



Corporate governance 2020

CORPORATE GOVERNANCE 2020

Fjord1 ASA values good corporate governance, since this reinforces shareholder confidence in the company and improves shareholder value through effective management and better communication between the Board of Directors and the company's shareholders. The purpose of corporate governance at Fjord1 is to manage operating risks, secure the highest possible value creation and ensure effective and sustainable use of the company's resources for the benefit of shareholders, employees and society at large.

1. Corporate governance framework and reporting

The principles and practices underpinning Fjord1's corporate governance are based on the Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2018. The Code of Practice rests on laws and stock market regulations, and may be viewed at www.nues.no, the website of the Norwegian Corporate Governance Board. We apply the Code of Practice using the "comply or explain" approach. In other words, we explain any deviations from the Code in our practice of corporate governance.

The Board of Directors formally adopted guidelines for corporate governance on 15 August 2017, when the company was listed on the Oslo Stock Exchange. The guidelines include instructions for the Board of Directors, Audit Committee and Nomination Committee, as well as the company's dividend policy, regulations for handling insider information, guidelines for investor relations and codes of conduct. The corporate governance framework is reviewed and discussed by the Board every year.

In this report, we present our corporate governance principles and practices in accordance with section 3-3b of the Norwegian Accounting Act and describe how Fjord1 complies with the Norwegian Code of Practice for Corporate Governance. This report forms part of the Annual Report. The Board is of the opinion that Fjord1 complied with the Norwegian Code of Practice for Corporate Governance in 2020.

This presentation follows the structure of the Code of Practice.

2. The business

Fjord1's core business is to operate ferry routes and provide associated catering services at various points along the fjords of Norway. The company also provides passenger boat services and is increasingly involved in eco-friendly tourism in Norway. The company carried around 16 million passengers and 8.9 million vehicles in 2020. The Group's operations comply with Article 2 of the company's Articles of Association:

"The company's purpose is to engage, either on its own or through full or partial ownership in other businesses, in activities related to transport, communication and tourism."

The company's Articles of Association may be viewed on our website.

The Board has established a strategy and risk profile, and set goals for the company within the framework of Article 2. The objective is to ensure that resources are used in an effective and responsible manner, which creates value for shareholders, employees and society at large. The company's strategy, risk profile and goals are evaluated and revised by the Board at least once a year. This review usually takes place in connection with Fjord1's annual strategy meeting. Due to Covid-19, the board has not succeeded in conducting this annual strategy meeting in 2020. Fjord1's strategy and goals are

discussed on page 15 of the Annual Report, which may be viewed on the company's website, www.fjord1.no.

Fjord1's vision is to be the safest and most attractive provider of environmentally friendly ferry and passenger boat transport services for customers, contract principals and other partners. The company is conscious of its corporate social responsibility for the environment and the local communities in which we operate along the Norwegian coast. The company has established guidelines for corporate social responsibility, human rights, labour rights, equality and non-discrimination, psychosocial working conditions, protection of the external environment and corruption prevention, pursuant to the Norwegian Accounting Act. These matters are described in more detail under Corporate Social Responsibility on page 57 of the Annual Report.

3. Share capital and dividends

SHARE CAPITAL

The company has a share capital of NOK 250 000 000 divided between 100 000 000 shares, each with a nominal value of NOK 2.50.

EQUITY AND CAPITAL STRUCTURE

As at 31 December 2020, the company's equity stood at NOK 2,427 million. This corresponds to 23.5 per cent of total assets, and gives a debt ratio of 3.26.

The company made investments in ferries and associated infrastructure in 2020. At the same time, the company received payment for completed infrastructure assets and NOx compensation. As a result, net interest-bearing debt decreased in 2020. Net interest-bearing debt is expected to fall further in 2021 due to lower investments and the sale of infrastructure.

The Board of Directors considers the company's capital structure to be satisfactory with respect to its goals, strategy and risk profile.

DIVIDEND

The Board has adopted a dividend policy, which states to pay a dividend of up to 50 per cent of the net profit for the year. The dividend must be seen in light of the company's financial strength, growth and result development.

The Board of Directors has due to the uncertain situation related to Covid-19 made the decision to postpone the dividend for 2019. The general meeting in Fjord1 authorized the Board to approve the distribution of dividend until the next annual general meeting. Capital tied up in infrastructure, postponed completion and financial settlement are reasons why the authorization is not used.

Fjord1 made a profit in 2020 of NOK 163 million, which would normally lead the Board to propose a dividend of NOK 81.5 million. However, Fjord1 still remains affected by the Covid-19 pandemic and the wide-ranging measures imposed by the authorities to limit the spread of infection in Norway. The Board of Directors believes it is advisable to postpone dividends until further notice.

AUTHORISATION FOR THE PURCHASE OF SHARES

The AGM held on 12 May 2020 authorised the Board to purchase treasury shares with a nominal value of up to NOK 3 million, in connection with the employee share purchase scheme and the incentive scheme for senior executives. If the company purchases more shares than needed for these schemes, they shall be sold in the market or cancelled by writing down the company's share capital. The Board determines

how the treasury shares shall be procured and disposed of. This authorisation is valid until the 2021 AGM, which must be held no later than 30 June 2021.

The AGM held on 12 May 2020 authorised the Board to purchase treasury shares with a nominal value of up to NOK 10 million. The shares procured under this authorisation shall be used only for cancellation through the writing down of share capital, see Section 12-1 of the Norwegian Public Limited Liability Companies Act. This authorisation is valid until the 2021 AGM, which must be held no later than 30 June 2021.

No treasury shares were purchased in 2020. At the close of the year, the company owned 90,402 treasury shares, the same number as at the start of the year. Further details of these transactions may be found in Note 13 to the annual financial statements.

AUTHORISATION TO INCREASE SHARE CAPITAL

The AGM held on 12 May 2020 authorised the Board to increase the company's share capital by up to NOK 25 million through the issue of up to 10 million new shares, in one or more tranches. The Board had requested such authorisation because it deemed it expedient to be able to continuously assess the need to issue new shares and/or obtain a further capital injection. This authorisation has not been exercised. The authorisation is valid until the 2021 AGM, which must be held no later than 30 June 2021.

DEVIATION

The Code of Practice states that the purchase of treasury shares and capital increases should be explained and restricted to defined purposes. In principle, the Board concurs with the Code of Practice, but considers that a certain degree of latitude is required. As long as the authorisations are clearly limited in time and scope, such decisions should be added to the Board's mandate to manage, instead of being obliged to convene an extraordinary general meeting of shareholders.

4. Equal treatment of shareholders and transactions with related parties

SHARE SUBSCRIPTION PREFERENCE RIGHTS

Existing shareholders have a preferential right to subscribe to any new shares issued, unless that right is waived by the general meeting or a general meeting has authorised the Board to waive share subscription preference rights. All decisions to waive preference rights must be explained and announced through a stock market notice.

TRADING IN TREASURY SHARES

Transactions involving the company's own shares (e.g. treasury shares and buyback programmes) shall be carried out either via the Oslo Stock Exchange's trading system or at the prevailing price on the Oslo Stock Exchange. Should the company's shares have limited liquidity, the company shall consider other ways of ensuring the equal treatment of all shareholders.

In 2020, the company purchased no treasury shares via the Oslo Stock Exchange's trading system. See section 3, "Share capital and dividend". The company does not currently have an active buyback programme.

TRANSACTIONS WITH RELATED PARTIES

The Board shall ensure that the arm's-length principle is applied in connection with non-immaterial transactions between the company and shareholders, entities owned by shareholders, board members, senior executives or parties closely related thereto. This is explained in more detail in the Board's mandate and the company's Code of Conduct.

In the event of non-immaterial transactions with any of the parties mentioned above, which do not require the approval of a general meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board shall – as a general principle – consider from case to case whether an assessment by an independent third party should be obtained. Transactions with related parties must always be carried out at arm's length and on market terms. If the transaction is carried out as a substantial tender process with at least three participants, no independent valuation will be obtained from a third party. This is because, in such cases, internal guidelines are deemed to be sufficient to secure arm's-length performance and market terms. Independent assessments are obtained in those cases where this is required by law.

The Board's mandate states that each individual board member must, objectively and continuously, assess and, if necessary, disclose all general conflicts of interest and conflicts relating to specific matters under discussion.

Havilaffjord AS, Havilaffjord Holding AS and Havilaffjord Holding 2 AS owned 84.96 per cent of Fjord1's shares at the close of 2020. Havilaffjord's AS shares in Fjord1 ASA have been pledged as security for a senior bond loan in the amount of NOK 1,000 million, which was issued by Havilaffjord AS.

Havilaffjord AS is owned by Havila Holding AS. Havyard Holding AS owns 40.35 per cent of the shares in Havyard Group ASA, which owns 100 per cent of the shipyard Havyard Ship Technology AS (HST). Fjord1 ASA awarded HST two contracts, each encompassing five newbuild vessels, in 2017 and 2018. Fjord1's investments relating to these contracts totalled NOK 573,8 million in 2020. All newbuild contracts are awarded in accordance with Fjord1's tender guidelines, which require at least three bidders. The board members concerned have taken no part in the decision-making processes leading up to the award of contracts.

The company lists transactions with related parties in its interim reports. A complete list of transactions with related parties in 2020 may be found in Note 18 to the annual financial statements.

5. Freely negotiable shares

The company is listed on the Oslo Stock Exchange. The company's Articles of Association place no limitations on shareholders' ownership, trading or voting rights.

6. General Meetings of Shareholders

ABOUT THE GENERAL MEETING

The general meeting of shareholders (GM) is the company's highest decision-making body. The Board of Directors has overall responsibility for supervising and following up the day-to-day management and operation of the company. The Board makes it possible for the GM to be an effective meeting place for shareholders by ensuring that information concerning it is open, timely and available to all shareholders.

PARTICIPATION AND EXECUTION

General meetings of the company are convened by means of a written notice to all shareholders whose address is known. When documents to be considered by the GM have been made available to shareholders on the company's website, the Norwegian Public Limited Liability Companies Act's provision requiring documents to be sent to shareholders does not apply. This waiver also applies to documents which must by law be included in or attached to the notice announcing the GM. A shareholder may nevertheless request that case documents relating to the GM be sent to them by post. This is provided in Article 7 of the company's Articles of Association.

All shareholders who are registered in the Norwegian Central Securities Depository (VPS) will receive the GM notice and are entitled to submit proposals and vote in person or by proxy. The Board shall ensure that case documents contain detailed, complete and specific information, such that shareholders can take a position on all the matters to be considered by the GM. Each individual matter and each individual candidate for election shall be voted on separately.

The Board wishes to enable as many shareholders as possible to participate in GMs. Shareholders may give notice of their intention to attend the GM by post, e-mail or their VPS account. Shareholders must declare their intention to attend the GM no later than four days before the meeting's scheduled date. Shareholders who are unable to attend the GM in person are urged to be represented by proxy. Shareholders will be able to vote by proxy on each matter to be considered.

As a rule, the representatives from the Board and chair of the Nomination Committee will attend the GM. The Board's chair will normally chair the GM, but the Board shall make it possible for the GM to choose an independent chair.

In 2020, the Annual General Meeting (AGM) was held on 12 May, with 68.46 per cent of the shareholders in attendance. The company complied with the procedures described above in 2020. However, due to the Covid-19 situation, the shareholders were encouraged to vote electronically and not physically attend the AGM. The AGM's minutes have been made available on the company's website and published via a stock market notice after the AGM was concluded.

7. Nomination Committee

Article 6 of the company's Articles of Association requires it to have a Nomination Committee. Committee members must be either shareholders or acting on behalf of the shareholders.

Guidelines for the work of the Nomination Committee, its composition and membership criteria, have been drawn up. These guidelines were adopted by the AGM of 7 July 2017.

The AGM elects the Nomination Committee's chair. Committee members are elected for a term of two years and may be re-elected once. Nomination Committee members shall be independent of the company's Board and senior executives, and they shall ensure that the interests of all shareholders are upheld. The Nomination Committee's chair is elected by the AGM, which also determines the fee payable to committee members.

The Nomination Committee is tasked with proposing candidates for election to the Board and providing guidance on the fees paid to members of the Board and its sub-committees, including the Nomination Committee. The reason for each candidate's proposal shall be provided separately. Proposals must include relevant information about the candidates and an assessment of whether they are independent of the company's Board and senior management. Proposals must be supported by the company's largest shareholders. All shareholders are entitled to propose candidates for elected office.

The Nomination Committee's proposals to the AGM will be made available to the Board four weeks before the AGM takes place. Proposals must meet the prevailing requirements for the Board's composition, pursuant to statute and regulation.

As at 31 December 2020, the Nomination Committee comprised: Anders Tallerås (chair) and Nina Skage. The committee's members were re-elected for a further two-year period in May 2019. Both members are independent of the Board and the company's senior management.

8. Composition of the Board and its independence

Pursuant to Article 5 of Fjord1's Articles of Association, the company's Board of Directors shall have between five and nine members. The Board's chair and shareholder-elected members are elected by the GM, on the basis of a proposal from the Nomination Committee. Board members are encouraged to own shares in the company.

The composition of Fjord1's Board is determined by the company's need for competence, capacity and diversity. The company's employees shall elect two board members and two observers, in accordance with the prevailing agreement. The Board shall be composed in a way that ensures it can act independently of special interests and work efficiently as a collegial body in the best interests of all shareholders.

No shareholder-elected board members take part in the company's day-to-day management. The Board's mandate contains criteria against which to assess its members' independence. No shareholder-elected board member is employed by or has performed work for Fjord1.

The Board has five shareholder-elected members.

Vegard Sævik and Per Sævik are two of four owners of the major shareholders Havilafjord AS and Havilafjord Holding AS, through the holding company Havila Holding AS. Havila Holding AS owns 40.35 per cent of the shares in Havyard Group ASA, which owns 100 per cent of Havyard Ship Technology AS. Havyard Ship Technology AS has supplied numerous vessels to the company. Vegard Sævik and Per Sævik are therefore not considered independent of the company's major shareholders and its most important business associates.

Reuben Munger is the founder and Managing Partner of Vision Ridge Partners, LLC. A fund managed by Vision Ridge Partners has provided financing to Havilafjord Holding AS in connection with the latter's purchase of shares in Fjord1. Vision Ridge Partners and Havilafjord jointly own 88.81 per cent of the shares in Fjord1. Reuben Munger is therefore not considered independent of the company's major shareholders. Reuben Munger has no agreements, business relations or informal arrangements with Havyard Ship Technology AS or other important business associates of the company, and is considered to be independent of important business associates.

Siri Hatland and Birthe Cecilie Lepsøe are both considered independent of the company's major shareholders and its most important business associates.

Thus, two of the shareholder-elected board members are independent of the company's major shareholders, while three of the five shareholder-elected board members are independent of the company's most important business associates.

On 14 May 2020, it was announced that Perestroika AS had agreed the sale of its shares in Fjord1 ASA to Havilafjord Holding 2 AS. Since this transaction, Havila controls 84.96 million shares in Fjord1 ASA through Havilafjord AS, Havilafjord Holding AS and Havilafjord Holding 2 AS. This represents 84.96 per cent of Fjord1's share capital. This acquisition was financed by Vision Ridge Partners. Together, Havila and Vision Ridge Partners control 88.8 per cent of the company's share capital. The Board must take care to protect the interests of the company's minority shareholders now that the majority owner has increased its stake in the company.

A total of eight ordinary and two extraordinary board meetings were held in 2020. Extraordinary board meetings are normally held in connection with tender competitions.

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Name	Role	Consider independent of main shareholders	Consider independent of material business contracts	Served since	Term expires	Participation in Board meetings 2020	Shares in Fjord1 (direkct/indirect)
Vegard Sævik	Chair	No	No	2018	2022	7	*
Per Sævik	Member	No	No	2019	2021	8	*
Siri Hatland	Member	Yes	Yes	2018	2022	8	-
Birthe Cecilie Lepsø	Member	Yes	Yes	2020	2021	8	-
Reuben Munger	Member	No	Yes	2020	2021	6	-
Atle Olav Trollebø	Member	Yes	Yes	2019	2021	8	1 400
Terje Hals	Member	Yes	Yes	2019	2021	8	-
Thomas Rakstang	Observer	Yes	Yes	2019	2021	8	-
Daniel Nedrelid	Observer	Yes	Yes	2019	2021	8	457
Hege Sævik Rabben	Substitute	No	No	2019	2022	1	*
Bjørn Sørli	Substitute	Yes	Yes	2019	2021	0	290
Anne-Mone Strandmann	Substitute	Yes	Yes	2019	2021	0	-
Reidar Tangen	Substitute	Yes	Yes	2019	2021	0	624
Karl-Andreas Grinde Pedersen	Substitute	Yes	Yes	2019	2021	0	318
Ole Kjell Eidem	Substitute	Yes	Yes	2019	2021	0	624
Anders Gjestad	Substitute	Yes	Yes	2019	2021	0	-

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9. The Board's endeavours

The Board is elected by the shareholders and has overall responsibility for the Group's management as well as supervising its day-to-day operations. The Board's chair shall ensure that the Board performs its work effectively and correctly.

The Norwegian Public Limited Liability Companies Act regulates the Board's tasks and duties, including its responsibility to ensure the proper organisation of the company's activities. In addition, the Board has adopted a mandate for its activities which covers, among other things, guidelines for decision making and a clear division of responsibilities between the Board and the CEO, including the CEO's accountability to the Board. This mandate is revised annually.

The Board's mandate requires each board member to, objectively and continuously, assess whether they have interests which could affect the matters the Board is set to consider. The purpose of this practice is to ensure that board decisions are taken on an impartial basis. If a board member or member of the company's senior management must be deemed incompetent with respect to a particular decision, that person shall not take part in the decision-making process. This also applies to the Board's chair.

The Board performs an annual assessment of its results and competence, which it lays before the Nomination Committee. The assessment covers the work undertaken by the Board and its sub-committees, as well as the contribution made by each individual board member. The most recent such assessment was performed in 2021.

AUDIT COMMITTEE

The Audit Committee is elected by the Board and comprises three board members. At least one committee members should have experience from accounting, financial management or auditing. The majority of the Audit Committee must be independent board members. The company's auditor attends Audit Committee meetings at the committee's request.

The Audit Committee is a preparatory and advisory body with respect to the Board. Its main tasks are to:

- Prepare the Board's follow-up of the financial reporting process.
- Monitor the company's internal control and risk management system.
- Liaise with the company's auditor with respect to the annual financial statements.
- Monitor and assess the independence and objectivity of the auditor with respect to the company, including the extent to which services other than the auditing services provided by the auditor constitute a threat to the auditor's independence and objectivity with respect to the company.

The Audit Committee comprises Vegard Sævik, Siri Hatland and Birthe Cecilie Lepsøe. Vegard Sævik is the chairman of the audit committee. Birthe Cecilie Lepsøe was elected on 24 February 2020. Birthe Cecilie Lepsø and Siri Hatland are considered independent board members. The Audit Committee held five meetings in 2020, and liaised regularly with the company's auditor on matters concerning the auditing of Fjord1's financial statements.

REMUNERATION COMMITTEE

The principles and strategies relating to the remuneration of the company's senior management are determined by the Board. The Board has assessed the need for a Remuneration Committee, but has concluded that such matters may be dealt with by the full Board.

Details of the remuneration paid to senior management in 2020 may be found in Note 19 to the annual financial statements.

10. Risk management and internal control

The Board is responsible for ensuring that the company has a dedicated system for risk management and internal control. This system is intended to contribute towards effective financial and operational risk management, including relevant reporting pursuant to law. Each year, the Board evaluates the company's risk management and internal control system in connection with the annual strategy meeting.

The risk management and internal control system describes roles and responsibilities, processes and procedures, tools, documentation and standards, including an assessment of the value created for shareholders, employees and society at large. Among other things, the company has established internal procedures to ensure detailed and reliable reporting of the company's financial and operational performance. As part of the control of operating profit/loss and risk, the company has project risk

monitoring procedures to enable effective project risk management and ensure good planning, management, execution and financial follow-up of projects such as the construction of new vessels.

Fjord1's consolidated financial statements have been prepared in accordance with prevailing IFRS regulations. The Board receives periodic reports on the company's financial performance and updates on the status of the Group's most important individual projects. In addition, quarterly financial reports are prepared and approved by the Board prior to their publication. The auditor attends meetings of the Board and Audit Committee in connection with the presentation of the company's preliminary annual financial statements.

The company has established whistleblowing procedures which enable employees to anonymously report any suspicions of illegal or unethical behaviour.

The most important risk factors are described in the Board of Directors' report.

11. Remuneration of board members

The AGM determines the annual fees payable to members of the Board, on the basis of a recommendation from the Nomination Committee. The fees shall reflect the board members' level of responsibility, competence and time spent, and the complexity of the company. Members of board sub-committees receive an additional remuneration. The remuneration of board members is not performance-related, and no share options are granted to board members. In 2020, the company's board members received a total remuneration of NOK 2 million. Further details concerning the remuneration of board members may be found in Note 19 to the annual financial statements.

As a rule, none of the Board's members perform tasks for the company over and above their board membership. Should they do so, the full Board will be notified thereof. The remuneration payable for such additional tasks must be determined by the Board. In 2020, no shareholder-elected board member performed any tasks for the company over and above their board membership.

12. Remuneration of executives

The remuneration paid to senior company executives is intended partly to ensure that they remain with the company and partly to ensure a strong performance culture that creates value for the shareholders over time.

In 2020, the Board drew up and complied with guidelines for the remuneration of senior company executives. These guidelines were disclosed to the AGM on 12 May 2020, as Case No. 6 "Consideration of the Board's statement on the determination of salary and other benefits for senior company executives". The statement on the determination of salary and other benefits for senior company executives was made available to shareholders on the company's website prior to the AGM. The statement distinguishes clearly between advisory guidelines and binding provisions. The AGM of 12 May 2020 approved both the advisor guidelines and the binding provisions.

The remuneration payable to senior company executives comprises a fixed basic salary and normal pension and insurance arrangements, a variable salary and an incentive scheme. The variable remuneration is a bonus based on the achievement of individual performance targets. The bonus is capped at six months' basic salary.

Details concerning the remuneration of senior company executives may be found in Note 19 to the annual financial statements.

13. Information and communication

The company's investor relations guidelines are based on the IR guidelines issued by the Oslo Stock Exchange, whose latest version dates from July 2019. In addition to the equal treatment of investors, the candid, precise and timely communication of the company's financial results and other information underpins Fjord1's communications policy. The Board has adopted guidelines for investor relations, which regulate communications with and activities intended for investors.

The primary purpose of the communication of financial information is to highlight the company's long-term goals and potential, including strategies, value-adding elements and important risk factors. All important documents, such as annual and interim financial reports as well as important items of news, are published as notices on the Oslo Stock Exchange. The information is also available on the company's website. Information is published in both Norwegian and English. The company's quarterly reports are normally presented by the CEO on the date they are published, at an open and public event, as recommended by the Oslo Stock Exchange.

The company maintains a continuous dialogue with investors and financial analysts at conferences and other events. Before publication of the quarterly reports, the company maintains a 30-day "quiet period". During this period, the company does not engage in discussions with investors or analysts. The CEO and the CFO are the proper points of contact for investors and analysts.

14. Takeovers

The company's Articles of Association place no restrictions on the purchase of shares in the company. In the event of a potential takeover, the Board will help ensure that all the company's shareholders are treated equally, and that the Group's day-to-day operations are not unnecessarily disturbed. The Board will help ensure that shareholders have enough information and time to form an opinion on the takeover bid. If a bid is made for the company's shares, the Board will publish its assessment of the bid and issue a recommendation to shareholders about whether they should accept it or not.

The Board's assessment should take into account the effect any such acquisition will have on the company's long-term value creation, in keeping with the Norwegian Code of Practice for Corporate Governance.

15. Auditor

The company's external auditor, PwC, was selected at the AGM and is independent of the company.

The Board ensures that the auditor describes the main aspects of the audit plan, which is shared with the Audit Committee once a year. The auditor will also attend board meetings where the annual financial statements are to be addressed. At least once a year, the auditor will review Fjord1's internal control system with the Audit Committee. This includes visible weaknesses and improvement proposals.

At least once a year, the auditor attends a board meeting without members of company management being present. Each year, the auditor provides the Board with a written assurance that it meets the independence requirement for auditors.

The Board notifies the AGM of the fee payable to the auditor, broken down into audit and non-audit services. The company will consider such non-audit services on a case-by-case basis to ensure the auditor's independence.