



## **CORPORATE GOVERNANCE REPORT 2017**

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**Aker ASA**

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**Proud ownership**  
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Effective corporate governance provides the foundation for value creation, which in turn is the ultimate goal for Aker ASA (Aker). It is a prerequisite for an industrial investment company to succeed. Corporate governance is therefore a key concern for Aker's board of directors and employees, and in the exercise of ownership in Aker's underlying companies.

Aker believes in active ownership. Shareholders who have clearly defined strategic goals for the company and who are involved through work in the boardroom and direct dialogue with company management, promote shareholder value. The active ownership provides direction and energy.

Aker's main shareholder, TRG Holding AS, is actively involved in Aker through its main owner, Kjell Inge Røkke. Similarly, Aker is closely involved in the monitoring and follow-up of companies in which Aker is the main shareholder. Aker's management model is discussed in the board of directors' report for 2017.

Pursuant to section 3-3b of the Norwegian Accounting Act and the recommendations in the Norwegian Code of Practice for Corporate Governance (most recently revised in the autumn of 2014), the board has reviewed and updated the company's corporate governance principles.

The individual recommendations of the Norwegian Corporate Governance board (NUES) are discussed below. Aker's principles are largely consistent with the recommendations.

## **1. Corporate governance**

Aker's corporate governance principles are adopted by the board. The purpose is to ensure a productive division of roles and responsibilities among Aker's owners, board and executive management, and satisfactory controls of the company's activities.

### **Values and ethical guidelines**

The board has approved the company's corporate values and ethical guidelines as stated in Aker's Code of Conduct. The ethical guidelines are a vital component of Aker's active ownership.

In its capacity as a significant shareholder in many companies, Aker aims to function as a role model through its attitudes, actions and exercise of ownership. A current example is Aker ASA as a driving force in harmonising and updating the anti-corruption policies in companies where Aker is a dominant shareholder. Another example is harmonization of said companies' codes of conducts: This harmonization started with Aker adopting an updated version of The Code of Conduct, which also expresses Aker's expectations to the content of the codes of conduct in other companies where Aker is a dominant shareholder. The harmonization of these codes of conducts is completed, and Aker's portfolio companies has launched updated codes of conducts throughout 2017. See also our separate corporate responsibility report which is available on the company's webpage.

## 2. Business purpose

Aker ASA's business purpose is expressed in the company's articles of association:

The company's objective is to own and carry out industrial and other associated businesses, capital management and other functions for the group, as well as participation in, or acquisition of, other businesses."

## 3. Equity and dividend

### Equity

Aker ASA and holding companies had NOK 12 779 million in book equity as at 31 December 2017, corresponding to an equity ratio of 56 per cent. The parent company's book equity amounted to NOK 20 081 million, corresponding to an equity ratio of 71 per cent. Aker considers its capital structure appropriate and adapted to its objectives, strategy and risk profile.

### Dividends

Aker's dividend policy is discussed in the shareholder information section of the 2017 annual report, and is published on the company website. The board's profit allocation recommendation for 2017 has been guided by Aker's dividend policy and dividend capacity.

### Board authorisations

The board's proposals for board authorisations comply with the relevant recommendation in the Norwegian Code of Practice for Corporate Governance. Board authorisations are limited to defined issues, and are dealt with as separate agenda items at the annual general meeting. Board authorisations remain valid until the next annual general meeting. Current board authorisations to increase share capital and to acquire own (treasury) shares are discussed in the shareholder information section of the 2017 annual report. The board has not proposed that the general meeting exercise its power to authorise the board to distribute dividends.

## 4. Equal treatment of shareholders and transactions involving related parties

The company has a single class of shares, and all shares carry the same rights. Aker has developed principles and guidelines for transaction agreements and other agreements not forming part of ordinary operations involving Aker and companies in which Aker has significant ownership interests. Aker has also prepared guidelines designed to ensure that members of the board of directors and executive management notify the board of any direct or indirect material stake they may have in agreements concluded by Aker or companies in which Aker has a significant ownership interest. Additional information on transactions with related parties can be found in Note 32 to the 2017 consolidated accounts.

## 5. Freely negotiable shares

Aker ASA's shares are freely negotiable. The company's articles of association contain no restrictions on transferability.

## 6. Annual general meetings

### Meeting notification, registration and participation

Aker encourages all of its shareholders to participate in general meetings, the forum where shareholders' exercise of the highest authority in the company. In 2018, the annual general meeting will take place on 20 April.

Shareholders who are unable to attend the general meeting may use electronic voting to vote directly on individual agenda items during the pre-meeting registration period.

Shareholders who are unable to attend a meeting may vote by proxy. The procedures for electronic voting and the issue of proxies with voting instructions are described in the meeting notification and published on the company's website.

The company does not appoint an independent proxy to vote on behalf of shareholders. Aker considers that shareholders' interests are adequately safeguarded by the option of participation via an appointed proxy and the option of authorising the meeting chair/board chairman to vote according to specific proxy instructions.

### Meeting chair, voting, etc.

According to Aker ASA's articles of association, the general meeting is chaired by the Chairman of the Board or an individual appointed by the chairman. Aker deviates from the NUES recommendation on this point, which states that the board should ensure independent chairing of general meetings. In the company's experience, its procedures for the chairmanship and execution of general meetings have worked well.

Members of the nomination committee and the company's auditor are expected to attend general meetings. The general meeting elects the members of the nomination committee and shareholder-elected board members. The nomination committee focuses on composing a board that works optimally as a team, and on ensuring that board members' experience and qualifications complement each other and that statutory gender representation requirements are met. The general meeting is therefore requested to vote for a complete set of proposed board members, and shareholders cannot vote in advance for individual candidates. Aker ASA's practice thus differs from the NUES recommendation, which states that the general meeting should be given an opportunity to vote on each individual candidate nominated for an appointment to a company body.

## 7. Nomination committee

Aker ASA has a nomination committee as required by its articles of association. The nomination committee must comprise at least three members, and each member is normally elected for a two-year period.

The members and chairman of the nomination committee are elected by the company's general meeting, which also determines the remuneration payable to committee members. The current members of the nomination committee are presented in the 2017 annual report.

Instructions for the nomination committee's operations is adopted by the annual general meeting. The primary responsibilities of the nomination committee are to recommend candidates and remuneration for the company's board of directors and nomination committee, and remuneration for members of the audit committee. Shareholders who wish to contact the nomination committee can do so using the following email address: [contact@akserasa.com](mailto:contact@akserasa.com).

Kjell Inge Røkke, chairman and main shareholder of Aker ASA, is also chairman of the nomination committee. This is not compliant with the NUES recommendation stating that board members who are also members of the company's nomination committee should not "*stand as candidates for reappointment to the board*". However, it is the company's assessment that the NUES recommendation on this point is based on considerations that are less applicable to a situation where a single shareholder - in this case Røkke himself - controls more than two-thirds of the company's shares and thus already has positive control of the company's general meeting.

## **8. Corporate assembly and board of directors – composition and independence**

The company does not have a corporate assembly. Employees' rights to representation and participation in decision-making are safeguarded through extended employee representation on the board of directors in accordance with decision by the publicly appointed Industrial Democracy Board (Bedriftsdemokratinemnda). Pursuant to the company's articles of association, the board comprises between 6 and 12 members, of whom at least one-third are elected by and from among group employees. The nomination committee also recommends a candidate for the position of Board Chairman, who must be approved by the general meeting. Shareholder-elected board members are independent of the company's executive management and its significant business associates.

Kjell Inge Røkke has personal economic interests as owner of the company's main shareholder, TRG Holding AS. Neither the President and CEO nor any member of the executive management is a member of the Aker ASA board.

The current composition of the board is presented in the 2017 annual report, as are board members' qualifications and expertise.

## **9. The work of the board of directors**

The board of Aker ASA adopts annual plans for its work, emphasising goals, strategies and execution. The board approves the budgets of Aker ASA and holding companies following review by the audit committee.

Aker also has board instructions in place that regulate areas of responsibility, tasks and the division of roles among the board, the board chairman, and the President and CEO.

Since the annual general meeting in 2017 the board has had 6 ordinary board meetings, as well as 7 short telephone conferences with the purpose of updating the board. Meeting attendance averaged 88 per cent. The board carries out a self-evaluation annually.

Aker has an audit committee, which has met 7 times since the 2017 annual general meeting. The committee's mandate regulates areas of responsibilities, tasks, relations with the external auditor and reporting to the board of directors. The composition of the committee is presented in the 2017 annual report. The board has considered whether Aker ASA should have a compensation committee, but has concluded that the company does not currently need one.

## **10. Risk management and internal control**

### **Governing principles**

Aker's board determines the overall principles for the company's management and control functions.

Aker has established a compliance officer function with dual reporting duties to the company's CEO and audit committee. The compliance officer's main task is to ensure that Aker ASA is compliant with relevant laws and regulations, including Aker's internal guidelines. Aker has chosen a risk-based approach to the compliance officer's mandate.

Aker ASA's compliance officer liaises closely with legal and compliance personnel in other companies where Aker is a significant shareholder.

Aker has implemented a system for reporting serious matters such as breaches of ethical guidelines and violations of the law (a whistleblowing channel). Aker's website contains information on the reporting system, and contact details.

### **Risk management and internal control**

The board carries out an annual risk-based review of the company's portfolio; both through assessing each of the investments in isolations, but also the aggregated risk profile of the total portfolio.

Prior to the annual risk reporting to the board, the audit committee reviews the reported risks and associated risk-reducing measures. The audit committee also reviews the company's in-house reporting systems, internal control and overall risk management.

Further, the board ensures that the company has in place effective internal control procedures and appropriate risk management systems tailored to the company's business activities. Aker has developed an authorisation matrix that forms part of its governing documents.

### **Financial reporting process**

Various control measures have been established in connection with the preparation and presentation of quarterly and annual financial statements. Because Aker is an investment company with significant ownership interests in other companies, including listed companies, Aker's procedures for closing accounts have a strong focus on checking submitted accounts and analysing financial figures. Operating subsidiaries and associated companies have also introduced control measures that are applied before their respective financial statements are reported to Aker.

Clearing meetings are held with the management teams of the operating subsidiaries in connection with the annual closing of accounts. The main purpose is to ensure high-quality financial reporting. Such clearing meetings focus on important items involving estimation and judgment, non-balance-sheet items, related-party transactions, new or modified accounting principles and special topics in the year-end closing process. The external auditor participates in these meetings. Annual meetings are also held with focus on internal control for operating subsidiaries where the auditor has reported improvement potential related to internal control

The audit committee conducts a preparatory review of the quarterly and annual financial statements, focusing on items involving estimation and judgment, the application of new accounting principles and any material related-party transactions.

## **11. Board remuneration**

Board remuneration reflects the board's responsibilities and expertise, time spent and the complexity of the business. Remuneration does not depend on Aker's financial performance, and there are no option programmes for any of the board members.

The annual general meeting determines board remuneration after considering recommendations by the company's nomination committee. The board members elected by and among the employees and associated companies have reduced their board remuneration at their own initiative, in line with an agreement between employee organisations and Aker. Additional information on remuneration paid to individual board members for 2017 can be found in Note 33 to the consolidated accounts.

## **12. Remuneration of executive management**

The board has adopted separate guidelines on the remuneration of executive management in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act. The company's guidelines for remuneration to executive management are described in Note 33 to the consolidated accounts, and will also be presented to shareholders at the annual general meeting in the form of a supporting document.

The employment contract of the President and CEO has been approved by the board. The remuneration paid to the President and CEO is approved by the board after considering recommendations from the Chairman of the Board.

The President and CEO determines the remuneration payable to key executives in accordance with board guidelines. Aker ASA has no stock option programmes. The remuneration for executive management includes a fixed annual salary, standard employee pension and insurance schemes and a variable pay element.

Aker ASA has a share bonus award programme for employees (excluding the President and CEO). Share awards are subject to specified conditions and goal achievement. This incentive programme for employees is presented in Note 2 to the Aker ASA annual accounts.

Further information on remuneration for 2017 for individual members of Aker's executive management can be found in Note 33 to the consolidated accounts.

Some members of Aker's executive management represent the company's interests as board members of other Aker companies. They do not receive personal remuneration for these board memberships.

### **13. Information and communications**

Aker's reporting of financial and other information is based on transparency and equal treatment of stakeholders.

All stock exchange notifications and press releases are published on the company's website, [www.akerasa.com](http://www.akerasa.com). Stock exchange notices are also available at [www.newsweb.no](http://www.newsweb.no).

The company organises public presentations in connection with its financial reporting. These meetings are generally broadcast directly via the internet (webcast). The company's financial calendar appears in the 2017 annual report, and is published on Aker's website.

### **14. Takeover**

Aker does not have separate guidelines on how to respond in the event of a takeover bid. The Norwegian Code of Practice for Corporate Governance recommends the adoption of such guidelines. Through his privately held TRG holding companies, Kjell Inge Røkke controls a total of 68.2 per cent of Aker ASA stock. In view of this, the board has deemed separate takeover guidelines as recommended by the Code to be unnecessary.

### **15. Auditor**

The auditor makes an annual presentation of the auditing plan to the board. Further, the auditor has provided the board with written confirmation that the requirement of independence is met.

The auditor participates in all meetings of the audit committee and in the board meeting that deals with the annual accounts. The auditor reviews, with the board, any material changes in the company's accounting principles and assessments of material accounting estimates. There have been no disagreements between the auditor and management on any material issues.

The auditor reports to the audit committee on his assessment of the internal controls on the financial reporting process. The outcome of this review is presented to the board. The board and the audit committee meet with the auditor without representatives of executive management being present. The audit committee receives a quarterly overview of services rendered by the auditor to the company. The audit committee also approves the fees paid to the auditor for material additional services. The remuneration paid to the auditor in 2017 for both audit and other services is presented in Note 11 to the consolidated accounts. These details are also presented to the annual general meeting.