

# Corporate governance

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Bouvet ASA (Bouvet) is concerned to practise good corporate governance in order to strengthen confidence in the company and thereby contribute to the best possible long-term value creation with the lowest possible risk to the benefit of shareholders, employees and other stakeholders. Good corporate governance is intended to regulate the division of roles between shareholders, the board and the executive management more comprehensively than is required by legislation.

Bouvet is subject to formal requirements for reporting on its corporate governance. Pursuant to section 3, sub-section 3b of the Norwegian Accounting Act, the company is obliged to report on its principles for and practice of corporate governance. In addition, the Oslo Stock Exchange requires an annual report on the company's principles in compliance with the applicable Norwegian code of practice for corporate governance (the code) issued by the Norwegian Corporate Governance Board (NCGB).

This report applies for fiscal 2016, and is based on the disposition specified in the legislation as well as the main points in the code.

## Report on corporate governance pursuant to the Accounting Act and the disposition specified therein

1. The company complies with the Norwegian code of practice for corporate governance
2. The code can be found at [www.nues.no](http://www.nues.no)
3. The board has presented a report on corporate governance below, and possible deviations from the code are commented upon under each point
4. Chapter 10 of the report describes the main components of Bouvet's risk management and internal control in the financial reporting process
5. Bouvet has no provisions in its articles of association which extend or deviate from the provisions in chapter 5 of the Act on Public Limited Companies
6. The composition of the board, control committee and working committees of the board are presented in chapter 8. The main elements in their instructions and guidelines are described in chapters 8 and 9
7. Provisions in the articles of association which regulate the term of office of directors are described in chapter 8 of the report
8. Provisions in the articles of association and mandates which authorise the board to issue or buy back shares or primary capital certificates are described in chapter 3.

## 1. Implementation and reporting on corporate governance in Bouvet

### Compliance

The board of directors of Bouvet complies with the applicable code from the NCGB, published on 23 October 2012 with amendments of 21 December 2012, as well as with the revised code published on 20 October 2014. The board is responsible for implementing sound principles for corporate governance in the company. Bouvet provides an annual overall report of its principles for corporate governance and compliance with these in its annual report, and this information is also made available on the company's website at [www.bouvet.no](http://www.bouvet.no).

An annual review of the report on corporate governance is conducted by the board and the executive management, and the report for 2016 was adopted on 6 April 2017.

Confidence in the company's management and business is crucial for Bouvet's present and future competitiveness. The company practises open management, and thereby builds trust both in-house and externally.

Relations between owners and the company will be characterised by respect for the owners, good and timely information and equal treatment of shareholders.

### Base values, ethics and corporate social responsibility (CSR)

A general principle for Bouvet is that the company will behave in a trustworthy manner towards its employees, clients, government agencies and other stakeholders. Guidelines for Bouvet's CSR are available on the company's website.

## 2. The business

Bouvet delivers services related to communication, information technology and advisory. The company is a strategic

partner for a number of enterprises, and helps these to design, develop and administer digital solutions which create new business opportunities. Bouvet has a regional model where closeness to the clients is the key element. Long-term client relationships are forged through local expertise and entrenchment.

A detailed presentation of Bouvet's business is available on its website at [www.bouvet.no](http://www.bouvet.no).

### 3. Equity and dividends

#### Equity

Bouvet has experienced growth in turnover, and still has opportunities for further profitable expansion. To benefit from these opportunities, the group will maintain a solid equity and good liquidity.

Consolidated equity at 31 December 2016 was NOK 176.2 million, corresponding to an equity ratio of 32.9 per cent. Bouvet's goal is an equity ratio of just over 30 per cent. The board accordingly regards the group's capital structure as satisfactory.

#### Dividend policy

The Bouvet share will be a profitable investment for its owners through the increase in its value and the payment of dividend. As a contribution to ensuring good corporate governance, the board has resolved that the group's dividend policy will be to distribute a significant proportion of the previous year's net profit to the owners. When considering proposals for a dividend, the executive management and the board will take account of the following considerations:

- Bouvet will be a solid company with a book equity ratio in the order of 30 per cent
- Bouvet should have adequate reserve liquidity in the form of bank deposits or credit facilities.

Major investments will normally be funded through new financing in the form of debt, equity or a combination of these. However, the dividend payout ratio can be reduced if substantial investments are planned. Dividend can be lower than the goal if the retained profit can be profitably invested for the owners.

The board must explain the reasons for its proposed dividend payout to the general meeting.

#### Mandates to increase the share capital

In the board's view, mandates from the general meeting to increase the share capital should be limited to defined purposes and remain valid for up to a year. The general meeting should therefore consider board mandates to increase the share capital separately for each purpose, rather than awarding an umbrella mandate.

Bouvet held its annual general meeting on 12 May 2016. This awarded the board a mandate to increase the share capital of the company by up to NOK 1 million for financing the acquisition of other companies and businesses. In addition, the board has a mandate to increase the share capital by a maximum of NOK 200 000 in order to implement the share saving programme for group employees.

Both mandates run until 30 June 2017.

As a general rule, existing shareholders will have a pre-emptive right to the allocation of and subscription to significant share issues. Should the general rule be waived, the reason for doing so will be published in the stock exchange announcement issued in connection with the capital increase.

#### Mandate to purchase own shares

The board believes that mandates to purchase the company's own shares must remain valid for a period no longer than to the next annual general meeting.

A mandate was held by the board at 31 December 2016 to acquire up to 1 025 000 of the company's own shares to serve as full or partial settlement for the acquisition of businesses, to provide a holding of shares in hand for that purpose, and to implement the company's share saving programme for group employees. These transactions will be conducted through the stock exchange or in other ways at prevailing stock exchange prices, and such a way that the principle of the equal treatment of shareholders is observed. The mandate runs until 30 June 2017.

### 4. Equal treatment of shareholders and transactions with close associates

#### Equal treatment

Bouvet has a single share class, and each share carries one vote. Shareholders will be treated equally unless qualified grounds exist for an alternative approach. Efforts will be made to conduct possible transactions by the company in its own shares through the stock exchange or in other ways at prevailing stock exchange prices.

#### Transactions with close associates

Bouvet's routines specify that, in general, no transactions should be conducted between the group and its shareholders, directors, senior executives or their close associates. Should any of these have an interest in a transaction involving the group, the board must be informed and take up the matter for consideration if necessary. Unless the transaction is insignificant, the board will secure third-party assessments of the transaction and otherwise assure itself that no form of unfair treatment of shareholders, elected officers, employees or others is involved.

## 5. Freely negotiable shares

Bouvet's shares are freely negotiable, and the company's articles of association place no restrictions on transferability.

## 6. General meetings

The general meeting is the company's highest authority.

Bouvet will facilitate the participation of as many shareholders as possible at the general meeting, and ensure that it functions as an effective meeting place for the shareholders and the board so that the owners can exercise their rights.

Notice of the meeting and supporting documents will be issued in good time before the meeting is to take place, and posted to the company's website no later than 21 days in advance. All shareholders with a known address in the Norwegian Central Securities Depository (VPS) will receive the documents in the post at least 21 days before the general meeting takes place. Pursuant to article 6 of the articles of association, it is sufficient that related documents are made available on the company website. A shareholder may however demand to be sent supporting documents concerning matters that are to be considered at the General Meeting. Supporting documents shall include all necessary documentation so that the shareholders can decide on all matters to be discussed. The deadline for attendance registration is five working days prior to the meeting.

Shareholders unable to attend in person will be given an opportunity to vote by proxy. The company will provide information on the procedure for appointing a proxy or appoint a person who can act as proxy for the shareholder. A proxy form will also be prepared which makes it possible for the shareholder to specify how their proxy should vote on each item to be considered and over each candidate for election.

The board, the nomination committee and the auditor will attend the annual general meeting, together with representatives of the executive management. In addition, at least one director will attend all extraordinary general meetings.

The board determines the agenda for the general meeting. The main items on the agenda comply with the requirements of the Public Limited Companies Act as well as article 6 of the company's articles of association. As recommended by the code, each general meeting appoints a person to act as its independent chair. Minutes of general meetings are published on the company and Oslo Stock Exchange websites.

## 7. Nomination committee

Article 7 of the company's articles of association specifies that Bouvet will have a nomination committee. Instructions for the committee's work have been drawn up and adopted by the general meeting.

Pursuant to the articles of association, the committee will comprise three members elected for a two-year term.

The committee's job is to recommend candidates for election to the board and to make a recommendation on directors' fees. These recommendations should be justified, and include relevant information on the candidates and their independence. An overview of the nomination committee's members is available on the company's website.

## 8. Board of directors: composition and independence

### Composition of the board

Article 5 of the articles of association specifies that the board will consist of five to eight directors.

Bouvet's board of directors consisted at 31 December 2016 of five shareholder-elected directors, including two women and three men. The chief executive is not a director.

The shareholder-elected directors have long and varied experience from the energy, banking/ finance and public administration sectors, and have expertise in the fields of organisation, marketing, management and finance. An overview of the directors can be found on the company's website.

### Independence of the board

The composition of the board ensures that it can operate independently of special interests. All the shareholder-elected directors are regarded as independent of the executive management, substantial business contacts and the company's principal shareholders.

An overview of each director's shareholding in Bouvet is provided in note 23 to the annual financial statements for 2016.

Deviation from the code: Directors can be elected by law for up to four years, but the code recommends that their term of office does not last longer than two. Bouvet's articles of association do not regulate the process of electing and replacing directors.

## 9. The work of the board of directors

### Duties of the board

The board has overall responsibility for planning and execution of the group's strategy and activities, including its organisation, remuneration policy and risk management. The board also has overall responsibility for control and supervision. The duties and responsibilities of the board are dictated by applicable legislation, the parent company's articles of association, and mandates and instructions adopted by the general meeting.

These duties and responsibilities can be divided into two principal categories:

- Management of the company, pursuant to section 6, sub-section 12 of the Public Limited Companies Act
- Supervision, pursuant to section 6, sub-section 13 of the Public Limited Companies Act.

An annual plan has been approved by the board for its work. This focuses on the board's duties: to develop the group's strategy and monitor its implementation. In addition, the board will exercise supervision to ensure that the group meets its business goals and manages risk in a wise and satisfactory manner.

The board discusses all matters relating to the group's activities which are of significant importance or of a special character. A total of 10 board meetings were held in 2016.

### Instructions for the board

Pursuant to the Public Limited Companies Act, the division of the board's roles and duties is enshrined in a formal mandate which includes specific rules and guidelines for the board's work and decisions.

The chair is responsible for ensuring that the work of the board is conducted in an efficient and proper manner and in compliance with applicable legislation.

In addition to the chair, the board has an independent chair to lead the discussion on issues where the chair has a conflict of interest or is unable to attend.

### Instructions for the chief executive

The board is responsible for appointing the chief executive. The board also adopts instructions, authorities and terms for the chief executive.

### Financial reporting

Periodic reports which comment on the group's financial status are received by the board. Where interim reporting is concerned, the company observes the deadlines set by the Oslo Stock Exchange.

### Board sub-committees

The board has established two sub-committees, for audit and compensation respectively. Instructions have been adopted by the board for the work of these bodies.

### Audit committee

The audit committee is elected by and from among the directors for a period of two years or until its members cease to sit on the board. The committee has three members, including one shareholder-elected director and two worker directors, who possess the expertise required to exercise their duties. At least one of its members must be independent of the business and have accounting or auditing qualifications.

A list of committee members is available on the company website.

The committee's primary function is to conduct an independent check of the company's financial reporting, auditing, internal control and overall risk management.

The committee will:

- prepare the board's follow-up of the financial reporting process
- monitor the systems for internal control and risk management
- maintain on-going contact with the company's elected auditor concerning the auditing of the annual report
- assess and monitor the auditor's independence pursuant to chapter 4 of the Norwegian Auditing Act, and particularly the extent to which services other than auditing delivered by the auditor or the audit company represent a threat to that independence
- be consulted over the election of the auditor, with its statement appended to the recommendation, and will review its mandate and mode of working on an annual basis and recommend possible changes to the board.

The committee can initiate the investigations it finds necessary for discharging its duties, which includes obtaining external advice and support. The committee will not take decisions on behalf of the board, but will present its assessments and recommendations to the board.

The committee will meet as frequently as it finds necessary, but not less than four times a year. The committee determines for itself who is to attend meetings. Apart from the committee's members, the chief financial officer and a representative of the external auditor will normally attend.

The committee will have separate meetings at least once a year with a representative of the external auditor and the chief executive respectively.

### Compensation committee

Bouvet has established a compensation committee which comprises three directors and which is independent of the company's executive management. Members of the committee are appointed by the board for a period of two years or until they cease to be directors. A list of the committee's members is available on the company website.

This sub-committee is charged with assessing the content and principles of the group's pay and bonus system, and for preparatory work ahead of a discussion of these issues by the full board in cooperation with the chief executive. The sub-committee compares remuneration in Bouvet in part with other companies, and presents proposals to the full board on possible changes.

### Self-assessment by the board

The board evaluates its work and competence annually.

## 10. Risk management and internal control

The board and executive management of Bouvet place great emphasis on establishing and maintaining routines for risk management and internal control. An annual review of the most important risks affecting the business is conducted by the board, with special attention paid to the following aspects.

### Training and motivation of employees

Training and motivating employees is a key factor in Bouvet's business. It regards a high quality of work, openness and honesty in relations between individuals and the group as important principles. Systematic efforts are made to ensure that the workforce is professionally up-to-date and developing well. The group is committed to maintaining a good social environment. Another goal is that the working day will not last longer than is necessary for employees to have good leisure time. Bouvet conducts annual working environment (climate) surveys as part of its internal control.

### Work procedures, regulations, instructions and authority

In addition to the instructions enshrined in its contracts of employment, Bouvet has established in-house rules for employees and pays attention to training in and understanding of these regulations.

### Financial reporting

The Bouvet group has prepared internal guidelines for monthly, quarterly and annual financial reporting, including routines for internal control. The audit committee monitors the internal control systems, and the group's CFO attends audit committee meetings. Consolidated financial statements are presented in accordance with the applicable IAS/IFRS.

Financial results and key figures are presented to the board on a monthly basis together with the executive management's presentation of the group's position. The group does not use budgets, but prepares a business plan for the year as a whole. Deviations from the business plan, with the focus on central key figures, are reported to and considered by the board on a monthly basis. Forecasts for the development of profits and liquidity over the coming 12 months are prepared on a monthly basis and presented to the board.

All projects where the group has a delivery responsibility are reviewed and the remaining work re-estimated on a monthly basis in order to ensure correct accrual of the projects in the financial reporting.

### Client satisfaction

Regular surveys are conducted to secure information on client satisfaction.

### Projects

Bouvet invoices most of its projects on an on-going basis. But the group also delivers projects where a predefined result is to be supplied at a price which is fixed or contains elements

of fixed pricing. Variances may arise in such cases between the final income per hour and the calculated income per hour at start-up and during execution of the projects. A continuous assessment is made of risk associated with projects.

### Counterparty risk

Bouvet conducts an annual review of both clients and suppliers to identify counterparty risk. New clients are also subject to a thorough assessment to identify any risk they may present.

## 11. Remuneration of the board of directors

The general meeting determines directors' fees on the basis of proposals from the nomination committee.

Fees are fixed and independent of the results achieved. Information on all remuneration paid to directors is presented in note 23 to the annual financial statements. No options are awarded to directors.

## 12. Remuneration of the executive management

The board determines the chief executive's terms of employment and sets guidelines for the remuneration of other senior executives.

The main principle applied by Bouvet for determining the pay and other remuneration of the chief executive and other senior executives is that these persons will be offered competitive terms.

In addition, Bouvet will offer terms which encourage a commitment to and value creation for the group and its shareholders, and which strengthen the loyalty of senior employees to the business.

All Bouvet's incentive schemes are collective, and no programmes of this kind are reserved exclusively for the chief executive and other senior executives.

Bouvet's profit-sharing model comprises two components:

- profit-sharing at regional level for unit managers, sales staff and consultants
- profit-sharing at corporate level for personnel in shared administrative and staff functions.

Performance-based remuneration cannot exceed 50 per cent of ordinary annual pay.

The chief executive and other senior executives have three months notice, calculated from the end of the calendar month in which they resign/are dismissed. The chief executive has a 12-month pay guarantee in addition to the agreed

period of notice, subject to the reporting of all other income in the period to Bouvet for deduction from payments by the group. The right to this pay guarantee will be lost if the chief executive is dismissed on legitimate grounds pursuant to the regulations of the Working Environment Act.

Information on all benefits paid to the executive management is provided in note 23 to the annual accounts.

### 13. Information and communication

Bouvet takes the view that objective, detailed and frequent information to the market is essential for a correct valuation of the Bouvet share, and accordingly pursues a continuous dialogue with analysts and investors.

Information about important events in Bouvet as well as its periodic reporting of results are published in accordance with the guidelines to which the group is subject through its listing on the Oslo Stock Exchange.

Bouvet seeks continuously to publish all relevant information to the market in a timely, efficient and non-discriminatory manner. All stock exchange announcements are made available on the company and Oslo Stock Exchange websites.

The group will provide the same information to all shareholders at the same time. To the extent that analysts or shareholders contact it for further details, Bouvet and the board will ensure that only information which has already been made public is provided.

Bouvet's website is an important tool in its communication policy. All published information will be posted to this site, which will also be used to receive proposals to the nomination committee and other communications from shareholders.

The group holds quarterly open presentations. These provide an overview of operational and financial developments in the previous quarter as well as an overview of market prospects and the outlook for the business. These presentations are given by the chief executive. Interim reports and presentation materials are made available on the group's website.

The board determines the group's financial calendar, which specifies the dates for the publication of interim reports and the annual general meeting. This calendar is published by the end of December via the Oslo Stock Exchange's information system and on the Bouvet website.

### 14. Takeovers

In the event of a bid for the parent company's shares, the board and the executive management will ensure that all shareholders are treated equally and have access to sufficient information to be able to reach a decision on the offer. Unless otherwise instructed by the general meeting, the board will not deploy defensive mechanisms to prevent the implementation of the bid.

The board will provide shareholders with its view of the offer and, providing they have reached a decision on this, directors are duty-bound to inform shareholders whether they personally intend to accept the bid.

Should the board find that it is unable to recommend whether the shareholders should accept the bid, it will explain the reasons why such a recommendation cannot be given. An explanation must be provided if the board's decision is not unanimous.

The board will consider whether an assessment should be obtained from an independent expert.

### 15. Auditor

Bouvet is audited by Ernst & Young AS.

The group does not use the auditor as a consultant unless this has been approved in advance by the board or its chair. A plan for their work is submitted annually by the external auditor to the board, and this plan will specify planned services other than auditing.

The auditor attends the board meeting which deals with the annual accounts. During this meeting, the auditor will review the audits performed, possible changes to the company's auditing principles, assessments of significant accounting estimates, assessment of the company's internal controls and all cases where disagreement has arisen between the auditor and the executive management.

At least once a year, the auditor will conduct a review with the audit committee of the company's internal control system and possible weaknesses, with suggestions of improvement. In addition, the board and the auditor will hold at least one meeting a year without the chief executive or other executive personnel being present.

The auditor's fee will be presented to the chair of the audit committee, who evaluates it and makes a recommendation to the general meeting. Information on the auditor's fee is provided in note 23 to the annual financial statements.