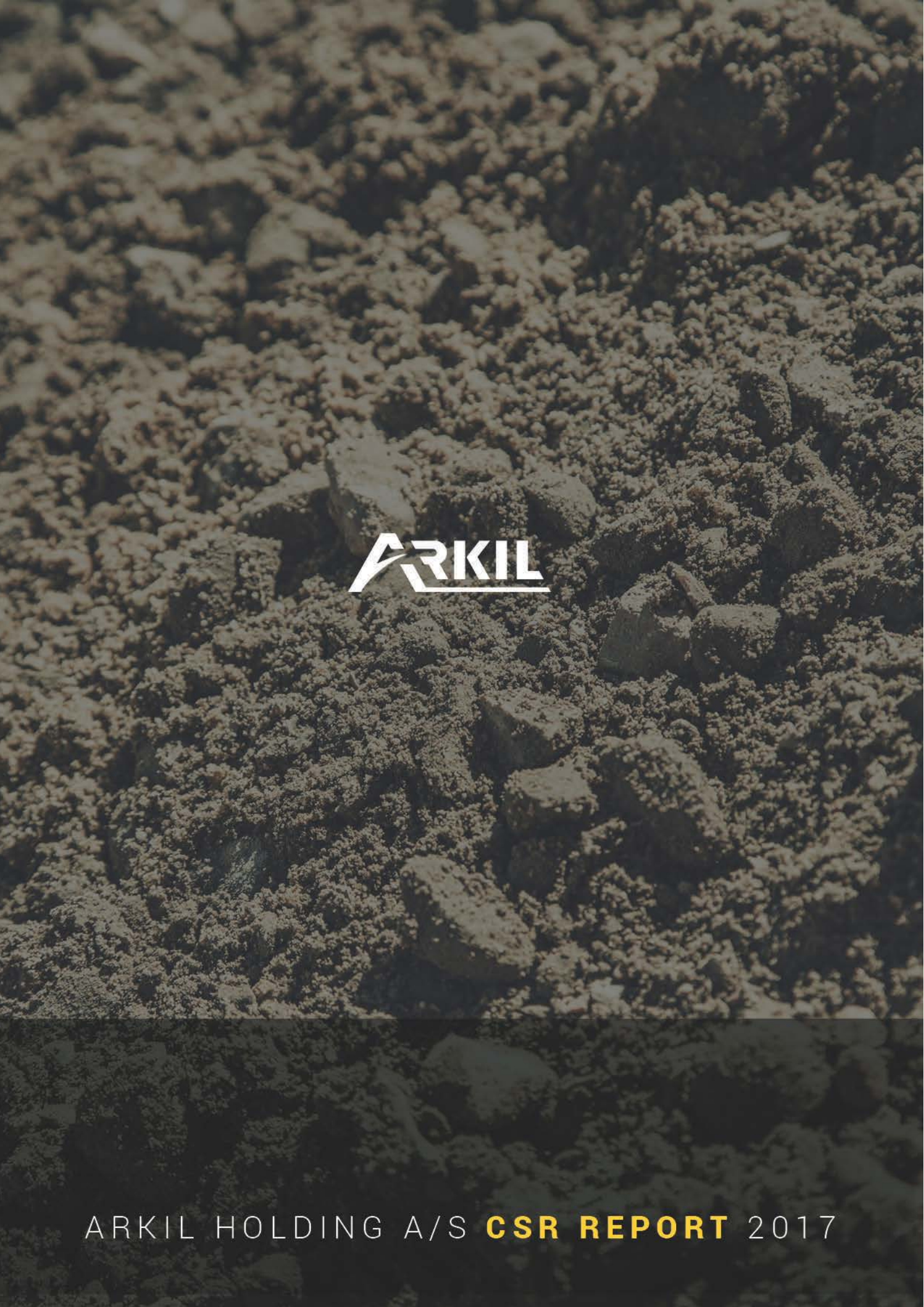

ARKIL HOLDING A/S **CSR REPORT** 2017

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INTRODUCTION

Report on corporate social responsibility, cf. Section 99 a and b of the Danish Financial Statements Act.

This report on the corporate social responsibility of the Arkil Group is part of the management report in the 2017 Annual Report, covering the financial period 1 January – 31 December 2017.

Arkil's work with corporate social responsibility stems from its CSR policy and is rooted in the company's values. We comply with laws and regulations regardless of where we are. We have a clear focus on matters relating to climate, environment and health and safety, and we support the UN Global Compact. This means that respect for human rights, labour rights and zero tolerance for corruption and bribery are fully integrated aspects of our Code of Business, which you can read on our website www.arkil.dk. Sustainability, both social and financial, is an increasingly important part of the Group's commercial basis, development and operations.

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PREFACE

While last year's edition of the CSR report was the Arkil Group's first independent CSR report, and was partly a learning process in terms of the selection, collection and reporting of the information we consider significant in terms of our corporate social responsibility, this present version of the report represents a robust tool for follow-up and reflection. Have we reached the established goals and milestones? Does the initiative correspond to the needs of society? How can we improve and stand out in a positive manner, and pave the way for others?

It is a fact that corporate social responsibility is a key competitive parameter within our industry – within our communities we are measured and judged by whether we support the part of society that we, as a company, are part of. At Arkil this is something we welcome, and we will do our bit to make sure that the trend continues. Time and time again it turns out that bids, for which the cheapest price is the only or key parameter of a larger, more complex or prolonged construction project, end up being the most expensive solution for society – either financially or in terms of social impact. A more balanced approach and prioritisation of corporate social responsibility when major construction contracts are offered is the way forward if this trend is to change. Effective methods of measuring, thorough reporting and clear consistency should be the main ingredients of an industry characterised by international competition and where the differences between corporate social access are similarly conspicuous.

I am proud of and happy with the results we have achieved in most areas. We make many promises within the area of education, and while our statistics for reportable accidents in Denmark in 2017 moved slightly in the wrong direction, the trend is clear and we are prioritising the area as never before. And we are confident that we will succeed in reducing this number. The same applies to environmental impact, where we are standing on the shoulders of the machine manufacturers' results, with continually improving engines, in combination with our own initiatives for more environmentally friendly use of mechanical equipment.

I am concerned however about the ability to attract workforce to the sector, both for us and for the industrial sector in general. In particular, female interest in the construction industry does not correspond to the distribution in, for example, college education. We must do more to show that we are an inclusive, modern and attractive employer when seen from a female perspective. This is crucial for multiple reasons: Firstly, construction currently only appeals to half of the potential workforce. Secondly, the other half who apply instead to consultancy firms or developers will not benefit from the practical experience of actually executing the work, which is crucial for ensuring that projects are designed in a proper manner with experienced thought given to the work that will be performed. This can, among other things, result in the delays, cost overruns and conflicts that the industry is notorious for in wider society.

I therefore hope that 2018 will be the year in which construction manages to adapt in such a way that women develop a greater interest in working in construction firms. This will require a new mindset on the part of management and employees, but, if we succeed, it will be a welcome development with great benefit for the company in terms of diversity, and for the industry and society at large.

Jesper Arkil
Chief Executive Officer

February 2018

ARKIL GROUP BUSINESS MODEL

Arkil is one of Denmark's largest construction companies, with well over 1,800 employees and a revenue of more than DKK 3 billion in Denmark and abroad.

The Arkil Group carries out varied construction projects in Denmark and Northern Europe on the basis of established subsidiaries in the countries in which the Group is represented. We manage local and national construction work, port developments, foundations, tunnelling and major cabling projects, leaving an enduring impression on the infrastructure where we are present. We manage all types of environmental remediation projects and lay asphalt on both municipal and state roads. We also have a strong market presence in the area of road maintenance, and we are a pioneering private road service provider.

With more than 75 years of experience, Arkil is a professional, highly qualified and often the preferred partner for large public and private developers and consultants in Denmark. We place great emphasis on combining the organisation's many construction disciplines, for example when entering into framework agreements and partnership agreements, major principal contracts and turnkey contracts. This allows us to utilise the synergies between the diverse forms of expertise found across the entire Group.

The control and management of the firm has remained in the hands of the Arkil family for three generations. The company was listed on the Copenhagen Stock Exchange in 1978, and today Arkil is guided by a professional board of directors. Arkil was founded in Haderslev in 1941 by civil engineer Ove Arkil, and celebrated its 75th anniversary in 2016.

Mission, vision and values

As a construction company, Arkil is aware of the impact that the company's activities have on society, both in terms of ensuring human rights and combating corruption and in terms of impact on the environment and climate, as well as social and employee conditions.

Social responsibility and CSR are therefore solidly rooted in the Group's mission, vision and values. This is the foundation for our future development – to contribute to and care for society.

Mission

Arkil builds the infrastructure of the future. We build bridges, lay cables and create connections. We remediate contaminated soil, build sewers and help create a cleaner environment. We build from the ground up, lay foundations, establish ports, produce asphalt and pave the way forward. We care for the road when it has been built and maintain its high level of quality.

At the same time, an essential part of our everyday work is to act with care, consideration and risk awareness.

Vision

Arkil strives to:

- Be a company that is home to professional, talented and innovative employees, as well as a positive, cooperative workplace with a high level of trust and integrity.
- Be a decentralised organisation with delegation of responsibilities, high flexibility and interdisciplinary collaboration.
- Further educate the Group's employees to retain and increase professional expertise at all levels.
- Display care, consideration and awareness of risk in our activities.
- Be a safe workplace and continuously work to improve the safety of all employees.
- Involved in the community of which we are a part through social awareness, technological development and limiting our environmental impact.

Values

- We take full responsibility for projects, people and the environment.
- We work efficiently and with flexibility.
- We are innovative and work through dialogue rather than confrontation.
- We are open and trustworthy, and we deliver on what we promise.
- We deliver quality on time.

Did you know...

... In 2017, **the total number of occupational accidents was reduced by 8%** compared to 2016.

... At the end of 2017, **1,823 employees** were working for the Arkil group, comprising 662 salaried employees and 1,178 hourly-paid employees.

... More than **80 Health and Safety Representatives** were appointed as Health and Safety Ambassadors. These ambassadors will act as "mentors" to new hourly-paid employees. The aim is that the ambassadors will help reduce the number of accidents among new employees by 50% in 2018.

...The proportion of female employees in the Arkil Group as a whole increased slightly in 2017. **9% of employees were female** compared to 7.8% in 2016. Two out of five members of the Board of Directors are female.

...The replacement of older vehicles with new, more environmentally friendly models resulted in a saving of just over **75,000 litres of fuel** in 2017.

...To place additional focus on health and safety and to support the safety culture, **two Health and Safety Weeks** were arranged at Arkil in 2017.

CORPORATE SOCIAL RESPONSIBILITY AT ARKIL

We have a responsibility

At Arkil, we take responsibility and contribute to the society we are part of, regardless of where we operate. We do this through the Group's CSR policy, which has four focus areas:

In addition to the CSR policy, the following principles and policies are included in the overall basis for the work with corporate social responsibility:

- Arkil's Code of Business Principles
- Arkil's Equal Opportunities and Diversity Policy
- Arkil's Remuneration Policy
- Arkil's Sponsorship Policy

These principles and policies are all available at www.arkil.dk.

The CSR Policy forms the basis for work on education, health and safety and the environment. There are also separate policies for each of these areas, acting as the basis for the identification of risks and the planning of specific initiatives and actions within the areas.

THE FOUR FOCUS AREAS OF THE CSR POLICY:

Ensuring proper working conditions and a safe workplace for our employees

Arkil will not contribute to social dumping or exploitation. Arkil employees have decent pay and working conditions that comply with applicable agreements and legislation in the area. The safety in our workplaces must always be excellent, and Arkil does not simply comply with working environment legislation – it is also our declared goal to be a leading company in terms of the safety of our employees.

Educating our employees

Arkil is a company which employs a relatively large proportion of people without specific educational qualifications. Arkil recognises that it is in the best interest of the company, our employees and society for the employment options of this group to be managed properly. Group policy is therefore to educate, for example, structural apprentices and asphalt workers in line with our activities, as well as to offer further education programmes for all employee groups.

Investing in the right solutions

Arkil wishes to prevent pollution from its operations to the extent possible by investing in energy-efficient solutions and promoting energy-saving initiatives in the various Group activities. Arkil also actively participates in recycling programmes of, e.g., construction materials, combustion slag and asphalt in its projects. Arkil also researches and develops, as part of everyday business, advanced environmental technology solutions and methods to prevent and clean up pollution caused by others.

Guarantee

Arkil's customers must have confidence that we fulfil our social responsibility at all levels, and we will therefore actively follow up on and, where possible, commit our partners and subcontractors to our CSR policy.

This policy applies throughout the entire Arkil Group, including our foreign subsidiaries.

THE GROUP'S STAKEHOLDERS

As a listed construction company that has a local and national impact on society through construction activities, we have a large number of stakeholders who are important to us and our current and future business, in various ways.

We have identified the key stakeholders as being:

- Shareholders
- Customers
- Partners
- Employees
- End users who are affected directly by our construction activities.

Our activities allow us to have close contact and dialogue with key stakeholders, which provides us with important knowledge of specific opportunities and issues associated with our work. This knowledge is included in the planning of future projects and strategic areas of investment. We also ensure transparency in relation to the Group's activities through ongoing information about our activities via our website and other information channels.

An overview of key stakeholders and our interaction with these stakeholders can be seen below:

Shareholders

Communication between the company and shareholders takes place predominantly via the website, arkil.dk, and the annual general meeting of Arkil Holding.

Customers

Our customers include local authorities, national utility companies and large, state-owned developers such as the Danish Road Directorate and Banedanmark. We communicate with customers in connection with our project activities, and we discuss various industry-related topics at supplier meetings and conferences arranged for actors within the construction and civil engineering industry.

Partners

Authorities, suppliers, consulting engineering firms and other construction companies are all potential or current partners of Arkil. We have several partnerships in which we have collaborated with one or more developers, consultants and other construction companies for a number of years to optimise projects and achieve common goals. These partnerships and other specific partnerships with industry players allow us to establish close connections and dialogue with others within this stakeholder group.

Employees

Communication with employees takes place centrally through our intranet, the employee magazine and internal training as well as in a decentralised manner by way of department meetings, seminars and coordination meetings in current projects.

End users

Residents, businesses, institutions and road users are often affected by our activities in the various construction areas throughout the country. In collaboration with individual developers, we ensure that we enter into constructive dialogue with end users through e.g. residents' meetings, information letters, SMS solutions and direct contact in the construction area concerned.

"We have made it our goal to ensure that 10% of the employee base be made up of apprentices in the departments that employ apprentices"

In 2017 we have once again reached this goal, as 61 apprentices have been attached to Arkil's Danish departments out of a total of 516 employees. This corresponds to 11.8%, which is also a small increase compared to 2016 when the proportion of apprentices was 11.4%.

45 of the 61 apprentices are structural and bricklaying apprentices, while 15 apprentices fall within the administration, machine operation and asphalting areas. Additionally, there is one person undertaking IGU integration studies.

KNOWLEDGE, EXPERTISE AND EDUCATION

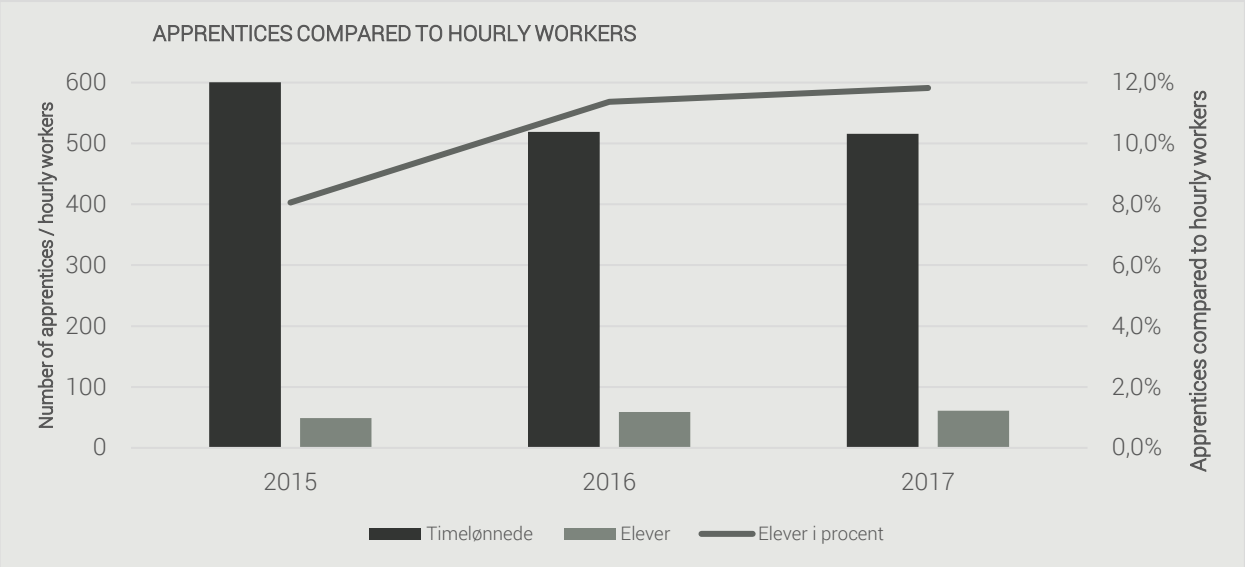
Employees with the right skills at the right time and place are our most important asset, and we always strive to attract the most talented workers to ensure the company's ongoing growth and development. We invest significant resources in recruiting, developing and further educating our employees, so that they are always prepared for the challenges that arise in the construction industry and in their daily work.

We therefore also make the effort to actively manage any risk that may occur in failing to attract and retain employees with the right expertise. In particular, this is done through the HR department's dialogue with local management concerning needs and investments to ensure a high level of knowledge, expertise and education, and is a fixed item on the agenda at meetings between management in subsidiaries and Group management.

At the end of 2017, the Arkil Group had 1823 employees, of which 662 were salaried employees and 1161 employees were hourly paid employees.

EDUCATION POLICY

- *Arkil wishes to recruit talented employees with the right expertise, people who are qualified to solve the tasks that must be performed, regardless of which level of the organisation the employee belongs to.*
- *We offer and implement internal and external training of managers and employees at a high professional level, tailored to the individual.*
- *We offer general training/courses/seminars for the purpose of updating relevant knowledge and improving expertise, including training of employees who require development in a specific direction for career reasons.*
- *We focus on helping and developing employees with special needs, including those suffering from dyslexia.*
- *In addition to the Group's full-time employees, we are also involved in the training of students and apprentices.*
- *In cases where legislation sets down requirements for specific training for the actual work that will be undertaken, the employee must participate in the activities offered by Arkil.*
- *The need for training will be determined by the managers, who will establish the training plan in consultation with the employee and the HR department.*
- *Arkil prioritises the use of the best and most effective solutions for individual training plans, including e-learning, webinars and similar online learning models to provide the course participant with the greatest possible degree of flexibility and a better chance to learn the materials.*



Activities and achievements in 2017

One of Arkil's recurring focus areas is the education of apprentices. Since 2010, our goal has been for 10% of the employee base in Denmark to be made up of apprentices in the departments that can train apprentices.

In 2017 we have once again reached this goal, as 61 apprentices have been attached to Arkil's Danish departments out of a total of 516 employees. This corresponds to 11.8%, which is also a small increase compared to 2016 when the proportion of apprentices was 11.4%.

45 of the 61 apprentices are structural and bricklaying apprentices, while 15 apprentices fall within the administration, machine operation and asphalting areas. Additionally, there is one person undertaking IGU integration studies.

In addition to the 61 apprentices, we also have students from EGU (business education) and engineering placement students, as well as other students at several of our Danish departments. We therefore offer great breadth in terms of education programmes, highlighting our prioritisation of this area. We want to grow our corporate social responsibility by educating more young people for the labour market of the future, while we also aim to continue to deliver "quality on time" in our work, which continually requires us to have talented and qualified employees, as well as prioritising internal development and subsequent recruitment to positions with greater responsibility.

Developing a common management culture at Arkil

Another key focus area for 2017 has been to hold internal management training programmes for middle managers at Arkil. In 2016, a group of employees completed further education in "Management in Practice," and in 2017 we expanded the number of training courses on offer to include "Project Management". In 2017, a training programme was also tailored for foremen – "Foundation Management Training" – and this was subsequently offered internally within Arkil. The purpose of the training course was to offer management training to an employee group in which only a minority had any management background, while also developing the common management culture across Arkil.

Implementation of common IT tools

In 2017, Arkil launched a new internal IT portal for development, learning, evaluation and documentation. As planned, the portal supports the HR department's work with onboarding and e-learning, among other things. At the end of 2017, approximately 900 users were using the portal.

Development of stress policy and stress guide

In collaboration with Arkil's Health & Safety department, the HR department developed a stress policy and stress guide in 2017, aimed at both employees and managers. The stress policy and guide are part of a targeted investment to ensure well-being in the workplace. This investment is continuing in 2018 with additional initiatives.

Recruitment analysis and Employer Branding

Starting in 2016 and ending in 2017, the HR department carried out a recruitment analysis internally at Arkil to determine future workforce needs and how to best attract new employees. The analysis provided the HR department with important input for their work and has now, among other things, resulted in a focus on Employer Branding in 2018. Through this process and as a result of societal developments, it has become clear that there must be a high priority when it comes to attracting young people to the construction and civil engineering industry, in order to meet demand and create job opportunities for the future.

2018 Objectives

The 2018 Employer Branding initiative will be developed in close collaboration between the HR and Communication departments, and the focus will be on attracting both foremen and apprentices to Arkil. The recruitment analysis that was conducted indicated that we could find ourselves with a shortfall of foremen in the near future, and the Employer Branding initiative will be aimed at this employee group, among others. A foreman is a supervisor acting as the link between hourly-paid employees on site and the contract management, project managers and developer. The foreman therefore plays an important role in projects, and this will be illustrated through the Employer Branding initiative.

In 2018, we will also gather the experiences that our local departments have had with the employment of refugees in 2017. The construction departments in Sønderborg, Randers and Aalborg and the asphalt department in Skrydstrup employed refugees for brief or longer periods in 2017, and the majority of these are still employed. The specific experiences from this will be collected and further developed in 2018.

It is clear that there will be a need for foreign workforce in the future, based purely on the expected lack of qualified workers in Denmark. It is therefore necessary to focus at-

tention on the central points relating to this group. It is important to Arkil to ensure that pay and working conditions fully comply with collective agreements, and that instruction and training are prioritised to ensure occupational safety and job satisfaction for all groups of employees.

In cases relating to e.g. refugees, there is also a need to think about integration and language training as part of this investment and for the purpose of having a good working life at Arkil.

Finally, we will also continue our focus on good management at Arkil, and the development of the common management culture through further education will continue in 2018.

Activities and results in Arkil's international companies in 2017

Arkil's German subsidiary, Arkil Holding GmbH, carries out both asphalting and civil engineering work and has, as planned, implemented a number of internal training courses in 2017. Employee groups at all levels of the organisation have been updated on new legislation within areas such as waste, and employees with frequent customer contact have been better equipped to manage their role as professional ambassadors for Arkil.

Arkil's Swedish company, Inpipe Sweden AB, has become ISO 9001 certified and a number of employees therefore attended training courses in 2017 in order to better utilise the implicit advantages of the certification.

Renewed health and safety certification and upgrades to the training programmes relating to legislation and compliance have been the focus areas in Ireland.

Goals for Arkil's international companies in 2018

In Germany, the focus for 2018 includes expanding the further education programme for employees working with health and safety and first-aid, in order to ensure that employees are up to date on new legislation and also better equipped to prevent accidents in the workplace.

In Sweden, there will be a high focus in 2018 on customer contact, and employees will be offered internal and external training in how to best fulfil the needs and desires of customers. Additionally, work will be undertaken to create a new type of further education, where the course participant can become certified as an installer of CIPP linings. The purpose of such further education is to ensure continually increasing quality and safety in connection with the installation of CIPP linings.

ARKI

HEALTH AND SAFETY AND WORKING CONDITIONS

We have a clear goal for Arkil to be one of the safest employers in the construction industry. The overarching goal of health and safety work at Arkil is therefore to reduce the number of occupational accidents.

On the basis of our health and safety policy, we are committed to complying with applicable laws and safety regulations, just as we incorporate health and safety considerations into all processes and projects – from the planning to the execution phases. The health and safety policy is converted to specific goals and action plans, applicable for two years at a time, and is approved by Arkil's Main Health and Safety Committee.

The most significant risks associated with the work on achieving a safe working environment are:

- That employees are injured while at work.
- That there is not a safety culture at Arkil in which corrective action is implemented as far out as the final employee link.
- That Arkil's management system and health and safety organisation is being actively utilised.

To meet these risks, Arkil's Health and Safety department carries out structured and focused work on preventative activities such as continued development and implementation of the management system, internal training, safety rounds and targeted campaigns.

Arkil has a substantial and broadly based health and safety organisation that, in addition to the Main Health and Safety Committee, comprises 26 local health and safety committees and health and safety teams at the construction sites for which this is required. Together with the health and safety department, the health and safety organisation plays a key part in ensuring that the number of occupational accidents at Arkil is reduced, and that the overall goal for health and safety work is met.

HEALTH & SAFETY POLICY

No Arkil Group employee is to be exposed to greater risk than is justified by the best possible insight and knowledge. Company employees must be able to expect, even after many years of employment, to not be subject to more wear and tear or more negatively affected by the work environment than would result from ordinary ageing.

- *We comply with applicable health & safety regulations and requirements relevant to the company's activities.*
- *We minimise the health & safety risks for each individual through the correct expertise, instructions and aids.*
- *We communicate effectively and reciprocally with our employees and stakeholders concerning health & safety issues to ensure that the Health & Safety Policy and objectives are clear to everyone.*
- *We strive to ensure that Arkil's subcontractors and suppliers comply with the company's Health & Safety Policy.*
- *Assessment of health & safety risks must take place throughout the entire business chain, from tendering to planning and implementation through to the conclusion of a project. This also applies to the procurement of machinery and services.*
- *We strive for continued improvement of health & safety in the company in order to achieve a healthier work culture.*

Activities and achievements in 2017

In 2017, we succeeded in reducing the total number of occupational accidents at Arkil by 8% compared to 2016.

Nevertheless, we did not succeed in reducing the accident rate, as several of the 2017 accidents resulted in absence. The accident rate for 2017 ended at 16.6, and we did not reach the goal set out for 2017, which was to have an accident rate below 11.

However, in 2017, we were once more awarded the elite smiley from the Machine Control Scheme for the fifth time in a row. Every six months, selected Arkil workshops are inspected for their ability to comply with requirements from the Machine Control Scheme, and in 2017 it was once more proven that we comply with the requirements in the best way possible and that we provide our employees with safe machinery.

Training courses and education within the areas of health and safety

One of the goals for 2017 in the area of health and safety was to work on attitudes and behaviour across all of Arkil, thereby further developing the safety culture. The health and safety department therefore held internal training courses and workshops with a focus on health and safety in 2017.

The annual health and safety day in 2017 was arranged in March, with positive results. The participants included Arkil's health and safety representatives, health and safety managers and the foremen of the health and safety committees. More than 100 participants were in attendance and the 2016 outcomes in the health and safety area as well as the 2017 focus areas were presented, and workshop programmes on correct lifting attachments, health insurance, chemical databases and road regulations were also provided.

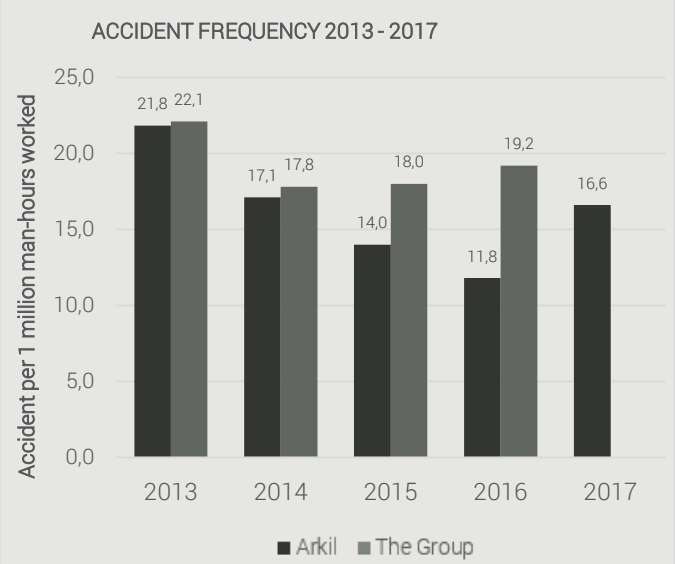
Health and safety weeks: A campaign across all of Arkil

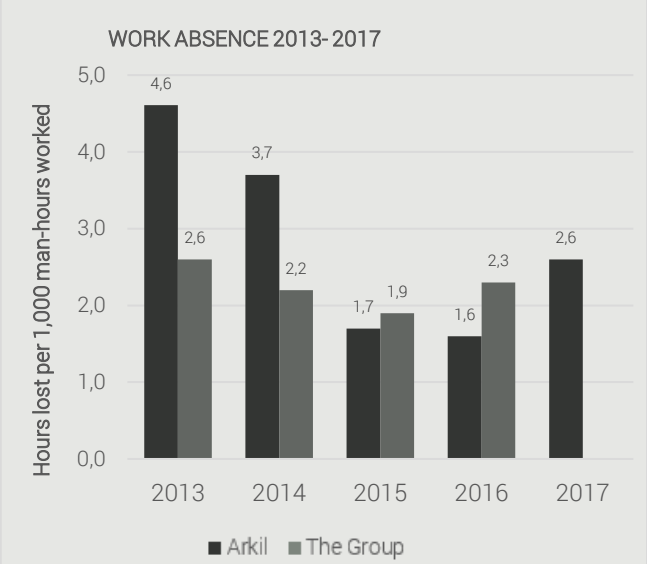
To place additional focus on health and safety and support the safety culture, two "Health and Safety Weeks" were held at Arkil in 2017, just as in 2016. The topics of the health and safety weeks were new employee induction (spring) and winter precautions (autumn). On the basis of information materials issued to all offices and construction sites in the lead-up to the health and safety weeks, as well as news and articles prepared for Arkil's internal media during the week, the campaign brings all employees together to discuss and learn about the actual topic.

Health and Safety weeks will be arranged again in 2018, as the campaign is one of the six action plans that support the overall goal to reduce occupational accidents in the period 2018-2019.

Launch of the health and safety ambassador scheme

Half of all occupational accidents at Arkil happen to new employees who have been employed for less than five years. In 2017, the Health and Safety Department and Main





Health and Safety Committee therefore took the initiative to implement a health and safety ambassador scheme for the purpose of reducing the number of accidents among new employees by 50% during 2018.

The new scheme enters into force on 1 January 2018, and the Health and Safety Department therefore worked on preparing the launch in 2017, including the recruitment of the around 80 health and safety ambassadors required for the scheme. All health and safety representatives have been offered the opportunity to become health and safety ambassadors and the vast majority have accepted the offer.

The health and safety ambassadors will act as mentors for new employees when it comes to health and safety, and will be responsible for providing new employee inductions relating to Arkil's method for safety work.

2018 Objectives

One of the primary goals for 2018 is to reduce the accident rate to below 10. In order to reach this goal, we need to work on the six action plans covering the following topics:

- Communication and dialogue
- Education of the entire organisation when it comes to health and safety
- Incentive model for achieving health and safety goals
- Health and safety ambassadors
- Visibility of health and safety committee members
- Health and Safety Weeks

Overall, in 2018 we will continue working on a number of the excellent initiatives that were launched in 2016 and 2017. 2018 efforts will predominantly be aimed at the implementation of the initiatives all the way out to the furthest links in Arkil's production.

This will include a continued focus on the implementation of toolbox talks at all workplaces. There was an increase in the use of toolbox talks in 2017, but we would like to broaden the initiative to include even more, as it is a great tool for the planning of future work and for communicating new initiatives.

The health and safety ambassador scheme will also be focused heavily on in 2018, as the aim of the scheme is to reduce the number of accidents among new hourly-paid employees by 50% during 2018. Additionally, a goal has been set for the implementation of the induction programmes provided by health and safety ambassadors in connection with health and safety.

Activities and results in Arkil's international companies in 2017

Overall, Arkil's international companies had an increased focus on health and safety in 2017, and this resulted in a reduction in the accident rate from 38 in 2016 to 34.7 in 2017. The number of absence hours due to illness has also been reduced.

In Ireland, where Arkil's subsidiary Arkil Ltd. owns multiple quarries and manages multiple asphalt plants, we meet the health and safety standard OHSAS 18001. In 2017, Arkil Ltd. had a particular focus on determining goals for health and safety work and continual reassessment of the goals

based on the attainment status. At the same time, we have also investigated the environmental and health and safety benefits of changing the fuel at asphalt plants. As a result of the investigation, we will be changing the fuel at the asphalt plants in 2018.

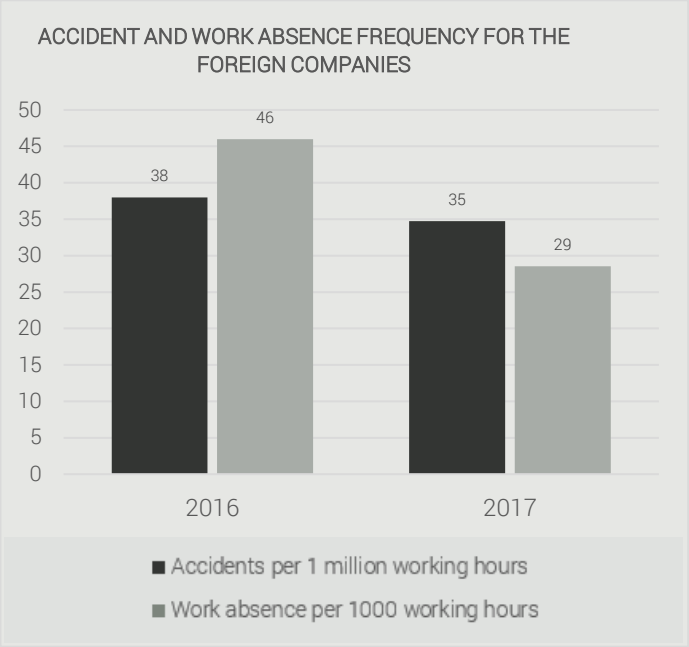
Arkil's German subsidiary, Arkil Holding GmbH, increased its attention to health and safety in 2017. This has included the development and erection of new information and warning signs at construction sites and an upgrading of the physical framework at the asphalt plant in Kiel.

At Arkil's Swedish company, Inpipe Sweden AB, the physical framework has also been improved through a new lighting system, new climate system and a system for the reduction of noise. Training courses have also been held for new employees on the handling of chemicals, as well as safety training for employees working in the company's warehouse facilities.

Goals for Arkil's international companies in 2018

In Sweden, Inpipe Sweden will work on developing new working methods in 2018 to eliminate the need to use materials containing isocyanates when working with CIPP liners. The goal is to eliminate any health risk for employees working in production.

In Germany, the increased focus on health and safety will continue in 2018 and the plan is to employ a health and safety specialist as a supplement to the existing health and safety organisation. Among other responsibilities, the new employee will be tasked with training and supervising the company's salaried employees for the purpose of increasing safety in the workplace and reducing the number of occupational accidents, just as we have implemented in Denmark.



ENVIRONMENTAL AND CLIMATE CONDITIONS

As a construction company, we are aware that our activities have an impact on the environment. On the basis of our environmental policy, we therefore have a continual focus on minimising our negative impact on both the local and the global environment to the greatest extent possible.

The most significant risks relating to climate and the environment are linked to our energy consumption and the use of materials. To minimise these risks, we are undertaking work both at Group level and in a decentralised fashion in Arkil's units and departments to reduce energy consumption and develop new, environmentally friendly materials and workflows.

We also stay abreast of development possibilities in the industry that could have a positive impact on the area of climate and environment. Through our membership in the Danish Association for Responsible Construction, we regularly receive information about new sustainable solutions for the construction and civil engineering industry, which we then have the opportunity to implement internally within Arkil.

Activities and achievements in 2017

A vehicle policy was implemented for Arkil in 2016, setting out the framework for procuring and replacing company cars in the Group's Danish companies. At the same time, the actual replacement of older vehicles with new, more environmentally friendly models was also initiated and this replacement continued in 2017. Calculations show a saving of almost 75,000 litres of fuel in 2017, which has a clear positive impact on the environment.

Pilot project results in reduced idling

A clear reduction of fuel consumption has also been achieved locally at Arkil, with one of our construction departments having implemented a pilot project in 2017 focusing on minimising idling.

The purpose of the pilot project has been to create a shift in attitude relating to the way in which employees use machinery. All employees in the department concerned in Silkeborg have, through training courses and internal workshops, been encouraged to use machinery more effectively, which means maximising operation in "energy mode" and minimising idling. The results show that both attitudes and habits changed during 2017, when the pilot project was running. Overall, idling has been reduced by 30%, while operation outside of "energy mode" has been reduced by 80%. Carbon emissions have also been reduced by up to 50% for certain machines.

The positive results mean that the focus on effective operation has become a permanent initiative in the Silkeborg construction department, and other local Arkil departments have shown interest in implementing similar initiatives for their employees.

ENVIRONMENTAL POLICY

- *We will work to limit the use of resources through the increased reuse of materials and by minimising wastage.*
- *In connection with the procurement of new materials, we will assess the environmental conditions in relation to technology, finance, health and safety.*
- *We will collaborate with suppliers, organisations and authorities to create a better environment together.*
- *We will maintain the environmental management system so that it always complies with the requirements set out in the industry.*

Documented effect of gas thermal remediation

Arkil's specialist department, Arkil Miljøteknik, specialises in the remediation of pollution, thereby directly contributing to a cleaner environment in Denmark. Arkil Miljøteknik also develops and implements new technology for solving complicated future environmental tasks on an ongoing basis.

In 2017, Miljøteknik utilised one of these new technologies at several locations, including an area of land in Roskilde where 4,000 litres of heating oil had seeped out of an underground tank at the property. Through the use of GTR (gas thermal remediation), 1,850 tonnes of soil were cleaned of the oil pollution without the soil being dug up. Instead, the soil was heated to 225 degrees using specially developed heaters placed in buried steel pipes. During the heating process, the oil evaporated and the gases were absorbed and reused through burning in hot drilling. 100% of the energy in the pollution is utilised with this method.

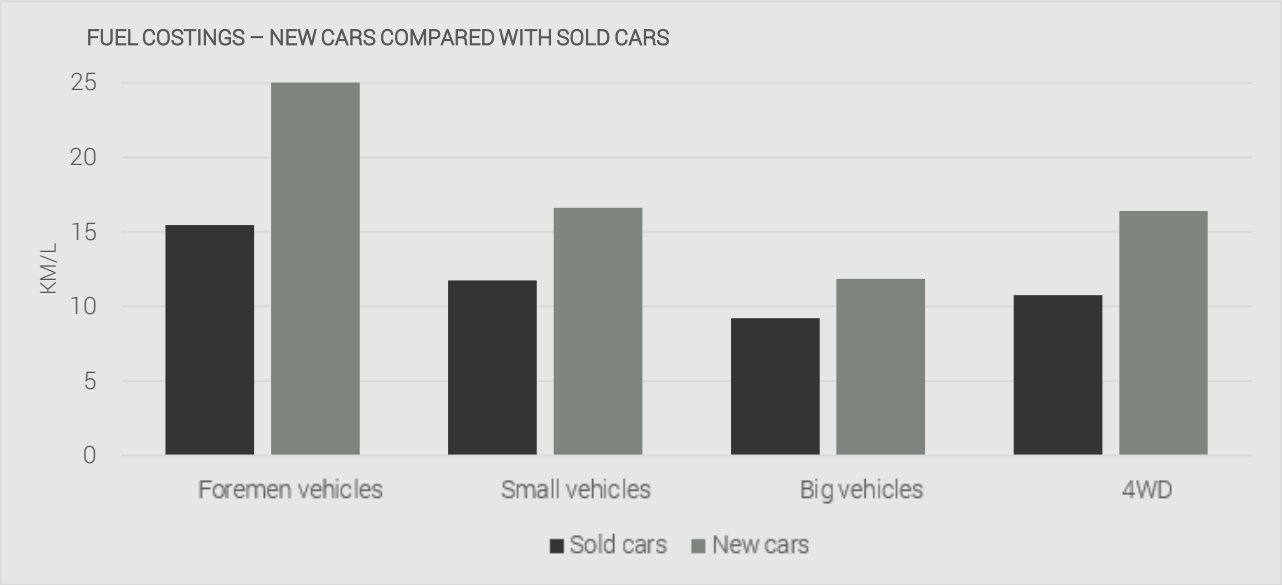
Control readings have subsequently shown that the technology is extremely effective, as 99.84% of the oil in the ground in Roskilde was removed. GTR is therefore a cleaning technology that we consider to have great potential when oil pollution needs to be removed from areas where it would be expensive to dig the soil away, or where digging is not possible due to existing structures.

Plant improvements and development projects at Arkil Asfalt

Arkil's asphalt activities are ISO 9001-certified and also comply with the environmental standard ISO 14001 and the working environment standard OHSAS 18001. All our asphalt products are also CE-marked in accordance with DS/EN 13108. The emulsion plant is CE-marked in accordance with DS/EN 13808.

The energy consumption of asphalt production is carefully monitored, and initiatives are continually launched to reduce energy consumption at Arkil's asphalt plants. Variable material types and storage periods do however mean that it is difficult to accurately measure the energy savings. An increase in energy consumption for asphalt production was seen in 2017 compared to the results from 2016. Nevertheless, the trend for Arkil Danmark from 2014 to 2017 is positively decreasing.

Arkil's asphalt factories have a major focus on the reuse of asphalt and are capable of producing asphalt base and wearing courses using recycled asphalt materials. In 2017, initiatives were implemented at the asphalt plants in Skive



and Hasselager, and both plants are still able to manage and increase the production of recycled asphalt.

In 2016 and 2017, Arkil participated in the "Symbiosis project", in which Arkil and COWI tested road surfacing materials with a higher proportion of recycled asphalt than is permitted by the road regulations. Road surfacing materials with 50% recycled asphalt made from SMA (stone mastic asphalt) and 50% recycled asphalt made from AB (asphalt concrete) were tested as part of the project. The road regulations currently permit 15% recycled asphalt made from SMA and 30% recycled asphalt made from AB.

The project was completed in 2017, and the analysis of the testing showed that it is possible to produce asphalt material of the type AB 11t with 50% recycled asphalt and still achieve properties that are as good as AB 11t material without recycled materials. However, it was not immediately possible to produce an asphalt material of the type SMA 11 with 50% recycled asphalt and still achieve properties equal to SMA 11 material without recycled materials.

Arkil will continue to work to increase the addition of recycled asphalt beyond the maximum limit set down in the road regulations, e.g. in our functional contracts with local road authorities so that we are ready to increase the proportion of recycled materials should the road regulations change.

Arkil is also participating in the "Roads2Rails" projects, investigating whether it is possible to use an asphalt substrate for the sleepers on which the rails sit. The project manager for the project is the Danish Institute of Technology, and other participants, besides Arkil, are DTU, Banedanmark and Atkins Danmark A/S. The goal is to achieve more efficient and sustainable railway operations using asphalt rather than rail ballast, and the project will continue until 2020.

2018 Objectives

The replacement of old vehicles with new, more environmentally friendly vehicles will continue in 2018, and at a Group level we will have a continued focus on energy consumption when procuring new materials.

The experiences from the pilot project in Silkeborg, where idling was reduced and resulted in major carbon emission savings, will be evaluated in 2018 to establish the potential for implementing similar initiatives across all of Arkil.

At Arkil Asfalt, the plan is to establish a protective cover for the raw materials at the factory in Næstved. The covering will reduce the moisture levels in the materials and hence also the energy consumption for drying before the materials are ready for use in production.

Arkil will also continue working as part of the "Roads2Rails" development project and load testing of the asphalt that is intended to replace rail ballast will be carried out in 2018.

The Danish Road Directorate is also expected to put a research project concerning "climate asphalt," which is asphalt with a low rolling resistance, out for tender in 2018. Together with the Danish Road Directorate, the winner will create experimental surfacing with a low rolling resistance that would ideally reduce the overall energy consumption for transport on Danish roads. Arkil is very interested in such a research project and looks forward to the tender competition being announced.

Activities and results in Arkil's international companies in 2017

There is demand for recycled asphalt in Ireland, where Arkil's subsidiary Arkil Ltd. is based. As such, Arkil's Irish asphalt plants have made a number of investments in recycling in 2017 in order to be able to meet this demand. The goal is for the use of recycled asphalt to be implemented as part of asphalt production in 2018.

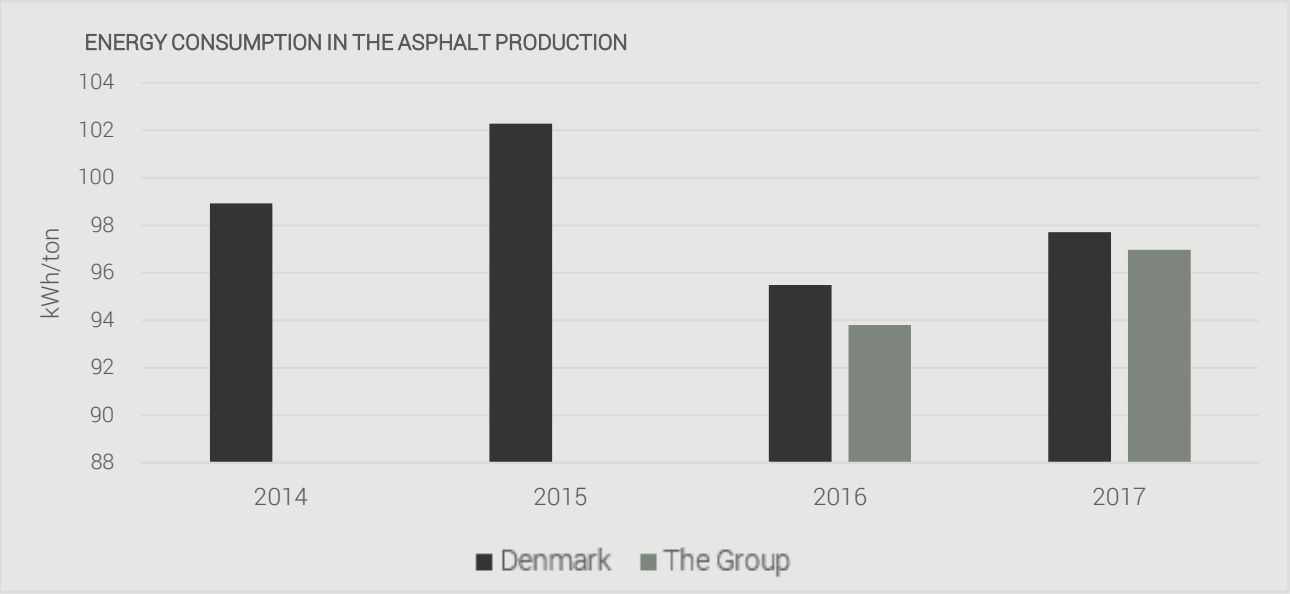
Investments in asphalt production are also topical at Arkil Holding GmbH in Germany, where a new warehouse facility was constructed in 2017 for recycled materials. The purpose of the investment is to reduce the energy consumption associated with the drying of materials prior to use.

Inpipe Sweden focused on reducing the amount of residual materials in production in 2017. An internal programme means that the volume has been successfully reduced by 10% compared to 2016. Arkil's Swedish company is also working on the development of a new type of liner that does not contain the hazardous substance styrene.

Goals for Arkil's international companies in 2018

In Germany, the plan is to replace the bitumen storage tanks at the asphalt plant in Stralsund with new tanks that are better insulated. Such a change will allow for the use of electricity rather than oil for the heating of the tanks. This would result in reduced energy consumption and reduced carbon emissions.

Work will be undertaken in Sweden in 2018 to reuse the heat from the factory's ventilation system, thereby reducing energy consumption for heating. The development of a styrene-free liner will also continue. In the long term, the goal is to fully avoid the use of products containing styrene.



EQUALITY AND DIVERSITY

Arkil Holding has developed an Equality and Diversity Policy, which is available at http://www.arkil.dk/investor/ligestillingsogmangfoldighedspolitik. The Equality and Diversity Policy includes the following:

The company's policy is to address gender imbalance within various positions by actively encouraging qualified applicants of the under-represented gender to apply for advertised positions and thus, over time, reducing the imbalance.

The company keeps statistics on the gender distribution between applicants for advertised positions and gender distribution among staff to ensure, within reasonable tolerances, that there is a correlation between the gender distribution of applicants for a business area and the gender distribution among employees, including management positions.

The company strives to invite an equal number of male and female applicants to interviews, provided that the advertised qualification requirements have been met by applicants of both genders.

The company wishes to ensure that all employees, regardless of gender, have equal opportunities to pursue a career in the company

Activities and achievements in 2017

The proportion of female employees in the Arkil Group increased slightly overall in 2017 with women making up 9% of all employees compared to 7.8% in 2016. However, the proportion of female managers and middle managers in the Group has fallen from 14% in 2016 to 9% in 2017.

The proportion of female members of senior management and the board of directors remains unchanged compared to 2016. No targets have been set for the gender composition of corporate management (currently comprising three men) or of the other management levels within the Arkil Group.

For the Board of Directors, a target of 40% has been set for the proportion of elected female board members, a target that has been achieved, as 2 out of 5 board members are women. Agnete Raaschou-Nielsen and Birgitte Nielsen are acting as the Chairman and Deputy Chairman respectively of the board of Arkil Holdings.

Employment of refugees

As mentioned in the section on "Knowledge, expertise and education", several of Arkil's Danish departments employed refugees from e.g. Syria during 2017. The majority of the refugees that were hired started with work placements before being offered permanent employment.

We consider the inclusion of refugees at our workplaces to be part of our corporate social responsibility and will continue to actively offer employment to this employee group in 2018.

2018 Objectives

In 2018, we will, in addition to continuing our investment in refugees, continue to strive to reduce the imbalance between genders in the company's management teams by actively encouraging qualified female candidates to apply for senior and middle-management positions.

Statement for the year 2017:

Female employees in the Arkil Group	159 of 1,823 (8.7%)
Female managers and middle managers in the Arkil Group	8 of 88 (9.1%)
Female corporate managers in Arkil Holding A/S	0 of 3 (0%)
Female board members in Arkil Holding A/S	2 of 5 (40%)

HUMAN RIGHTS AND ANTI-CORRUPTION

Arkil supports the UN Global Compact, which means that respect for human rights, labour rights and zero tolerance for corruption and anti-bribery are fully integrated aspects of our Code of Business.

Our formulated sponsorship policy also states that there shall be no anticompetitive expectations in connection with sponsorships involving all developers.

Both our Code of Business and our Sponsorship Policy can be found at arkil.dk/investor/samfundsansvar.

For the Group, the primary risk in terms of human rights and anti-corruption relates to the potential use of suppliers who do not comply with national legislation and internationally recognised standards and conventions.

We consider this risk to be limited, as we only carry out activities in countries that support human rights and where the risk of corruption and bribery is very low.

Arkil's Code of Business also requires all suppliers to support and respect human rights. The consequence of failure to comply is that the collaboration with the supplier will be stopped.

Activities and achievements in 2017

Management meetings were held in 2017 during which Arkil's Code of Business and Sponsorship Policy were addressed. The Sponsorship Policy has been specified in such a way that it clearly defines the manner and conditions under which the Arkil Group can enter into sponsorship agreements.

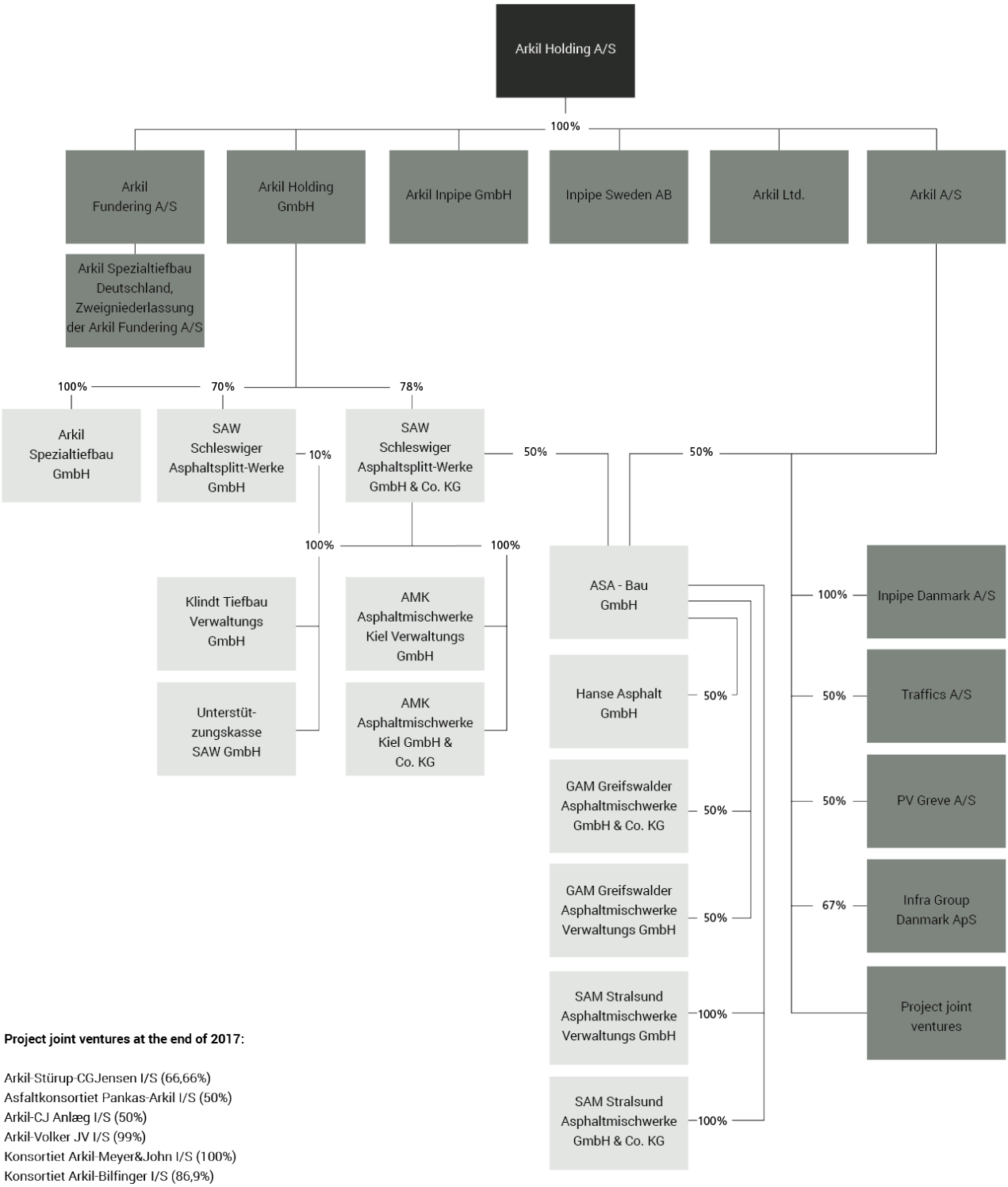
No violation of the Group's business principles was identified in 2017.

2018 Objectives

In 2018, training courses will be provided for all project managers and contract managers in connection with the revision of the standard agreement terms (AB system) for construction, and this revision will also address Arkil's Code of Business and Sponsorship Policy.

Careful follow-up on the effect and fulfilment of the purpose of sponsorships is expected to be implemented in 2018, and similar policies are expected to be implemented for the Group's international activities.

CORPORATE STRUCTURE



Project joint ventures at the end of 2017:

Arkil-Stürup-CGJensen I/S (66,66%)
Asfaltkonsortiet Pankas-Arkil I/S (50%)
Arkil-CJ Anlæg I/S (50%)
Arkil-Volker JV I/S (99%)
Konsortiet Arkil-Meyer&John I/S (100%)
Konsortiet Arkil-Bilfinger I/S (86,9%)
Arkil-JV I/S (100%)
Strukton-Arkil JV I/S (50%)

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