

# CORPORATE SOCIAL RESPONSIBILITY REVIEW 2019

## CONTEXT

### Key mobility challenges

Increasing urbanization presents us with unprecedented transportation challenges. Around the world, cities and people are looking for new and better ways to deal with mobility challenges such as congestion, accidents, and unsustainable pollution levels.

- We are stuck in traffic. Congestion is already a worldwide hassle, and the associated costs are high. For example, research conducted by INRIX shows that London citizens clocked a remarkable 227 hours stuck in congestion in 2018, costing each driver GBP 1680 annually.
- We are killed by traffic. On a global level 1.35 million people lose their lives in traffic accidents each year. Even more people are seriously injured.
- We are exposed to bad air quality caused by traffic. The World Health Organization has stated that 80 percent of urban populations are exposed to pollution levels that exceed guidelines. Traffic is a major reason for this. In short, transportation is no longer efficient, safe and clean.

### A meaningful purpose linked to Sustainable Development Goals

Q-Free's mission is to create intelligent solutions for efficient, safe, and environmentally friendly transportation based on innovative technology and open platforms. In short, Q-Free's purpose is to help society and customers tackle mobility, safety, and environmental challenges related to traffic and help sustain urban growth and quality of life. What is good for the company is also good for society.

With our solution concepts Q-Flow (for improved mobility), Q-Safe (for increased traffic safety) and Q-Clean (for environmentally-friendly transportation) we address the new mobility challenges, either stand-alone or in combination. This ties in with some of the UN's Sustainable Development Goals (SDG):

- Good health and well-being (SDG 3)
- Decent work and economic growth (SDG 8)
- Industry, innovation, and infrastructure (SDG 9) and
- Sustainable cities (SDG 11)

These four SDGs fit our vision, mission, values, market position, current strategy, and identity. They are not only guiding stars for us, they are also a confirmation that there is consensus in what we view as important when building a new and better world for all. With time we may expand our approach and incorporate additional goals as we learn and grow. We aim to measure our contribution towards the achievements of the SDGs and continue to create sustainable business opportunities.

### Our stakeholders

Our most important stakeholders include shareholders, customers, employees, and suppliers in addition to local/central authorities in markets where Q-Free operates. Q-Free conducts regular stakeholder analyses and engages in dialogues with its key stakeholders to obtain insights on key needs, opportunities, and expectations. In general, the expectations on Q-Free from stakeholders are relatively stable over time.

### The Q-Free management system

To ensure focus and increase control and efficiency on corporate social responsibility matters, Q-Free has established a Management system with processes, policies, and procedures. All employees are trained in our Management system - the "Q-Free way" of working. Knowledge sharing between employees is performed through our process documentation and leads to continuous improvements. The management system also ensures that responsibilities are defined and communicated within the organization.

The following areas represent the key parts of our management system:

- **Quality** is an essential part of our management system to ensure focus on risk management, process management, and continuous improvement in all core and support processes. Q-Free is certified according to ISO 9001.
- **Environment** is an integrated part of Q-Free's management system to emphasize our positive environmental role externally and ensure we "walk the talk" internally. Q-Free is certified according to ISO 14001.
- **Health and safety** is another key part of our management system. Q-Free must provide safe and healthy workplaces by preventing work-related accidents, injuries, and bad health among employees and contractors. Q-Free Norway is certified according to ISO 45001.
- **Information security** will become a key part of our management system going forward. Information security must cover all ICT systems and equipment related to our solutions, and for which Q-Free is responsible for operating and maintaining. Q-Free has an ambition to obtain the ISO 27001 certificate for Q-Free Norway in 2021, whereas some selected entities might be certified in 2020.

Our Quality, H&S, Environment, and Information security policies are publicly available on the website.

### The pillars of Q-Free's CSR efforts

Q-Free's corporate social responsibility program has three main pillars:

1. Contribute to reducing the negative climate and environmental impact of transportation
2. Be a professional and attractive employer
3. Conduct our business responsibly

## 1. CONTRIBUTE TO REDUCING THE NEGATIVE CLIMATE AND ENVIRONMENTAL IMPACT OF TRANSPORTATION

### Real impact

Greener and cleaner transportation is key to tackling one of the greatest challenges of our generation: climate change. Road vehicles still account for roughly 18 percent of direct global CO<sub>2</sub> emission from fuel combustion and this must be reduced. Q-Free's electronic tolling and congestion charging solutions allow for the collection of funds directly from those who pollute and make it possible to invest these funds in sustainable transportation infrastructure. Q-Free's smart traffic signal operations and freeway management solutions also help reduce emissions from unnecessary miles driven and stop-and-go traffic.

Q-Free's tolling systems have improved the air quality in Sweden since the implementation of the Congestion Tax project in Stockholm in 2006 and in Gothenburg in 2013. The systems delivered by Q-Free detect and identify eligible vehicles in the cities using video technology, and the corresponding tax is levied with the amount varying depending on the time of day. This influences the behavior of people by making them assess whether they need to drive at a particular time, whether they can take public transportation instead of a personal vehicle, or whether they need to make the journey at all. For example, since the launch of the Stockholm system the number of passages within the congestion zone has been reduced by approximately 20 percent. Carbon dioxide emissions have gone down by over 3 percent, air-borne pollutants are down around 13 percent and nitrogen oxides (NO<sub>x</sub>) have been reduced by around 9 percent.

### Measurable environmental KPIs

It is important for us to minimize the direct negative impact our operations have on the environment by ensuring that our company designs, manufactures, sells, and delivers its products and services with the smallest possible ecological footprint. Therefore, we regularly assess the environmental impact of our activities through environmental aspect analyses and other processes. Based on these assessments we have established an action plan to continuously reduce our negative footprint and maximize the positive effects our solutions have on the environment.

The ownership of environmental management has improved within top and middle management through clear, annual environmental goals that are measured and acted upon:

KPI	Area	Goal 2019	Goal 2020	H2 2016	2017	2018	2019
Number of tolling lanes in operation	E	> 2 000	>2 000			1810	1890
Travel emissions							
Number of ton CO <sub>2</sub> pr. million NOK in sales	E	<1.0	<0.25	0.606	0.414	0.339	0.241
OBU's shipped by sea	E	>5%	>10%				5.7%

The number of tolling lanes in operation is a clear indication of our positive environmental impact. By introducing tolls, governments can increase the cost of road traffic and thus enable a shift to greener, mass-transit solutions. In 2019 we had close to 1900 lanes in operation, slightly below our target for the year.

Our focus on reduced travel and increased investments in video communication equipment have resulted in a reduction of 299 tons of CO<sub>2</sub> during the last three years. Our Supply chain have increased sea freight when possible instead of air freight. 5.7% of our on-board units were shipped by sea freight in 2019 and the goal for next year is 10%.

We can also mention that in the transition from our transceiver RSE650 to RSE651, Q-Free was able to reduce the number of electronic components with 35%, reduce the total weight of material with 33%, and remove the battery.

### Compliance with environmental standards

Q-Free fulfils all environmental requirements imposed by the Norwegian authorities, as well as the EU. Q-Free's environmental management and operations are certified in accordance with ISO 14001:2015. Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible.

Q-Free's Environmental Policy is publicly available on the website.

## 2. BE A PROFESSIONAL, INSPIRATIONAL, AND MOTIVATIONAL EMPLOYER

### Rewarding work environment

Our Code of conduct and values (Excellence, Passion, Innovation, and Collaboration – EPIC) provide clear requirements for employee performance and behaviour – both internally in the workplace and in interactions with customers, business contacts, and others who are affected by our operations.

Q-Free considers the knowledge and experience of our employees as one of our most valuable assets. We want to attract, develop, and retain talented, innovative, and passionate employees. In return, we want to provide a competitive compensation and a good work environment where employees can develop and grow both personally and professionally. We have chosen three KPIs to measure how the company delivers on its promise:

KPI	Area	Goal 2019	Goal 2020	H2 2016	2017	2018	2019
Employee satisfaction (HCI)	HS	>4.2	>4.2	4.00	4.0	4.04	4.11
Absence rate (sickness)	HS	<2%	<2%	1.5%	1.35%	1.55%	2.7%
Accidents	HS	0	0	0	0	1	0

Twice a year Q-Free conducts an employee satisfaction survey focusing on identity, energy, working environment, and strategic alignment. Employee satisfaction has improved over the past years and was 4.11 in 2019 (on a scale from 1 to 5, where 5 means “very satisfied”).

2019 was a year without accidents in Q-Free Norge AS.

The sick leave in Q-Free Norge AS was 2.7% in 2019, which is below the national average for comparable workplaces.

### **Diversity and equal opportunities**

Q-Free promotes and respects internationally accepted human rights, including those specified by the International Labour Organization. We support the right to freedom of association, and oppose any form of child labour, forced labour, and discrimination. Q-Free actively encourages all representatives, partners, and suppliers to follow the same principles.

It is essential that our employees act in accordance with local laws, regulations, and etiquettes, while communicating openly and honestly in respect of local values and norms for social conduct. We focus on avoiding discrimination of individuals or groups based on their age, gender, disability, race, sexual orientation, ethnic origin, religion, political affiliation, or any other reason. No incidents or violations in relation to our fair and good working environment have been reported of any kind in recent years.

Gender equality and non-discrimination of male or female employees are important to us. Most of our employees work within engineering, technology development, and technical sales, which are disciplines that have traditionally attracted a majority of male applicants. This is reflected in Q-Free’s workforce demographics, which currently consists of 18% female and 82% male employees. The gender diversity requirements pursuant to Norwegian legislation are fulfilled. The Board of Directors currently has a 50-50 gender ratio of shareholder-elected board members.

Q-Free will continue its efforts towards improving gender equality in the workplace, ensuring the high quality and competence of our employees while encouraging the employment of females in a traditionally male driven sector. In particular, we will strive to break down any barriers that may have restricted female applicants in the past, with a view to promoting a more evenly represented workplace.

### **Compliance with health and safety standards**

Q-Free Norge AS is the first Q-Free’s subsidiary to receive the ISO 45001 certification in 2019. This is a consequence of Q-Free’s efforts to enhance the Health and Safety measures within the Management system. With the Health and Safety increasing in the organisation’s focus, the positive feedback from the certification auditors is only a stepping stone in our efforts for continuous improvement and advancement.

Our commitment to the Health and Safety does not stop after getting certified. Locally elected H&S representatives also ensure an open channel for the employees to address their concerns. We have regular Committee meeting where the H&S representatives are also present to review health and safety performance, as well as address any relevant subjects for our work environment.

Health and Safety risks were reviewed and updated in 2019. The risk assessments are adjusted depending on the Region, local activities, projects and products, and are designed to accommodate the local legislation and requirements. All the improvements for Health and Safety in 2019 have been documented in the Register, along with all the H&S committee minutes of the meetings. We are still working to implement a robust H&S risk assessment in all parts of our value chain.

These subjects are also documented in our management system and the Q-Free Employee Handbook.

### 3. CONDUCT OUR BUSINESS RESPONSIBLY

#### Ethics guidelines

High ethical standards and business conducts are prerequisites for running a sustainable company and gaining the trust of our key stakeholders as well as local, national, and international communities. This is a shared responsibility between the company itself and each of Q-Free's employees and representatives.

The Q-Free Code of Conduct contains guidelines for ethical behaviour in both internal and external business settings and is designed to guide and stimulate ethical awareness as a basis for everyday actions and behaviour. The Code of Conduct is applicable to Board members, managers, employees, contracted consultants, representatives and everyone else acting on behalf of Q-Free.

#### Anti-corruption

The Code of Conduct clearly states that Q-Free has a zero tolerance for all forms of corruption and bribery. It also demands that any suspicion of misconduct is reported. Personal interests or personal gains shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts, and money laundering.

Fair and open competition in all markets is always pursued by Q-Free. We have a desire to win contracts based on a competitive offering of products, services, and solutions. Q-Free adheres to national and foreign antitrust laws, while the Code of Conduct states that no formal or informal agreements shall be entered if competition is thereby unfairly restricted.

Q-Free identifies and monitors corporate risks including corruption and conducts analyses to define and evaluate how to address and mitigate these risks. In order to ensure that our employees have the competence to achieve our goals, we have conducted and will continue to conduct internal sessions how to prevent corruption and bribery.

These subjects are also documented in our management system.

#### Insider trading rules

As a publicly listed company, Q-Free complies with the laws, regulations and continuing obligations for listed companies concerning the disclosure of information. The Code of Conduct emphasizes the confidentiality requirements and prohibits misuse of information about Q-Free, or relating to insider trading, as regulated by the Securities Trading Act.

#### Supplier monitoring

Q-Free monitors and evaluates its suppliers. It is very important to us that our suppliers follow and comply with our high corporate social responsibility standards and conduct their business responsibly. As part of the process of selecting suppliers, we evaluate product quality/performance, labour practices and human rights, financial performance, management system, environmental performance, information security and health and safety. Our agreements allow for audits of each supplier, and corporate social responsibility is part of these audits.



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