accidents with lost-time injuries and the length of absences related to accidents at work. H and F values are an open and transparent method of reporting, provided that accidents and their extent are, in fact, reported. In Norway, the figures are used in tender processes and are important for the company's reputation and competitiveness.

Implementation and compliance

GK recognises and is aware that the company operates in an industry where the risk of work-related accidents is high. There is therefore a strong focus on occupational health and safety, regardless of how well it may perform statistically. The group's overarching goal is for no harm to befall people, materials or the environment.

GK works systematically on HSE issues and makes use of several systems for reporting undesired events. All employees complete GK's HSE course upon employment, and the organisation's safety representatives work actively to ensure compliance with GK's HSE policies at the operative level. All accidents resulting in lost-time injuries will be investigated and reviewed in conjunction with those involved so that similar accidents can be prevented in the future.

In all countries, there is a focus on informing and encouraging a dialogue about the work being done with regard to safety. In Sweden, for example, a "Safety Week" is arranged annually. In 2019, this contributed to further improvement in competence relating to HSE, risk assessment and the reporting of occurrences and accidents. Sweden has also employed a mobile phone app for reporting undesired events and hazardous conditions.

H and F values

Based on the [calculation of H and F values](#) in Norway, injury and lost-time statistics have been obtained for GK's operations in Denmark and Sweden. Corresponding values have been calculated for 2019 for the group as a whole, on the basis of reported occurrences. As Sweden and Denmark have not previously reported these figures, there may be some deviations from the definition of H2 and F values. This is because absences related to accidents have been manually calculated back in time for this report. Nevertheless, it has been confirmed that days of absence included in the calculation are related to occurrences included in the calculation of H1.

The H1 value shows the frequency of work-related accidents that are of such severity that they result in a minimum of one day's absence from the workplace. The value is not calculated if the day after the accident occurred is used for medical examinations, simple treatment or observation.

The H2 value includes the H1 value's number of lost-time injuries lasting more than one day and also includes injuries/occurrences where one of the following factors is present:

1. Work adaptation in the aftermath of an injury/occurrence
2. Actual examination or treatment by medical personnel that does not involve absence lasting more than one day

The H2 value thus represents the sum of total H1 and H2 incidents.

Both of the H values are calculated according to the following formula:

- $H = (\text{work-related accidents} \times 1,000,000) / \text{total number of working hours}$
- The F value shows the extent of absenteeism and is calculated as the number of days absent based on injuries/incidents per 1,000,000 working hours. Both the H and F values are calculated for a rolling 12-month period.

Table S7. GK's combined H and F values for Sweden, Denmark and Norway.

| Year | F value | H1 value | H2 value |
|----------------------------|---------|----------|----------|
| Q1 2019 | 65.71 | 8.46 | 10.41 |
| Q2 2019 | 36.29 | 4.62 | 8.58 |
| Q3 2019 | 81.15 | 7.26 | 13.20 |
| Q4 2019 | 84.53 | 5.99 | 13.98 |
| 2019 (rolling 12-month) | 77.93 | 7.58 | 17.62 |

For GK it is a necessary precondition to improve the source data and analysis at group level, and GK will create a group-wide action plan for how the company can reduce its overall injury statistics, with a particular focus on the H1 value, which is higher than the norm from the Federation of Norwegian Construction Industries (FNCI). For 2019, [FNCI's norm figures](#) are 101.58 for F and 6.25 for H1. The figures for GK are 77.93 and 7.58, respectively.

Goals

- GK is working to keep the H and F values as low as possible and uses the Federation of Norwegian Construction Industries' norms as a milestone and minimum requirement.
- By the end of 2020, a group-wide HSE plan and associated reporting systems will be established, in order to provide GK with a better oversight of the status and effect of any measures.

S8. Health and safety

The indicator reveals how familiar the workforce is with the applicable policies and procedures for HSE in the business, and whether the company publishes and updates applicable HSE policies.

Assessment

Norway, Sweden and Denmark all have similar policies for HSE that reflect each country's differences in laws and practices. GK will ensure that the documents are alike for all countries, that best practice is applied across the group, and that it is known and observed by all employees.

Goals

- By the end of 2020, an HSE policy will be prepared for the group that meets each country's needs and contributes to a shared culture and approach in the group.

S9. Child and forced labour

Every company must comply with international standards prohibiting child labour and forced labour. A socially responsible company is expected to have policies in place for this. Such policies should cover not only its own operations but those of its suppliers and business partners. Lack of compliance can have considerable legal consequences and constitutes a major risk for a company's "licence to operate".

Assessment

There is strong legislation covering this area in the Scandinavian countries, and GK has good procedures in place to ensure that no child labour or forced labour is used internally at GK. GK continuously strives to reduce the risk of irregularities in GK's supply chains and among subcontractors. A policy against child labour and forced labour is included in our human rights policy (see also S10).

GK is implementing a group-wide Supplier Code of Conduct in 2020, as well as a supplier evaluation scheme to ensure that no child labour and/or forced labour is used at GK, our suppliers, subcontractors or in business relationships further down in the chain.

The purchasing process is an important area for the work on human rights, and child labour and forced labour are risks that are monitored in the pre-procurement assessment. GK is aware that irregularities may occur in connection with some products. Our risk identification, supplier evaluation and Code of Conduct are in the start-up phase and will better show how GK accepts social responsibility in the future.

Goals

- GK will conduct an annual due diligence process, starting in 2021.

S10. Human rights

It is important to report, measure and behave responsibly with regard to human rights. Companies that report on this indicator must be able to demonstrate a strong human rights policy that is published and complied with as an integral part of their work on sustainability. A company's social responsibility and risk profile are measured with the aid of this indicator. The human rights policy is regarded as a "licence to operate", and it is expected that all responsible companies have this integrated in their own operations, and that they extend it to their suppliers and subcontractors. In keeping with the UN's principles for corporate responsibility for human rights, the company must not contribute to, cause or be associated with a negative effect on human rights through its operations or business relationships.

Assessment

GK operates in a high-risk industry with respect to human rights. The group is subject to both UN and EU requirements to report on its policy documents, risk assessments and compliance in the Group's annual report.

GK has drawn up a human rights policy that applies to the entire group and all GK's relationships. The policy document includes labour rights and ethics, and should be viewed in the context of the indicators "S8 Health and safety", "S9 Child labour and forced labour", "G5 Supplier Code of Conduct" and "G6 Ethics and anti-corruption". Existing procedures and documents are continuously revised to ensure good risk assessment, risk management and compliance with GK's policy for human rights.

Goals

- GK will conduct an annual due diligence process, starting in 2021.



Governance

In this chapter we will report on corporate governance indicators relating to the rules of procedure for the board of directors, ethics, corruption, privacy and data security, and supply chains.

Corporate governance (G)

Corporate governance describes the way a company is governed. Without good governance, it is difficult for any company to develop in a sustainable manner. Good governance is crucial for reducing social and environmental risks, as well as other material sustainability risks. In this chapter, we show how GK is conducting its business.

The production of this ESG report has revealed that GK needs to take a more systematic and comprehensive approach to our governing documents. The data sources are insufficient and data capture has also proven challenging. As a result, it has not been possible to obtain data and report comprehensively on all areas in this report for 2019.

In this chapter, we will report on corporate governance indicators relating to the rules of procedure for the board of directors, ethics, anti-corruption, privacy and data security, and supply chains. Supply chains, in particular, constitute a material sustainability risk for GK. Like the rest of the industry, GK's supply chain is large and complex. In order to manage this risk, GK has developed a new Supplier Code of Conduct and supplier evaluation scheme. This will ensure that GK's business partners, suppliers and subcontractors abide by our requirements and guidelines.

From a human rights, labour rights and environmental perspective, the construction industry is characterised by high-risk products. Our Supplier Code of Conduct and supplier evaluation scheme help us to ensure that as all the products, materials and services that GK purchases from third parties are subject to risk assessment with respect to social responsibility, environmental impact, finance, quality and other material factors in the supply chain.

Furthermore, our Employee Code of Conduct will ensure that all employees at GK comply with the same requirements we set for our business partners and suppliers, and that everyone who works for or at GK upholds our values and ethical and moral requirements.

G1. Board diversity

Board diversity measures a company's efforts on behalf of gender equality and its ability to make use of available resources and talents. Failure to include women on company boards of directors indicates risks related to workplace inequalities.

Research clearly indicates that a larger number of women in the boardroom yields better results, including stronger financial results, increased opportunities for attracting and retaining talent, more innovation, greater customer insight, stronger results for non-financial indicators and better board effectiveness. The indicator is measured as the percentage of women compared to men on the board of directors. Historical data and industry standards should be included in the reporting if possible.

Assessment

Providing women and men with the same opportunities for professional and personal development, pay and advancement is important for GK. GK conducts its business in a traditionally male-dominated industry. This is reflected in the percentage of female employees (9.7 per cent) and the percentage of women on the board of directors (20 per cent). GK's board of directors and management are conscious of society's expectations regarding measures to promote gender equality both operationally and on the board.

What is included in GK's reporting?

The GK Group consists of several subsidiaries, which all have their own boards of directors based on the national rules for limited liability companies. The ultimate governing entity for the GK Group is the Group Board of Directors.

The Group Board of Directors consists of:

| Name | Role | Gender | Internal/External |
|-------------------|--------------|--------|-------------------|
| John-Erik Karlsen | Chair | Male | Owner, Internal |
| Kaare M. J. Krane | Deputy Chair | Male | External |
| Amund Skarholt | Member | Male | External |
| Arne Ramberg | Member | Male | External |
| Birte K. W. Sjule | Member | Female | External |

As the list shows, the Group Board of Directors has one female member, which corresponds to 20 per cent. The 2019 KPI for female representation on the Group Board of Directors was set at the same level as the percentage of women in the workforce, i.e. 9.7 per cent.

Goals

- In order to further increase the percentage of women, GK has a goal of 40 per cent female representation on the Group Board of Directors by the end of the strategy period (2025).

In Norway, a law was passed in 2008 requiring Norwegian public limited liability companies to have at least 40 per cent of each gender on their boards of directors. This inspired several countries in Scandinavia and the EU to follow suit, and several companies have introduced the same target. GK aligns itself in this regard with companies we compare ourselves to and the markets we operate in. Reporting on the proportion of female board chairs is omitted, as we only report on the Group Board of Directors, which is chaired by the owner.

G2. Board independence

Board independence is measured to evaluate how modern and effective a company's governance structure is. The measurement parameter is the number of independent board members. Companies that can point to a highly effective, semi-independent board often demonstrate a high level of performance in other areas of corporate governance. The board's independence is reported by stating whether the company prohibits the CEO from acting as board chair and disclosing the share of board seats held by independent board members.

Assessment

GK's Group Board of Directors consists of five members, four of whom are external. Only the board chair, owner John-Erik Karlsen, is internal. Independents account for 80 per cent of the board's membership, and the Group Board of Directors thus satisfies requirements for a high degree of independence.

Goals

- GK will have more than 50 per cent independent board members on the Group Board of Directors.
- GK is in the process of establishing and adopting clear principles for corporate governance. The principles stipulate that no chief executive officer may function as chair of the company in which they are employed.

G3. Incentivised pay

This indicator measures how seriously a company takes its efforts to promote sustainability and measure and report on ESG indicators. Is progress measured, and do managers receive performance-related incentives? Do managers at GK have formal performance-related incentives for sustainability?

GK currently has no formal incentive schemes linked to sustainability.

Goals

- GK will consider introducing management incentives linked to the group's sustainability goals as part of a revised performance-based compensation scheme for 2021. A separate working group has been appointed to review the performance-based compensation scheme in light of the new group strategy, as part of which performance-based incentives linked to sustainability will be considered.

G4. Collective bargaining

Collective bargaining reveals how many people in the company are covered by collective agreements, either through membership of a trade union or as part of collective agreements introduced for all employees in the department or in the company. This is an indication of good working conditions for all employees. Collective bargaining is reported as the percentage of employees in the company who are covered by a collective agreement.

Assessment

In Scandinavia, a generally high percentage of employees are covered by collective agreements. This also applies to GK's employees, as GK operates in Norway, Denmark and Sweden. In all of these countries, minimum rates of pay in various categories have been introduced by statute. For 2019, 100 per cent coverage is reported for Sweden and Denmark and 69 per cent for Norway. For the group overall, coverage amounts to 80 per cent.

Goals

- GK will not introduce a goal in this area, but actively participates in dialogue with the trade unions and employees in order to promote good working conditions. There is full transparency concerning such negotiations at GK. In Scandinavia, there are no restrictions on the freedom to form or join a trade union. This right is protected by, among other things, the European Convention on Human Rights, which has been incorporated into law in the Scandinavian countries.

G5. Supplier Code of Conduct

The Supplier Code of Conduct safeguards a company's supply chain risk management. By actively requiring ESG-compliant deliveries and setting expectations for the supply chain, the company acts in its own interest, the suppliers' interest and the interest of society at large. The indicator measures whether the company's suppliers are required to follow a code of conduct and how large a share of the suppliers have formally confirmed that they meet the code.

Assessment

During 2019 and 2020, GK's Supplier Code of Conduct and supplier evaluation scheme have been developed further. This has resulted in clearer requirements and provides a better basis for analysing suppliers' and subcontractors' existing work, processes and procedures on important matters such as human rights and labour rights. This gives GK better control of its supply chain and reduces the risk of irregularities and undesirable circumstances.

GK's Supplier Code of Conduct and supplier evaluation scheme ensure that our suppliers and subcontractors have in place legally prescribed contractual relationships; prevent unregulated labour, forced labour and/or child labour; work systematically in the area of HSE; and prevent unnecessary environmental impacts. The Supplier Code of Conduct helps ensure that GK's core values and ethical guidelines are also followed by our suppliers, subcontractors and business connections further down in the chain.

- As of 1 February 2020, 72 per cent of suppliers in our Norwegian supplier register had met GK Norway's requirements for suppliers.
- As of 12 May 2020, 33 per cent of suppliers in our Swedish supplier register had met GK Sweden's requirements for suppliers.

Measures

A new Supplier Code of Conduct and a new supplier evaluation scheme will be introduced group-wide in 2020. Sweden has already started testing a sample of suppliers. GK's supplier register has not yet been updated with new requirements, but GK's next ESG report will reflect the new Supplier Code of Conduct.

Goals

- All suppliers in GK's supplier register will confirm that they meet the new Code of Conduct by 2021.
- By 2025, the 50 largest suppliers with the highest risk profile will be evaluated for compliance with the new Code of Conduct.

GK's next report on this indicator will come after the introduction of our new Supplier Code of Conduct, which will be applicable to the entire group. It will also reflect the outcome of GK's new supplier evaluation scheme. The goal is to get as many suppliers as possible in GK's supplier register to comply with the new code, as well as be rated "approved" or higher in our supplier evaluation.

G6. Ethics and anti-corruption

This indicator reveals a company's values, ethical guidelines and commitment to ethical business practice. The indicator shows whether the company follows an ethics and/or anti-corruption policy and how large a share of the workforce has formally confirmed that they comply with the company's employee code of conduct.

Assessment

Corruption poses a threat to the rule of law, democracy and human rights because it weakens ethical and moral values. In Norway, the construction industry is considered the most corrupt business sector. Efforts to promote ethical business practices and combat corruption are high on GK's agenda, as for any company operating in high-risk industries.

GK is in the process of updating its Employee Code of Conduct (values and ethical guidelines).

The whistle-blower system "GK Whistle", which ensures that censurable conditions and wrongdoing can be reported anonymously and confidentially via an encrypted third-party solution, will be implemented for the entire group in 2020. Monitoring procedures are in place and good internal and external information about the availability of the whistleblowing channel will be ensured.

Goals

- One hundred per cent of GK's workforce will confirm that they comply with GK's ethical guidelines.

GK will enable each individual employee to confirm that they comply with our ethical guidelines (Employee Code of Conduct) through the company's digital training portal. The objective is for all employees to confirm this with effect from 2021.

G7. Data privacy

This indicator is used to assess the company's risk and security protocols related to personal data. Digitalisation has led to increased awareness concerning privacy rights and data security, and companies must show that they are able to process data in a secure manner. The indicator measures whether the company follows a policy for privacy and data security, and whether measures have been taken to comply with the privacy rules.

Assessment

GK has revised its privacy and data security policy to incorporate the requirements of the EU's GDPR (General Data Protection Regulation) and national privacy rules. The policy must be followed by all employees, external business partners and suppliers (third parties). GK has also prepared and implemented its own procedure for processing personal data, which was revised in the second quarter of 2020. GK ensures that data processor agreements are drawn up where this is necessary.

Goals

- All employees and third parties shall comply with GK's policy for data security and privacy.

GK will ensure that procedures and roles are reviewed to ensure that privacy and data security are safeguarded and that the policy is complied with.

G8. ESG reporting

ESG reporting reveals how the company communicates ESG data and metrics, and whether this is publicly disclosed and measured regularly. It demonstrates a company's willingness to engage in and share sustainability reporting and data, as well as its capacity for communication. The indicator measures whether the company publishes a sustainability report and whether sustainability data are included in the company's ongoing reporting.

Assessment

This is the first time GK has compiled, analysed and communicated combined ESG data for all countries. The data sources are therefore not wholly consistent, and GK will continue working to collect and systematise data in order to achieve better comparisons across countries, with the goal of uniform monitoring, reporting and communication.

The measures implemented comprise preparation for ESG reporting, reporting to the UN Global Compact, drawing up more specific goals and KPIs for corporate governance, and updating key policy documents. In addition, GK will work on related procedures and compliance with these in order to ensure the group's sustainable development.

Goals

- GK will issue a sustainability report as part of its annual report.
- Sustainability data will be reported regularly to the Group Board of Directors and group management.

GK aims to include sustainability reporting as part of its annual report, with related reporting to the UN Global Compact. A sustainability briefing and sustainability data will be included as a regular item in the report to the Group Board of Directors.

G9. Disclosure practices

The indicator shows how a company publishes its sustainability data. It reflects a company's willingness to be transparent and share data through approved reporting bodies. It is measured by evaluating whether the company discloses sustainability data to international sustainability reporting frameworks, whether the company focuses on specific UN goals for sustainable development (SDG), and whether the company sets goals and reports progress with respect to the UN SDGs.

Assessment

In 2020, GK is communicating sustainability data at group level for the first time. The report will be submitted to the UN Global Compact and is GK's first annual Communication on Progress. An initial analysis has been carried out to identify which SDGs GK can help achieve.

Goals

- GK will report its annual progress on sustainability to the UN Global Compact.
- GK will report its annual progress on relevant UN sustainable development goals.

Through its endorsement of the UN Global Compact, GK is obliged to report and communicate its annual progress on sustainability, which we will do with the aid of ESG reporting and measurements. GK will also report its annual progress on those of the UN's sustainable development goals that are found to be appropriate for GK to contribute to. An analysis of appropriate SDGs will be prepared in 2020, with progress towards them being measured from 2021 onwards. A separate communications strategy for transparency and the internal and external sharing of sustainability reporting and measurements, including related data sources, will be established.

G10. External assurance

This indicator reflects a company's willingness to be transparent and share data, and its credibility when it comes to the data included in publications about ESG and sustainability. Through third-party assessment by an approved evaluation body, a company can ensure further review and quality assurance of the data. The indicator measures whether sustainability data are validated by a third party.

Assessment

GK currently has an ISO 9001-certified quality management system in all countries, Eco-Lighthouse certification in Norway and ISO 14001 certification for its environmental management system in Sweden. This is considered a start, but the company intends to undertake a major third-party assessment in 2021. This will show what progress has been made with respect to our published 2020 baseline.

Going forward, GK will evaluate various third-party assessments in order to see who has the most credibility with respect to evaluation of GK's data sources. GK will also work on improving the quality and scope of its data sources. For this first sustainability report, GK has worked with external sustainability experts, with Nasdaq's ESG Guide and with the UN Global Compact in order to ensure its efforts rest on a solid foundation.

Goals

- GK will introduce third-party assessment of data sources, measurements and reporting on sustainability from 2021 onwards.
- All of GK's operations will be ISO 9001 and ISO 14001 certified by 2025.

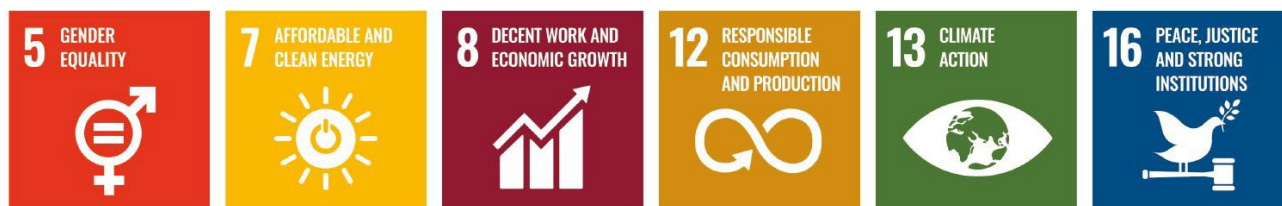
GK's work on the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are the world's common working plan for eliminating poverty, combating inequality and stopping climate changes by 2030. The UN Sustainable Development Goals consist of 17 goals and 169 targets. The goals function as a common global roadmap for countries, industry and civil society, and they were developed through inputs from the entire world.

In 2020, in cooperation with B Lab, the UN launched a pilot for companies wishing to identify the SDGs most relevant to them and which they can help achieve. GK has used this tool to draw up a list of goals, which we have further analysed in order to narrow our efforts. In addition to the [UN SDG Action Manager](#), we have used a method from GRI and UNGC in order to analyse the relevance of the sustainable development goals for GK. The report "Business Reporting on the SDGs – Integrating the SDGs into Corporate Reporting: A Practical Guide" introduces an analysis that uses the following steps:

- 1. Choose appropriate sustainable development goals for the company based on analysis of**
 - a. risks to people and the environment and
 - b. positive effects the company can assist with for the sustainable development goal based on its own products, services and investments
- 2. Set goals, measure and analyse**
- 3. Report progress and implement measures**

After the introductory analysis, there were six goals of particular relevance to GK. They were relevant either because GK has an opportunity to assist in reaching the goals or because some of the goals identify situations or potential risks that GK must be aware of in its work on sustainability.



After a closer review of criteria for measurement and progress, as well as a detailed assessment of the targets associated with each main goal, SDGs 7 and 8 were identified as goals that GK could start reporting on in 2020. Progress towards these two goals will be included in the next report. GK will then report on its efforts on the following targets:

Goal 7: Affordable and clean energy

7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.

7.3 By 2030, double the global rate of improvement in energy efficiency.

Goal 8: Decent work and economic growth

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.

8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular female immigrants, and those in precarious employment.

As a baseline for measuring progress and a starting point for our work towards the UN Sustainable Development Goals, GK will collect data, measure against and report on SDGs 7 and 8 in next year's ESG report. We aim to include more SDGs in our reporting as soon as our data sources allow the measurement of progress towards them.