The Board of Directors believes that DNV GL’s performance in 2017, against a backdrop of difficult markets, demonstrates that the company has responded well to the challenges posed throughout the year while defending its global position.
The company achieved operating revenues of NOK 19,475 million in 2017. The continued contraction of the business volume in the Maritime and Oil & Gas business areas was the main reason for the reduced earnings before interest, taxes and amortization (EBITA), which totalled NOK 993 million. This development reflects the fact that many of DNV GL's customers continue to face tough market conditions.

The Board sincerely thanks the management and employees for the hard work and commitment they have displayed throughout 2017.

Strategy

DNV GL’s strategy sets ambitious goals for further developing the company as a world leading quality assurance and risk management company within the maritime, oil & gas and energy industries, as well as within management system certification services and digital solutions across industries.

Towards the end of 2017, a new business area, Digital Solutions, was established to help achieve some of DNV GL’s strategic ambitions. This signals DNV GL’s strong commitment to strengthening the breadth and depth of its digital capabilities for the benefit of its customers. Digital Solutions combines these capabilities with DNV GL’s well-established domain expertise to create efficiencies and new revenue streams across all business areas and to maintain DNV GL’s leading position in an increasingly digital world. The new organization will also maximize the impact of DNV GL’s digital investments, including the company’s open industry data platform, Veracity, and rich portfolio of software ecosystems.

DNV GL will continue to invest in R&D and develop the skills and knowledge of its employees to stay at the forefront of technology and innovation and to fulfil its purpose and vision.

Market

MARITIME. Although the outlook appeared bleak at the beginning of 2017, by the end of the year many segments had enjoyed earnings growth and newbuild orders had picked up somewhat from the record lows of 2016. Growth in seaborne trade increased markedly (4.1% in 2017 vs 2.8% in 2016), in line with the global economy.

The global fleet grew by 1% in terms of number of ships and 3% in terms of gross tonnage (GT), in line with the growth seen in 2016 but notably slower than in previous years. Record low prices for ship newbuildings, with a newbuild Very Large Crude Carrier (VLCC) costing the equivalent of a five-year-old vessel just 18 months ago, saw ordering pick up. Even so, while an improvement over 2016, ordering in 2017 was lower than in any of the first five years of the decade.

DNV GL was again one of the leading classification societies in terms of order intake, with over 19.4% of global newbuildings based on GT. DNV GL performed particularly well in the container market, winning nearly 40% of all orders by GT. The addition of 15 operational mobile offshore units (MOUs) to DNV GL class demonstrated the company’s strong position in the offshore sector.

At the end of 2017, the DNV GL-classed fleet stood at 12,160 vessels and MOUs, totalling 282.6 million GT. DNV GL retained its leading position in the industry and was honoured by the Lloyd’s List newspaper as the top classification society.

Liquefied natural gas (LNG) continued to rise in importance, with significant new export terminals, liquefaction capacity and FSRUs coming online, most notably in Australia and the US as well as the Yamal project in Russia. DNV GL undertook many projects for new vessel designs and components with customers in 2017, including new types of LNG tanks, an LNG-fuelled bulker for the Australia-China trade and large LNG-fuelled container vessels.
Several digitalization initiatives were launched over the year to help customers maximize the efficiency of their vessels and operations. This included a smart survey booking tool, adding a machine learning system to better direct customer queries through the DATE (Direct Access to Technical Experts) service and the rollout of IMO-compliant electronic class and statutory certificates across DNV GL’s entire classed fleet – a first for the industry. The feedback on electronic certificates was very positive as it increases efficiency and transparency, and by the end of the year more than 40,000 such certificates had been issued.

As customers increasingly embraced digital technologies, DNV GL launched the first-ever recommended practice for customizing existing international standards to build cyber security into oil and gas operational technology systems. Further focus was placed on growing the company’s footprint in the mid- and downstream sectors in 2017, while maintaining DNV GL’s market-leading position in the upstream sector.

Key projects included a major innovation contract with National Grid to enable consumer use of lower-carbon gas and improve gas-bill calculation in the UK; studies to benchmark safety, environmental and quality (HSEQ) performance against international standards using DNV GL’s International Safety Rating System in China; collaboration with Lundin Norway to predict unplanned production shutdowns offshore Norway; and independent third-party verification of high-pressure, high-temperature subsea equipment for OneSubsea in the Gulf of Mexico.

DNV GL’s digital solutions have seen growth, with an increased market share in all market segments – upstream, midstream and downstream. Software-as-a-Service (SaaS) offerings were further developed in 2017, with a focus on integration and collaboration. Hazard and risk analysis software saw strong growth, especially in China, where the level of regulation is increasing.

The purchase of computational fluid dynamics software developer ComputIT in 2017 was a key strategic acquisition which increases leverage with customers requiring 3D modelling solutions within a larger software ecosystem.
ENERGY. Political changes causing uncertainties, such as Brexit, subsidy-free windfarm auctions and the withdrawal of the US from the Paris Agreement, played a major role in the power and renewables industry in 2017.

In line with the need for decarbonization and clean energy sources, many countries are continuing the shift to more renewables in their energy mix and pushing the electrification of energy demand. Improving energy efficiency continues to be the best way to save energy and DNV GL runs energy management programmes to free up energy for other uses and reduce carbon emissions.

Ageing electricity grids and the growth of wind and solar assets continued to drive the demand for digital asset management advisory and monitoring services. Consolidation in the wind turbine market slowed the demand for DNV GL’s wind certification services, whereas activity increased related to the company’s solar-asset monitoring services.

Traditional utilities are under pressure and continue to look for new business models. This drives the need for DNV GL to digitalize its services supporting traditional and new stakeholders.

DNV GL opened the world’s first – and currently only – ultra-high voltage testing facility for super grid components this year.

The energy value chain is being transformed owing to the impact of ageing infrastructure, new energy resources, increasing digitalization and cost cutting. The electric utilities markets were therefore positive to DNV GL’s software solutions addressing these issues. DNV GL is renewing its technology stack to become more cloud-based, open and modular with its introduction of an electric grid digital asset ecosystem.

2017 also saw increased customer interest in structural engineering software for the offshore wind market, bringing in new customers for DNV GL’s Sesam software for offshore wind turbines.

BUSINESS ASSURANCE. DNV GL’s Business Assurance business area continued to diversify its market exposure by extending its assurance offerings in industry sectors such as aquaculture, agriculture, food and healthcare as well as expanding the scope of its supply chain assurance and product assurance services.

Further, the changing face of trade and adoption of digital technologies are causing a rapidly increasing amount of transactions in various forms. Recognizing that these require trust and give rise to new assurance needs, the company has embarked on building new digital assurance positions and service offerings. As an example, in 2017, DNV GL started to use and explore the opportunities created by blockchain technologies.

DNV GL is maintaining its position as a leading provider of Management System Certification services. In addition, service offerings beyond Management System Certification, such as sustainability assurance, supply chain management and product certification, are becoming increasingly important in the service portfolio.

The uncertainties in a more digital world, increasing complexity in business value chains, increasing international trade and higher public expectations are strong drivers for assurance services provided by trusted parties.

In a volatile macroeconomic environment, which has affected many of our customers’ industries, Business Assurance benefited from a growth in the ISO management system market and continued to develop its larger role of assurance provider. This has resulted in a stronger footprint in the areas of both supply chain management and management system certification, where the latter remains the flagship line of service.

Revenue related to the food & beverage industry continued to grow strongly, making DNV GL one of the major business assurance players in this industry. Sustainability services also continued to grow providing opportunities in a wide range of industries. DNV GL became the first certification body to use block-chain technology when issuing certificates, allowing customers and any interested parties to check the validity of certificates by simply scanning a QR code or through a publicly available User Interface.

The overall ISO management system certification market is estimated to have grown by approximately 3%. Within this market, DNV GL maintained a leading position in terms of market share and innovation in 2017. DNV GL’s assurance portfolio continued to expand, with growth of 13% in Product Assurance and 14% in Supply Chain Management and other assurance services that help companies work towards responsible consumption and production. Within the food and beverage industry, growth exceeded expectations once again. Similarly, healthcare services continued to grow strongly in 2017.
SOFTWARE. The largest markets for DNV GL’s software solutions continued to face challenges in 2017, although there are signs of a recovery, with customers planning new projects and a generally more positive outlook for DNV GL’s core industries. The shift towards digitalization and cloud-based solutions continued, and DNV GL responded to this by fully restructuring its development and delivery organization in the Software business area - from product lines to digital ecosystems.

Software-as-a-Service (SaaS) is outspacing the growth of traditional software licensing in some segments. In the QHSE software domain, most new customers of DNV GL’s Synergi Life software chose SaaS solutions.

Sales to new customers accounted for 30% of the total new sales during the year, and 281 new accounts were secured. Software consulting services again experienced strong annual revenue growth.

From 2018, the Software business unit became part of the newly created Digital Solutions business area.

Financial performance

DNV GL Group AS achieved operating revenues of NOK 19,475 million in 2017, a decline of NOK 1,359 million from 2016. This 6.5% revenue contraction reflects a decline in the business volume from the maritime and oil & gas markets. The organic growth was minus 5.1%, while the relative strengthening of the NOK contributed to a negative currency effect of 1.7%. The acquisition of Green Power Monitor contributed 0.3% non-organic growth.

The Maritime business area recorded revenues of NOK 7,021 million, corresponding to a contraction of 14.5% compared to 2016. The Oil & Gas business area reported revenues of NOK 4,594 million, representing a contraction of 7.3%. The decline in these two business areas’ volumes improved in the second half of the year, with a reduced contraction in Maritime and the flattening out of the negative growth in Oil & Gas.

The Energy business area recorded revenues of NOK 3,677 million, reflecting growth of 26% that includes the acquisition of Green Power Monitor. Business Assurance ended the year with growth of 4.2% and revenues of NOK 3,278 million, driven primarily by management system certification services. The Software business area saw its growth flatten out in 2017 and delivered external revenues of NOK 852 million, which are on a par with last year. Lower business volumes in Maritime and Oil & Gas in 2017 were almost entirely offset by cost and capacity reductions in these two business areas, as well as continuous cost reductions in group-wide support functions. Overall, this led to a slight improvement in the earnings before interest, taxes, amortization and impairment (EBIT) from NOK 984 million in 2016 to NOK 993 million in 2017, reflecting an EBIT margin of 5.1%.

After the NOK 519 million amortization of intangible assets, the operating profit (EBIT) increased by NOK 320 million, from NOK 154 million in 2016 to NOK 474 million in 2017. The net financial expenses were NOK 110 million in 2017, compared to NOK 18 million in 2016. The change from 2016 is primarily due to negative currency effects incurred in 2017 with weaker USD and stronger EUR development in 2017. The other main financial items were net interest costs from defined benefit pension plans (NOK 32 million), other interest costs and financial expenses.

The 2017 tax expense was NOK 303 million. The high tax level is partly due to non-tax-deductible items, withholding taxes on remitted earnings, and losses from operations without recognition of tax assets. The after-tax profit for the year was NOK 61 million, compared to last year’s net loss of NOK 216 million.

The net cash flow for the year was positive by NOK 32 million. The cash flow from operations ended at NOK 656 million in 2017, but was negatively influenced by the net increase in working capital despite the 5% organic decline in operating revenues. The cash flow from investments was NOK 669 million in 2017 of which net investments of NOK 286 million in tangible fixed assets were mainly in laboratories in Arnhem, the Netherlands, as well as office-related and IT-equipment investments. Of the NOK 371 million investments in intangible assets, NOK 280 million was primarily related to new software platforms. Acquisitions amounted to NOK 24 million in 2017.

At the year-end, the DNV GL Group had liquidity reserves of NOK 3,660 million plus a credit line of NOK 1,000 million.

The Group has a strong balance sheet, with an equity ratio of 65% of total assets. Due to a weaker NOK against currencies where the Group has its major balance sheet exposure, foreign currency gains of NOK 885 million relating to net investments in foreign subsidiaries were reflected in equity in 2017.

Net actuarial gains of NOK 424 million from defined benefit pension plans were reflected in equity at the year-end, primarily from the actual return on the plan assets in the Norwegian pension scheme.

The accounts of the parent company, DNV GL Group AS, show a profit for the year of NOK 269 million. The profit is mainly generated from financial items. The Board proposes to transfer the profit for the year to other equity.
One of the most significant digital innovations from DNV GL in 2017 was the launch of Veracity, an open industry data platform.

At the extraordinary general meeting 15 February 2018, a dividend distribution of NOK 3,000 million from DNV GL Group AS to the sole shareholder Det Norske Veritas Holding AS was declared. The dividend was based on the DNV GL Group AS financial statements for 2016. As the dividend was not declared 31 December 2017, the dividend has not been recognized as a liability in the 2017 financial statements.

The Board confirms that the going concern assumption applies and that the financial statements have been prepared on this basis. Although the Board regards DNV GL’s financial performance for 2017 as modest, the equity ratio remains strong and constitutes a robust platform to achieve our strategic targets and maintain our independence as a financially strong and trusted company. The Board also confirms that, to the best of its knowledge, the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and results of the DNV GL Group for the period. Apart from the NOK 3,000 million dividend distribution, there are no material events after the balance sheet date affecting the 2017 financial statements.

**Innovation**

Innovation is a cornerstone of DNV GL’s business model. It is also central to the differentiation strategy that enables DNV GL to meet its strategic goals and has made the company a preferred and trusted quality assurance and risk management provider to the maritime, energy and other industries for many decades.

Consequently, the company is upholding its commitment to invest 5% of its annual revenues in research and innovation activities, including the strategic research unit, despite ongoing cost-cutting measures. The purpose is to deliver the best insight and technical capabilities to help its customers work in safer, smarter and greener ways. Innovative solutions and foresight are co-created and shared with the industries in which DNV GL is active. One strong example of foresight provided by the strategic research unit was the first annual Energy Transition Outlook, which was positively received by customers and other stakeholders all over the world.

Of the total investment in research and innovation, one-fifth, i.e. 1% of the company’s annual revenues, is allocated to long-term strategic research. To support the company’s strategic ambition of becoming a data-smart company, 60% of the research and innovation activities are dedicated to digitalization.

One of the most significant digital innovations from DNV GL in 2017 was the launch of Veracity, an open industry data platform.

With this platform, DNV GL will not only accelerate its digital service offerings but also provide a foundation for new revenue streams, business models, and co-innovation with customers and other partners.

**Corporate risk management**

The Board underlines the importance of continuously having a comprehensive understanding of the risks facing DNV GL that could affect corporate values, reputation and key business objectives. DNV GL has processes in place to proactively identify such risks at an early stage and initiate adequate mitigating measures and actions.

DNV GL’s risk management policy is part of the management system and ensures that the risk management processes and culture are an integral part of everything the company does. The policy is aligned with the ISO 31000 framework.

The Board formally reviews the risk management status and outlook twice a year. The review of risks and opportunities is conducted as part of both the strategy revision process and the annual plan process.

DNV GL calculates its risk-adjusted equity on an annual basis, taking into consideration the most important risk factors. Based on value-at-risk methodology, the analysis includes potential losses from operations, foreign-exchange exposure, financial investments and pension plan assets and liabilities. The book equity less the maximum calculated loss illustrates DNV GL’s total risk exposure and the amount that can be lost in a worst-case scenario. This exercise gives the Board a measurable overview of the key quantified risks and DNV GL’s capacity to take on additional risk.

The relatively low oil price and its effect on the demand for DNV GL’s services were a focus area in the Board’s risk assessments throughout the year. Developments in the maritime sector were another issue of great concern. The relatively low ship newbuilding market and more competitive situation in the classification industry have been assessed as major elements of the risk picture facing DNV GL. Mitigating actions addressing overcapacity and the cost base have been prioritized.

Severe quality, safety and integrity risks in the company represent another focus area. Numerous barriers exist to minimize the chance of such events occurring, and DNV GL’s management system is constantly being scrutinized to ensure that the company is managing this risk satisfactorily.

The company’s ambitions to play a role in the emerging digital economy entail an increased cyber security risk. Among other mitigating actions is the work to achieve ISO 27001 certification. The Board will review the cyber security risk annually going forward.

DNV GL’s main financial risks are its market risk (interest rate and foreign currency risk), credit risk, liquidity risk and political risk related to trade sanctions.
Interest rate risk: as the company has had limited external borrowings, its exposure to interest rate risk is primarily due to its defined benefit pension commitments. Lower interest rates over the past few years have led to an increase in the pension commitments. The company has closed all existing defined benefit pension schemes to new entrants. In addition, there is limited exposure to the risk of changes in market interest rates for DNV GL’s forward exchange contracts.

Foreign currency risk: DNV GL has revenues and expenses in approximately 70 currencies. Of these, six (NOK, EUR, USD, CNY, KRW and GBP) make up for 77% of the total revenue. In most currencies, the company has a natural hedge through a balance of revenues and expenses. The foreign currency policy is to focus on hedging expected cash flows, primarily in US dollars. However, DNV GL is also materially exposed to the re-evaluation of balance sheet items, including net investments in foreign subsidiaries.

Credit risk: receivable balances are monitored on an ongoing basis, with the result that the company’s exposure to bad debts is limited. There are no significant concentrations of credit risk within the company. With respect to the credit risk arising from the other financial assets, which comprise cash, cash equivalents and certain derivative instruments, DNV GL’s exposure to this arises from any default of the counterparty, with a maximum exposure equal to the market value of these instruments.

Liquidity risk: DNV GL monitors its liquidity risk on a continuous basis. The liquidity planning considers the maturity of both the financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

Corporate governance

DNV GL considers sound corporate governance to be fundamental in securing trust in the company and a cornerstone for achieving sustainable value creation in the best interests of DNV GL’s customers, employees, owner and other stakeholders.

DNV GL reports annually on corporate governance in accordance with the Norwegian Code of Practice for Corporate Governance (“Code of Practice”), and applies these principles to the extent relevant for the DNV GL Group as a private limited company. The Code of Practice relates to 15 topics, and DNV GL’s Corporate Governance report covers each of these topics and describes DNV GL’s adherence to the Code of Practice. The Corporate Governance report also describes the legal basis and principles for DNV GL’s corporate governance structure. The full report can be accessed on the company website.

The management company of the DNV GL companies is DNV GL Group AS, registered in Norway and governed by the Norwegian Private Limited Liability Companies Act. Between the merger of the DNV Group and GL Group in 2013 and 14 December 2017, this company was owned by Det Norske Veritas Holding AS (63.5%) and Mayfair Beteiligungs fonds II GmbH & Co. KG (“Mayfair”) (36.5%). On 14 December 2017, Det Norske Veritas Holding AS acquired Mayfair’s 36.5% shareholding in DNV GL Group AS to become the sole owner of the company.

After the three board members appointed by Mayfair resigned in connection with the share transaction in December 2017, DNV GL’s Board was reduced from 14 to 11 members. Of these, six members are elected by the General Meeting based on nominations by Det Norske Veritas Holding AS and five members are elected by and from among DNV GL employees worldwide. The Board consists of six men and five women representing five nationalities, with an average age of 53 years. The Board’s combined expertise represents a range of stakeholders, markets and disciplines.

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In addition to the reduction in the number of board members in December 2017, the composition of the Board of Directors also changed in August 2017 due to new appointments by Det Norske Veritas Holding AS and the election of new employee representatives. The Board welcomed Birgit Aagaard-Svendsen, Lasse Kristoffersen and Silvija Seres as new members appointed by Det Norske Veritas Holding, and Nikolas Papanikos and Da Wei Tian as new members elected by and from among DNV GL employees. The Board would like to thank Wolfhart Hauser, C. Thomas Rehder, Christelle G. V. Martin, Rebekka Glasser Herlofsen, Sami Badarani, Betty Bei Xu, Markus Wandt and Mette Bandholtz Nielsen for their past contributions as board members.

The Board held six ordinary board meetings and one extraordinary meeting in 2017. The average attendance at these board meetings was close to 100%. The Board’s Audit Committee held four meetings in 2017 and the attendance at these was 100%. The Board’s Compensation Committee held three meetings in 2017 and the attendance at these was 100%.
Corporate sustainability

DNV GL's vision of having a global impact for a safe and sustainable future sets the direction of the business. The company's commitments to customers, employees and business partners are guided by DNV GL's purpose of safeguarding life, property and the environment.

DNV GL pursues continuous improvement in its sustainability performance and its management systems are certified to the ISO 9001, ISO 14001 and OHSAS 18001 standards.

DNV GL has been a signatory to the United Nations Global Compact since 2003, and the Board sees the integration of the 10 principles on human rights, labour standards, environmental performance and anti-corruption as critical for capturing long-term value. In 2017, DNV GL continued its partnerships with the World Business Council for Sustainable, the Global Opportunity Network, the Red Cross, and WWF.

DNV GL supports the UN Sustainable Development Goals and aims to use this framework to create customer value through meeting societal needs. The Board considers the UN Sustainable Development Goals to be a framework for strengthening the company's market positions. DNV GL provides strong business solutions for many of these global goals, including 7) Affordable and Clean Energy; 9) Industry, Innovation and Infrastructure; and 13) Climate Action. The Group strategy also reflects relevant market opportunities for the goals 3) Good Health and Well-being, 12) Responsible Consumption and Production and 14) Life below Water.

In 2017, DNV GL conducted a broad stakeholder survey to identify the most important sustainability topics amongst customers, owners, suppliers, partners, media and employees. The replies from some 1,000 respondents will contribute to the shaping of DNV GL's priorities for maritime, oil & gas, energy, business assurance, and digital solutions. The new business area digital solutions became operational on 1 January 2018, building on the capabilities in the previous business area Software as well as in specialist digital units across the DNV GL Group.

The total number of employees at year-end 2017 was 12,715 (13,550 at year-end 2016), of which 98% are permanent employees. In addition, 6,969 (6,369) qualified subcontractors and expert personnel were engaged. Employee turnover was 12.5% (13%), with voluntary turnover at 5.7% (5.5%). The continuous decline in the number of employees reflects that DNV GL still had to adjust to the contraction in the maritime and oil & gas markets. A headcount reduction was carried out in numerous business and support units, and the cost base was thoroughly scrutinized. New digital systems for financial and HR processes were implemented.

A career in DNV GL should not be hindered by nationality, gender or age if the employee has the competence, attitude and values needed for the role. The Board considers the company's purpose, vision and values to be instrumental in attracting and retaining the diverse workforce necessary in global markets. The Board also emphasizes the importance of sound management of human and labour rights. The DNV GL statement pursuant to the UK Modern Slavery Act is signed by the Board and published on the company website.

The employees represent 112 (115) nationalities, and DNV GL has 100 or more employees in 23 (20) countries. The largest regions in terms of number of employees are the Nordics, West and South-East Europe, North America, Central Europe, Northern Asia, Great Britain, India/Middle East/Africa, South Asia and South America. Of the permanent employees, 87% (87%) have higher education. The weighted average female vs. male salary is 99% (99%), ranging from 89% to 105% in the largest countries where operations take place. The proportion of female employees is 32% (31%) and the proportion of female managers is 25% (23%). As of 1 January 2018, the Executive Committee consists of 4 (2) women and 5 (7) men, with women accounting for 2 of 5 (1 of 5) operational CEOs.

Organization and people

The DNV GL Group has operations in close to 100 countries and headquarters located at Høvik, just outside Oslo, Norway. DNV GL is organized in a group structure with five business areas: Maritime, Oil & Gas, Energy, Business Assurance, and Digital Solutions. The new business area Digital Solutions became operational on 1 January 2018, building on the capabilities in the previous business area Software as well as in specialist digital units across the DNV GL Group.

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Health and safety

DNV GL's overall goal is to ensure zero harm to, and a healthy working environment for, its workforce. Expectations for suppliers include compliance with equivalent health and safety requirements for services rendered on the DNV GL premises and subcontracted survey-type work outside normal office locations.
In 2017, there were no work-related fatalities involving DNV GL employees. The long-term trend for injuries and occupational diseases was stable, with a slight improvement. At year-end, the 12-month rolling average was 30.3 (38.4) for the Lost Day Rate, 1.2 (1.4) for the Injury Rate, 0.9 (1.0) for the Occupational Disease Rate and 2.4 (2.5) for the Absentee Rate. The number of injuries leading to lost days was 27 (34), the number of occupational disease cases resulting in lost days was 22 (25), the number of injuries with no lost days was 149 (162) and the number of near-accidents was 313 (408). All in all, DNV GL’s health and safety performance is average compared with industry benchmarks, and a programme is in place to continuously strengthen the resilience of the workforce and foster a learning health and safety culture.

### Business ethics and anti-corruption

The DNV GL value “We never compromise on quality or integrity” is the leading principle for fostering a common culture of integrity across all operations. As an independent provider of professional services, DNV GL bases its business model on trust at all levels and in all business environments. The Board emphasizes the necessity of reflecting the DNV GL values and demonstrating ethical leadership in society at large. The Group has a zero-tolerance policy for corruption and unethical behaviour that applies to all employees, subcontractors, agents and suppliers.

DNV GL’s compliance programme and related instructions are based on the Code of Conduct for which the Board is responsible. Anti-corruption, antitrust, export controls, sanctions and personal data protection are the programme’s focus areas, and respective instructions are in place. Information on how to report potential misconduct is published on the company website and the intranet, and there is also an ethical helpline and anonymous whistleblowing channel.

Compliance risks are regularly assessed as part of the corporate risk management process and measures are taken accordingly. The Group Compliance Officer reports performance to the Board’s Audit Committee quarterly, as well as to the Executive Committee when relevant.

In 2017, 62 (44) potential compliance cases were reported and handled. No legal action regarding anti-competitive behaviour or violations of antitrust or monopoly legislation in which DNV GL was identified as a participant was pending or completed during the reporting period. No significant fines or non-monetary sanctions for non-compliance with laws and/or regulations in the environmental, social or economic areas were identified.

Relevant measures to achieve a high level of integrity were further implemented in 2017 through training, communication and improvements of governing documents, taking into consideration the latest legal developments. The company started to finalize risk assessments regarding subcontractors and intermediaries and implement these in the business areas, and an export control network was set up. Code of Conduct training has been completed by 98% of employees, 97% of employees have completed anti-corruption and antitrust training and around 2,500 employees in management and exposed positions received individual training on compliance programme topics.

### Environment and climate

The Group is committed to taking a precautionary approach, managing and continually improving its environmental and climate performance. Assessments, improvement actions, incident reporting and performance monitoring of material topics such as energy consumption, emissions to air and waste management are followed up annually. Internal and external audits are undertaken to assure performance. DNV GL prefers suppliers and subcontractors that provide services in compliance with the Group’s environmental and climate policies.

Climate change mitigation and adaptation are prioritized, and the Board is monitoring the implementation of the Group strategy to ensure that DNV GL will be verified as carbon neutral in relation to office buildings, laboratories and travel activity. Carbon neutrality is to be achieved in 2018, two years ahead of schedule. No risk related to climate change is assessed as material and the financial implications are considered to be limited.

In 2017, zero cases of non-compliance with environmental regulations and zero fines related to environmental aspects were registered. The recorded energy consumption was 118.3 GWh (87.5 GWh), of which 37.5 GWh (40.6 GWh) was purchased energy with green certificates. The higher reported energy consumption is due to the increased number of locations included in the reporting, up from 73 to 112. DNV GL’s carbon footprint was 69,494 tCO₂e (29,993 tCO₂e). The Scope 1 and 2 greenhouse gas emissions from offices and lab operations came to 25,822 tCO₂e (29,993 tCO₂e).

Scope 3 greenhouse gas emissions from air and car travel were 43,665 tCO₂e (17,282 tCO₂e). The increased emissions from air travel are explained by more employees being covered by the travel agencies’ measurements and by increased travel activity related to customer work.

2017 is the first year in which DNV GL reports its carbon footprint for all its employees. Greenhouse gas emissions are measured for 97% of air travel and for buildings where 86% of employees work, with the rest of the emissions being estimated. Measures are taken to improve data quality and the group-wide processes for environmental and climate reporting.
Outlook

The global economic outlook for 2018 seems slightly more optimistic than 2017, with higher expectations not only for growth and commodity prices but also of increased interest rates. However, globalization is being challenged in several major countries and we see greater uncertainty regarding the introduction of national and regional free-trade protection measures, the movement of people and the transfer of technology.

The Board detects modest signs of growth in both seaborne trade and energy demand and thus a slowdown in the company’s revenue contraction. However, 2018 will be another challenging year for DNV GL, as the optimistic signs in the maritime and offshore markets are expected to produce a positive effect from 2019. Over the past three years, cost restructuring has been implemented across all the business areas, shared services and support organization, thus making DNV GL better prepared to cope with the prevailing market conditions.

After a few years of recession, the predicted increase in seaborne trade, coupled with scrapping, means the ship newbuilding order book is finally expected to turn positive during 2018, but too late for a major impact on the financial year. Competition will continue to be fierce, but the company is maintaining its goal of minimizing the transfer of class to other classification societies, without compromising quality and safety standards.

In the oil and gas market, the stabilized oil prices and essentially flat gas prices will have a positive impact. Many oil companies expect to slightly increase their capital spend in the upstream sector as they adapt to this new normal. However, the new offshore upstream oil and gas developments are focused on smaller and shorter-payback-time projects. The existing extensive infrastructure across the value chain, including pipelines and refineries, continues to need operations support services. In this low-growth market, DNV GL’s Oil & Gas business area expects flat revenue developments in 2018. Meanwhile, the external revenue of the offshore newbuilding activities is predicted to shrink by more than 50% as the oversupply of drilling rigs and offshore supply vessels continues, accompanied by a drop in new large complex offshore projects.

The energy sector market continues to be demanding in several segments and geographies due to energy and climate politics, but there is an overall trend of continued decarbonization of the world’s energy systems, which should drive demand for the company’s renewables and energy storage services. DNV GL’s energy advisory services are expected to stage a recovery and the power testing and certification services are also expected to grow, fuelled by the high-power laboratory in Arnhem, which will see its first full year at its expanded capacity.

Management system certification services will continue to dominate Business Assurance’s revenue the coming years. The food and beverage, health and automotive industry sectors are now the three dominant sectors within this business area, and are expected to grow further in 2018. Supply chain assurance services are predicted to have double-digit growth. Business Assurance will continue to focus on efficiency measures coupled with investment in its next-generation production system as well as digital assurance.

Digitalization is central to the Group’s 2020 strategy and, in response to the accelerated pace of digital transformation in the core industries, the company formed the new Digital Solutions business area in late 2017. Digital Solutions will build on the legacy business area Software’s solutions for the maritime, oil & gas and energy sectors, coupled with new data management platform services and expanded data analytics and cyber security services. Digital Solutions is also responsible for helping the rest of the organization to develop digital solutions for customers.

The Board of Directors believes DNV GL’s performance in 2017, against a backdrop of difficult markets, demonstrates that the company has responded well to the challenges posed throughout the year. The company has developed, and will continue to expand, a broad competence and resource base to provide guidance and support to customers in a business environment where the need for technical and digital expertise, trust and risk management is evident.
BOARD OF DIRECTORS’ PROFILES

LEIF-ARNE LANGØY
Chair

Nationality: Norwegian  Born: 1956
Position: Managing Director, LAPAS AS
Education: MSc Norwegian School of Economics and Business Administration
Member of the board: Since 2010
Chair since 2011
Directorship(s) outside DNV GL:
Chairman of Kvaerner ASA; Chairman of Sparebanken Møre; Vice Chairman of The Resource Group AS (TRG); Member of the Board of Farstad Shipping ASA; Chairman of Stiftelsen Det Norske Veritas; Chairman of Det Norske Veritas Holding AS

MORTEN ULSTEIN
Vice-Chair

Nationality: Norwegian  Born: 1953
Position: Managing Director, Borgstein AS
Member of the board: Since 2011
Directorship(s) outside DNV GL:
Chairman of the Island Offshore Group of companies; Vice Chairman of Stiftelsen Det Norske Veritas; Vice Chairman of Det Norske Veritas Holding AS; Member of the Board of Directors of Norwegian Hull Club

BIRGIT AAGAARD-SVENDSEN

Nationality: Danish  Born: 1956
Position: Professional Board member
Member of the board: Since 2017
Directorship(s) outside DNV GL:
Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS; Deputy Chairman of Dalhoff Larsen & Horneman A/S; Audit Committee Chairman of Presafe SE; Board member of Otto Mansted A/S; Board member of Axis Offshore Pte. Ltd.; Audit Committee Chairman of West of England; Ship Owners Mutual Insurance Ass.
<table>
<thead>
<tr>
<th>BOARD OF DIRECTORS’ PROFILES</th>
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<tbody>
<tr>
<td><strong>LISELOTT KILAAS</strong></td>
</tr>
<tr>
<td>Nationality: Norwegian  Born: 1959</td>
</tr>
<tr>
<td>Position: CEO, Aleris Group</td>
</tr>
<tr>
<td>Education: MBA, IMD International; MSc in Math. Statistics</td>
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<tr>
<td>Member of the board: Since 2016</td>
</tr>
<tr>
<td>Directorship(s) outside DNV GL: Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS</td>
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<tr>
<td><strong>CLEMENS KEUER</strong></td>
</tr>
<tr>
<td>Nationality: German  Born: 1959</td>
</tr>
<tr>
<td>Position: Chair of German Works Council, DNV GL</td>
</tr>
<tr>
<td>Education: Degree in Computer Science, University of Hamburg</td>
</tr>
<tr>
<td>Member of the board: Since 2013</td>
</tr>
<tr>
<td>Directorship(s) outside DNV GL: Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS</td>
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<tr>
<td><strong>NINA IVARSEN</strong></td>
</tr>
<tr>
<td>Nationality: Norwegian  Born: 1962</td>
</tr>
<tr>
<td>Position: Chair of VEFF and Head of Global Employee Forum, DNV GL</td>
</tr>
<tr>
<td>Education: Master of Management, Stavanger University; a number of courses from other universities, incl. University of Denver, US, and a PhD programme in Psychology from the University of Oslo</td>
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<tr>
<td>Member of the board: Since 2016</td>
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<tr>
<td>Directorship(s) outside DNV GL: Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS</td>
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<tr>
<td>LIV AUNE HAGEN</td>
</tr>
<tr>
<td>Nationality: Norwegian</td>
</tr>
<tr>
<td>Born: 1988</td>
</tr>
<tr>
<td>Position: Consultant, DNV GL</td>
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<tr>
<td>Education: MSc Industrial Economics and Technology Management</td>
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<tr>
<td>Member of the board: Since 2016</td>
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<tr>
<td>Directorship(s) outside DNV GL: Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS</td>
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<tr>
<td>NIKOLAOS PAPANIKOS</td>
</tr>
<tr>
<td>Nationality: Greek</td>
</tr>
<tr>
<td>Born: 1971</td>
</tr>
<tr>
<td>Position: Key Account Manager, DNV GL</td>
</tr>
<tr>
<td>Education: MSc in Naval Architecture and Marine Engineering, NTUA, 1996</td>
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<tr>
<td>Member of the board: Since 2017</td>
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<tr>
<td>Directorship(s) outside DNV GL: Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS</td>
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<tr>
<td>DA WEI TIAN</td>
</tr>
<tr>
<td>Nationality: Chinese</td>
</tr>
<tr>
<td>Born: 1972</td>
</tr>
<tr>
<td>Position: Station Manager, DNV GL</td>
</tr>
<tr>
<td>Education: Bachelor of Science (Naval Architecture), HuaZhong University of Science and Technology, 1994. Master of Science (Structural Analysis), Harbin Engineering University, 1997</td>
</tr>
<tr>
<td>Member of the board: Since 2017</td>
</tr>
<tr>
<td>Directorship(s) outside DNV GL: Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS</td>
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</tbody>
</table>
LASSE KRISTOFFERSEN

Nationality: Norwegian  Born: 1972
Position: President and CEO, Torvald Klaveness Group
Member of the board: Since 2017
Directorship(s) outside DNV GL: Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS; President and CEO; Various board positions in daughter companies of Torvald Klaveness Group; Vice President / Vice Chairman of Norwegian Shipowners’ Association; Board member of Ulsteingrupperen; Board member of ECSA (European Shipowners’ Association).

SILVIJA SERES

Nationality: Norwegian (originally Hungarian and Yugoslavian)  Born: 1970
Position: Independent Investor and Board Member
Member of the board: Since 2017
Directorship(s) outside DNV GL: Board Member of the following: Stiftelsen Det Norske Veritas; Det Norske Veritas Holding AS; Oslo Børs ASA; Eidsiva Energi AS; Stiftelsen Kavli Fondet; NRK; Syncron Int’l AB; Academedia AB; Owner of Technorocks AS; President of Polyteknisk Forening; Corporate Assembly Member of Telenor ASA; Committee Member of Digital21; Advisory Board of Digital Norway.