



# CORPORATE GOVERNANCE

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## COMPLIANCE

**For Fjord1, corporate governance is an important subject that covers the relationships between society, owners, the Board and management. Fjord1 is a Norwegian public limited liability company and was listed on the Oslo Stock Exchange on 15 August 2017. As a listed company, it is subject to the provisions in section 3-3b of the Norwegian Accounting Act regarding annual reporting on its corporate governance policies and practice. These provisions stipulate the minimum information that the report must contain.**

The Norwegian Corporate Governance Board (NUES) has established a Norwegian Code of Practice for Corporate Governance ("the Code of Practice"). Oslo Stock Exchange requires listed companies to provide a full report of the company's policies regarding corporate governance each year, in compliance with the prevailing Code of Practice. The current obligations for listed companies can be found at [www.oslobors.no](http://www.oslobors.no). The NUES Code of Practice can be found at [www.nues.no](http://www.nues.no).

Fjord1 will comply with the current Code of Practice, issued on 30 October 2014, in accordance with the "comply or explain principle", i.e. compliance with individual requirements in the Code of Practice and explanation of any deviations. The company will issue a combined report on its policies for corporate governance each year as part of its annual report, and the information is available on [www.fjord1.no](http://www.fjord1.no). Values, ethical guidelines and corporate social responsibility

Fjord1 has drawn up ethical guidelines and other policy documents in line with the company's values. Fjord1's vision is to be the most environmentally friendly and reliable operator in the transport sector, with core values anchored in the business:

- open and honest
- reliable and keeping our promises
- profitable
- cheerful
- working together and team spirit
- proud

The ethical guidelines contain general policies for business practice and personal conduct, and are intended as a starting point for the attitudes and fundamental vision that shall permeate Fjord1's corporate culture. The company's ethical guidelines shall provide guidance for those persons making decisions on behalf of the company.

Fjord1 takes a conscious approach to corporate social responsibility (CSR) and seeks to achieve the necessary level of trust within society by being able to manage the challenges and requirements it faces. This shall be reflected in our values and the quality of the work we do. The company's safety philosophy is

based on a barrier system, where the interplay between procedures and technology shall prevent unintentional consequences of technical or human error.

Fjord1 works continuously to minimise emissions and environmental pollution. The company's goal is to ensure that it complies with the formal emissions requirements, as well as working with other shipowners, suppliers and research environments to identify measures to further reduce emissions from the ferry industry. One important element in reducing emissions is converting existing vessels, as well as newbuilds with more environmentally friendly technology.

Corporate social responsibility is an integral part of Fjord1's operations and is addressed in ethical guidelines and policy documents linked to the company's values. Corporate social responsibility reporting forms part of the company's annual report. More information on Fjord1's vision, strategy, values and CSR is published on the company's website: [www.fjord1.no](http://www.fjord1.no)

The company's general policy is to eliminate unequal treatment and other types of discrimination related to gender or ethnicity.

## OPERATIONS

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Fjord1's objective is to carry out transport, communication and tourism activities via its own or other companies. This is stated in Article 2 of the company's Articles of Association, which are available on the company's website. Fjord1's goals and principal strategies are referred to in the company's annual report and published on the company's website: [www.fjord1.no](http://www.fjord1.no).

As part of annual strategy processes, the Board of Directors assesses whether the goals and guidelines ensuing from the strategies are clear, comprehensive, fully implemented in operations, and communicated to employees, customers and other stakeholders.

## EQUITY AND DIVIDENDS

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**At 31 December 2018, Fjord1 had book equity of NOK 2,031 million, including non-controlling interests. This corresponds to an equity ratio of 34.6%. The Board of Directors considers the equity to be appropriate in terms of the company's objectives, strategy and risk profile.**

### DIVIDENDS

The company intends to pay annual dividends of up to 50% of net profit after tax. The dividend policy will always be evaluated in light of the company's equity and adopted investment plan. The company's capital structure is adapted to the company's current strategy and risk profile. This may change due to future investment programmes required for successful

tenders, thereby having an impact on the company's dividend policy. Decisions on dividend payments will be made by the general meeting based on proposals or endorsements from the Board of Directors. The Board of Directors has recommended a dividend payment for 2018 of NOK 270 million.





### EMPLOYEE SHARE PROGRAMME

In connection with the stock exchange listing on 15 August 2017, a share programme was established for all employees. All employees received a gift of shares in connection with the stock exchange listing. In 2018, all employees had the opportunity to participate in the share programme by purchasing discounted shares. The Executive Management has an incentive scheme with allocation of shares and the right to purchase discounted shares. Up to 25 other key management employees are entitled to purchase discounted shares. The purpose of the programme is to strengthen the community of interest among employees and the other shareholders, and to reward value creation over time. Fjord1 wishes to give employees the opportunity to

participate in value creation in the group. Information on the share programme is disclosed in note 12 to the consolidated financial statements.

### PURCHASE OF TREASURY SHARES

The company has a mandate issued by the general meeting to purchase treasury shares related to the employee share programme. This mandate is valid up to the date of the annual general meeting in 2019, at the latest on 30 June 2019.

### CAPITAL INCREASE

The company's general meeting has not granted the Board of Directors a mandate to carry out a capital increase.

## EQUAL TREATMENT OF SHAREHOLDERS, AND TRANSACTIONS WITH RELATED PARTIES

### EQUAL TREATMENT OF SHAREHOLDERS

Fjord1 has one class of shares, and all shares have equal voting rights. The Board of Directors and management work to ensure all shareholders are treated equally and have the same opportunities for influence. The company's Articles of Association contain no restrictions on voting rights.

Any transactions the company carries out involving its own shares (treasury shares) should be carried out either via the stock exchange or otherwise at quoted prices. In the event of a capital increase, the existing shareholders have pre-emption rights, unless special circumstances mean this can be waived. Any such decision to waive these rights shall be justified and published in a stock exchange announcement in connection with the capital increase.

### TRANSACTIONS WITH RELATED PARTIES

Fjord1 strives for openness and caution in connection with investments that may imply a close commitment or relationship between the company and a director, executive or their family members. This is set out in more detail in the company's ethical guidelines and instructions for the Board of Directors, and founded on legislation and regulations.

Each year, the company obtains and updates information related to its directors' positions, shares and other stakeholdings. This provides the company with fundamental information on which to assess transactions with related parties and possible conflicts of interest. The Board of Directors also has guidelines to ensure that the individual directors and executives continuously assess and report to the Board of

Directors any factors that may impair trust in their legal competence, or that may pave the way for conflicts of interest. Examples of the above may be a director or executive who directly or indirectly has a significant interest in an agreement signed by the company. The purpose of this is to ensure that decisions are always made on an independent basis, in that disqualified directors or executives are not involved in of transactions with their related parties.

In situations where transactions are conducted with related parties, these shall be carried out at arm's length and on market terms. In cases where transactions with related parties are subject to a comprehensive tendering process that includes minimum three tenderers and decisions being made by the Board of Directors, no independent valuation will be obtained from a third party. This is because the internal guidelines for such situations are considered sufficient to ensure compliance with the arm's length principle and market terms. Independent reports are obtained in cases where legislation requires the Board of Directors to provide an independent expert report, cf. section 3-8 of the Norwegian Public Limited Liability Companies Act. Transactions with related parties are described in note 16 to the consolidated financial statements.

### PRINCIPAL SHAREHOLDER

Havilafjord AS is the principal shareholder in Fjord1. The Board of Directors looks positively on having an active owner that emphasises the importance of development and value creation in the Fjord1 group, and is confident that this will benefit all shareholders by means of long-term and targeted decisions.

# FREELY NEGOTIABLE SHARES

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No restrictions have been laid down on the negotiability of Fjord1's shares.

## GENERAL MEETING

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### ABOUT THE GENERAL MEETING

The shareholders exercise ultimate authority in Fjord1 via the general meeting. The Board of Directors takes steps to ensure that the general meeting is an effective meeting place for shareholders and the Board of Directors.

### NOTICE OF GENERAL MEETING

Notice of the company's general meetings shall be issued in writing to all shareholders with a known address. If documents relating to issues to be considered at the general meeting are made available to the shareholders on the company's website, the provisions of the Act requiring documents to be sent to the shareholders no longer apply. The same applies to documents that by law shall be included in or attached to the meeting notice.

A shareholder may, however, demand that supporting documentation for the general meeting be sent by post. This is laid down in article 7 of the company's Articles of Association. Supporting documentation shall contain all necessary documentation so that the shareholders are able to form an opinion on all the issues to be discussed. All shareholders registered in the Norwegian securities system (VPS) will receive notice of the meeting and are entitled to submit proposals and vote directly or by proxy. The company's financial calendar, including the date of general meetings, is available on its website.

### REGISTRATION AND PROXY

Registration of attendance is made in writing, either by post, VPS account or email. The Board of Directors aims to facilitate maximum attendance by the shareholders. Shareholders who are not able to attend are encouraged to be represented by a proxy or vote by proxy. Provision will be made for proxy votes to be cast on each individual issue discussed.

### AGENDA AND PROCEDURE

A meeting chairperson is elected at the general meeting. The general meeting is opened by the Chairman of the Board, who also ensures a meeting chairperson is elected. Among other things, the annual general meeting shall approve the financial statements and annual report, and discuss the Board's recommendation for setting salaries and other remuneration for executives.

The general meeting elects the members and the chairman of the nomination committee. In addition, the general meeting deals with the issues required by law or the Articles of Association.

The minutes of the general meetings will be published via a stock exchange announcement and will be available on the company's website once the meeting has been completed.

## NOMINATION COMMITTEE

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Article 6 of the company's Articles of Association requires the company to have a nomination committee. Separate guidelines have been compiled for the duties of the nomination committee, its composition and criteria. These guidelines were adopted by the extraordinary general meeting held on 7 July 2017. In accordance with the Articles of Association, the nomination committee shall comprise two members, each elected for a period of two years. The nomination committee members shall be independent of the company's Board of Directors and executives, and shall safeguard the interests of the shareholders. The chairman of the nomination committee is elected

by the general meeting, and fees for the nomination committee are adopted by the general meeting. The nomination committee recommends its own members. The current committee was elected at the extraordinary general meeting held on 7 July 2017. The members of the nomination committee will be due for re-election in 2019. The committee members are Anders Tallerås and Nina Skage.

The duties of the nomination committee are to propose candidates for election to the Board of Directors and to provide guidance regarding fees for members of the Board of Directors and sub-committees, including



the nomination committee. The report on the Board's annual self-evaluation is considered by the nomination committee. The nomination committee shall report on its work and present its reasons for recommendations to the general meeting.

These recommendations shall include relevant information on the candidates and evaluation of their independence in relation to the company's management and Board of Directors. The nomination committee will have contact with shareholders, directors and the CEO during the process to

propose candidates to the Board and will justify its recommendations with the company's largest shareholders. Shareholders are entitled to propose candidates via the company's website.

The recommendations made by the nomination committee to the general meeting are made available to the Board of Directors four weeks prior to the general meeting. The nomination committee's recommendations shall fulfil the requirements on board composition laid down in prevailing legislation and relevant regulations.



## BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

### COMPOSITION OF THE BOARD OF DIRECTORS

In accordance with Article 5 of the company's Articles of Association, the Board of Directors of Fjord1 shall comprise between five and nine members. The Chairman of the Board and the shareholder-elected directors are elected by the general meeting, based on recommendations from the nomination committee. The Board of Directors is currently made up of five shareholder-elected members, two of whom are female. There are two directors who represent the employees.

Fjord1's Board of Directors is composed according to the company's needs for expertise, capacity and diversity. Importance is attached to the Board comprising a wide range of backgrounds from business and management, with a good understanding of the industry. A list of the individual directors, detailing their expertise, background and shareholding in the company is available on the company's website. The company's employees shall be represented on the Board by two directors and two observers, according to the prevailing agreement. None of the shareholder-

elected directors are employees of or have performed work for Fjord1.

The term of office for shareholder-elected directors is governed by section 6-6 of the Norwegian Public Limited Liability Companies Act. Employee representation on the Board of Directors is governed by section 6-4 of the Norwegian Public Limited Liability Companies Act.

Remuneration of the Board of Directors is established by the general meeting based on recommendations by the nomination committee.

### BOARD OF DIRECTORS: INDEPENDENCE

The composition of the Board of Directors shall ensure that it can operate independently of any special interests and function effectively as a collegiate body, in the best interests of the shareholders. No shareholder-elected directors are involved in the daily management. Chairman of the Board Vegard Sævik and director Per Sævik are associated with majority

shareholder Hvilafjord AS. The other shareholder-elected directors are independent of Fjord1's management and significant business relationships. For information on the directors' shareholdings in Fjord1 at 31 December 2018, please refer to note 17 to the consolidated financial statements. Directors

are governed by the regulations relating to primary insider information, with clear rules governing e.g. the obligation to investigate and report any trading in the company's shares.

## THE WORK OF THE BOARD OF DIRECTORS

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### THE BOARD OF DIRECTORS' DUTIES

The Board of Directors has ultimate responsibility for the management of the group, supervising its day-to-day management and activities, and safeguarding the shareholders' interests.

This means the Board of Directors is responsible for ensuring that the Group's operations are soundly organised, and for drawing up strategies, plans and budgets. The Board takes part in important strategic discussions throughout the year. Moreover, the Board is responsible for establishing a control system and ensuring that the Group is operated in accordance with the stipulated values and ethical guidelines and the owners' own expectations in relation to corporate social responsibility. The Board of Directors is obliged to ensure proper control of the financial statements and capital management. Issues of material strategic or financial importance are considered by the Board of Directors. The Board of Directors is responsible for recruiting the CEO and establishing instructions, mandates and conditions for the CEO and establishing the salary of the CEO.

In 2018, 13 board meetings were held, eight of which were meetings with physical attendance.

Instructions for the Board of Directors

The Board of Directors has adopted a set of instructions that provide regulations and guidelines for the Board's work and administrative procedures. This is reviewed annually or when required. The instructions stipulate the duties and obligations inherent in the Board's work and relationship with the CEO. The Chairman of the Board is responsible for ensuring that board work is executed efficiently and correctly.

The Board works according to an annual plan with established subjects and issues for the board meetings. The Board of Directors carries out annual evaluations of its work and expertise. This is done by means of a self-evaluation, which is summarised and submitted to the nomination committee. At least once a year, the Board of Directors carries out a review of the company's most important risk areas and internal control in the company.

### INSTRUCTIONS FOR THE CEO

The CEO of Fjord1 is responsible for the operational management of the Fjord1 group. The CEO shall further ensure that the financial statements comply with legislation and relevant regulations and that the Group's assets are properly managed. The CEO is recruited by the Board of Directors and shall report to the Board of Directors. The CEO is obliged to keep the Board constantly informed of the Group's financial position, operations and capital management. The instructions issued by the Board of Directors to the CEO include guidelines for issues to be considered by the Board.

### FINANCIAL REPORTING

The Board of Directors receives periodic reports with comments on the company's economic and financial status. The company follows the Oslo Stock Exchange's deadlines for interim reports and guidelines for IR. The Board's audit committee

The audit committee comprises three members and is elected by and from the directors. At least one of the members should have experience of accounting, financial management or auditing. The members of the audit committee are elected by the Board of Directors, and changes in the composition of the committee are implemented as preferred by the Board, or until the members leave their office as director. The audit committee comprises Siri Hatlen, Vegard Sævik and Siri Hatland. The chair of the audit committee is an independent director. The company's auditor attends meetings of the audit committee on request.

The audit committee is a preparatory and advisory committee for the Board of Directors. The audit committee shall a) prepare the Board's monitoring of the financial reporting process, b) monitor the system for internal control and risk management, c) maintain contact with the company's elected auditor regarding the audit of the financial statements, d) assess and monitor the auditor's independence and objectivity in relation to the company, including in particular the degree to which non-audit services provided by the auditor represent a threat to the auditor's independence and objectivity in relation to





the company. The audit committee held six meetings in 2018.

#### THE BOARD'S REMUNERATION COMMITTEE

The Board of Directors has assessed the establishment

of a remuneration committee but has not found this to be necessary. Principles and strategies for remuneration of the company's management are established by the Board of Directors.



## RISK MANAGEMENT AND INTERNAL CONTROL

Fjord1 holds an annual strategy meeting to lay the foundations for the Board's considerations and decisions throughout the year. The most critical risk exposure areas and the internal control system are reviewed at this meeting. An overall management model has been prepared for ongoing follow-up, based on the group's strategy, values and ethical guidelines. Moreover, policies have been drawn up for reporting within the most critical areas, in addition to guidance and guidelines for key processes and activities. An authorisation matrix has been established for delegating responsibility to defined roles in the organisation. All employees have guidelines for the scope of their own authority and the next step up in the chain for decision-making or approvals.

Fjord1 has established a set of internal procedures and a system to ensure comprehensive and reliable financial reporting and operations. In addition, a system has been established to ensure the quality of project execution. Among other things, the system comprises



a review of project risk and risk in other parts of the company to ensure reliable financial reporting and, if necessary, to establish necessary measures to manage risk. Planning, control, execution and economic follow-up of building processes, production processes and projects are integrated in the Fjord1 group's business operations.



The company has established whistle-blowing routines that enable employees to communicate situations involving illegal or unethical conduct.

Fjord1's consolidated financial statements are prepared in accordance with prevailing IFRS regulations. The Board of Directors receives periodic reports on the company's financial results and a description of the status of the group's most important individual

projects. In addition, economic reports are drawn up every quarter and are adopted by the Board of Directors prior to publication of the interim reports. The auditor takes part in meetings of the audit committee and in board meetings involving presentation of the preliminary financial statements. The most critical risk factors for the group are described in the Board of Directors' report.

## REMUNERATION OF THE BOARD OF DIRECTORS

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The general meeting stipulates the annual fee paid to the members of the board based on the recommendation of the nomination committee. The fee paid to the Board of Directors should reflect the Board's responsibility, expertise, time commitment and the complexity of the company's activities. In 2018, total remuneration paid to the Board of Directors was NOK 2,380,000. Please refer to note 17 to the consolidated financial statements 2018 for more detailed information. The Board of Directors' remuneration is not linked to company performance. No

options are allocated to directors, and the shareholder-elected directors do not have any agreements relating to pension plans or pay from the company after termination of employment. None of the shareholder-elected directors have duties for the company in addition to their board work.

The directors are encouraged to own shares in the company. The directors comply with general insider regulations for share trading in the company.

## REMUNERATION OF EXECUTIVES

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As mentioned in point 9, the company has not established a remuneration committee. The Board of Directors evaluates the conditions for recruitment of the CEO and contributes to the strategy and main principles for remuneration of the company's senior management.

The group's guidelines for remuneration of executives are described in note 17 to the consolidated financial statements. The main element in the remuneration scheme is the fixed base salary. Senior management

has a share ownership scheme to ensure that remuneration aligns the interests of shareholders and senior management.

No options have been issued to employees or employee representatives in the company.

Guidelines for remuneration of executives are presented annually to the general meeting in connection with consideration of the financial statements.

## INFORMATION AND COMMUNICATIONS

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Fjord1 aims for all reporting of financial and other information to be correct and based on openness and equal treatment of all participants in the securities market. The company will comply with the IR guidelines issued by Oslo Stock Exchange on 1 March 2017. Information from Fjord1 is published in the form of annual reports, interim reports, press releases and stock exchange announcements, and investor presentations. All information deemed material for the valuation of the company is distributed and published

via Oslo Stock Exchange's announcements system and on the company's website.

The company presents its preliminary financial result according to the dates established in the financial calendar. A complete set of financial statements, together with the Board of Directors' report and annual report, are made available for shareholders at the latest three weeks prior to the general meeting and at the latest by the end of May every year. The interim reports



are published by the 28th of the second month after the end of the quarter.

The company's financial calendar is published for one year at a time and is announced prior to 31 December in line with Oslo Stock Exchange's regulations. The financial calendar is available on the company's website and on the website for the Oslo Stock Exchange.

The main purpose of information disclosure is to communicate the company's long-term goals and potential, including strategies, value drivers and important risk factors. The Guidelines for Investor Relations provide more detailed information on how to manage disclosure in the group. The company appoints specific spokespersons for different issues. In principle, the CEO or CFO of Fjord1 will make statements on behalf of the company to the financial market.

## TAKEOVERS

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The company's Articles of Association place no restrictions on the purchase of shares in the company. In a takeover situation, the Board of Directors shall help ensure that the shareholders in the company receive equal treatment and that the group's daily operations are not unnecessarily disrupted. The Board of Directors shall seek to ensure that shareholders are given sufficient information and time to form a view of a takeover bid.

If a bid is made for the company's shares, the Board of Directors shall make a statement with an evaluation of the bid and advice to the shareholders as to whether they should accept the bid or not. This evaluation should cover issues such as how a possible acquisition will affect the long-term value creation in the company. Justification of the evaluation shall be provided.

## AUDITOR

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**Election of auditor** The group's auditor is elected by the general meeting. The Board's audit committee shall make a recommendation to the general meeting regarding election of auditor.

**The auditor's relationship with the Board and audit committee** The auditor presents his/her work and provides an evaluation of the company's financial reporting and internal control to the Board in connection with the financial statements.

The Board is informed at this meeting of any non-audit services performed by the auditor during the year. At least once a year, the auditor shall have a meeting with the Board of Directors without the presence of company management. The auditor is entitled to take part in Fjord1's annual general meeting. The auditor shall confirm in writing to the Board each year that the established requirements for the auditor's independence are met.

The auditor takes part in meetings of the audit committee when requested. Every year, the auditor shall present to the audit committee the main elements in the plan for execution of the auditing work. The auditor shall review any material changes in Fjord1's accounting policies, evaluations of significant accounting estimates and all significant circumstances where there has been a disagreement between the auditor and company management. At least once a year, the auditor shall review Fjord1's internal control system together with the audit committee, including all visible weaknesses and proposed improvements.

The Board of Directors informs the general meeting of fees paid to the auditor, broken down into audit and non-audit services.