

# **CORPORATE GOVERNANCE POLICY**

ABG Sundal Collier Group

5 June 2019



## 1 Background

This policy applies to all legal entities directly or indirectly controlled by ABG Sundal Collier Holding ASA (“ABGSCH”), collectively referred to as “ABGSC” or the “Group”.

Corporate governance is about establishing a sound platform to govern ABGSCH and its subsidiaries. ABGSC undertakes its business in a number of geographical markets and has adopted a combination of local and international practices for good corporate governance.

ABGSC is committed to the Norwegian code of practice for Corporate Governance, as issued by the Norwegian Corporate Governance Board (the “Code”). This policy statement explains ABGSC’s adherence to those recommendations.

## 2 Business activities

ABGSC conducts business relevant for an investment bank. This includes, but is not limited to, corporate advisory, corporate financing and investment research, brokerage services and securities trading.

## 3 Legal structure and organisation

ABGSC consists of a group of companies with ABGSCH being the ultimate parent holding company. The shares of ABGSCH are listed on the Oslo Stock Exchange.

ABG Sundal Collier ASA (“ABGASA”) is the main operative parent company within the Group and is 100% controlled by ABGSCH.

## 4 Capitalisation

ABGASA is regulated by The Financial Supervisory Authority of Norway (Finanstilsynet) and is subject to capital adequacy rules, as laid down in the regulations covering the financial sector in Norway.

ABGSC’s business model requires a relatively modest capital base. Due to volatile markets and other risk factors important to the Group, the Board may find it appropriate to maintain a stronger capitalisation than required by the regulatory authorities. The Board is committed to return excess capital to shareholders through stable cash distribution and share buy-backs over time. Excess capital will be evaluated on a continuous basis, taking into consideration, among other market conditions, regulatory requirements, counterparty and market perceptions, as well as the Group risk profile.

## 5 Shares

### 5.1 Share classes

ABGSCH has one class of share. All shares have equal voting rights and all shares have the same rights to dividends.

### 5.2 Stock exchange listing

ABGSCH is listed on the Oslo Stock Exchange under the ticker “ASC”.

### 5.3 Partner shares

Certain members of ABGSC are equity partners (“Partners”) holding shares in ABGSCH. The Partners have entered into a Partnership Agreement (“PSA”) regulating the conditions of the partnership. The agreement places severe restrictions on a Partner’s ability to buy and sell shares in ABGSCH. The PSA further states that a portion of the shares held by a Partner (“Partner Shares”) can be repurchased by the firm at a price the firm decides in cases where the partner acts in breach of the PSA. In recognition of the economic impact of the restrictions on the share value, offerings of shares to Partners are conducted at a 15% discount to the at-the-time market price for freely traded shares.

The Partner Shares restrictions are seen as an important part of the enforcement of each Partner's obligations under the PSA and are deemed to be in the best interest of all Partners and shareholders.

#### **5.4 Freely negotiable shares**

ABGSCH does not have any restrictions on the trading of its shares in the Articles of Association. The trading in shares owned by Partners of the firm is restricted by the terms of the Partnership Agreement as described in Section 5.3.

#### **5.5 Related parties transactions**

If ABGSC should enter into a material transaction with shareholders, members of the Board of Directors or Executive Management, the Board of Directors will require an independent fairness opinion as to the value assigned to the transaction/agreement. Internal guidelines require special approval for any transactions where the members of the Board or Executive Management might have conflicting interests with the Group.

#### **5.6 Takeovers**

The Board will in the event of a take-over bid act in agreement with the Code and Norwegian law. The principles emphasise the importance of equal treatment of existing shareholders. They further warrant that the Board will ensure sufficient information in time and content for the shareholders to assess a possible bid, including issuing a statement to the shareholders with the Board's assessment of such bid, together with a valuation prepared by an independent expert. A sale of a significant part of the company will require approval by the General Meeting. The Board will not without decision by the general meeting attempt to hinder a takeover bid for the company.

The Partnership Agreement as described in section 5.3 sets out a requirement for joint voting by Partners in the event of a proposed merger or takeover.

### **6 Annual General Meeting**

The Annual General Meeting ("AGM") provides shareholders with an opportunity to participate in the Group's governance and by voting, can approve or reject changes in the Articles of Association, elect Board and Nomination Committee members and approve Board authorisations.

All proposals to be dealt with at the AGM shall be submitted to shareholders at least three weeks prior to the meeting. The proposals will be published on the Oslo Stock Exchange contemporaneously.

Persons wishing to participate in the AGM are required to register with the Group, at the latest by the end of business the day before the AGM is held. It is possible to attend by proxy, either to the Chairman, to the Chief Executive Officer (CEO) or to any other representative that the individual shareholder chooses.

As a general rule, the Chairman of the Board, the CEO, a member of the Nomination committee and the auditor shall be present at the AGM. Other Board and Board Committee members shall be present when required.

The Group CEO represents the owner of the subsidiaries of the Group at the AGMs.

### **7 Nomination Committee**

ABGSCH has a Nomination Committee elected by the AGM. The Committee consists of three members who are elected for a term of one year. The Committee members and the Chairman are elected by the AGM.

The Nomination Committee shall propose members of the Board to be elected by the AGM. The Committee shall identify and nominate candidates suitable for the position as Board members. As a part of its evaluation, the Nomination Committee is required to consider issues relating to ownership representation on the Board as well as issues relating to relevant experience, possible conflicts of interest and availability of time in connection with the work as a Board member, as well as the legal requirements relating to nationality, gender and approval by supervisory authorities.

The Committee shall also propose the remuneration for Board members and participation for Board sub-committee participation to be approved by the AGM.

The Nomination Committee shall also propose members and remuneration to the Nomination Committee itself.

## **8 Board of Directors**

### **8.1 Composition**

The Articles of Association stipulate that the Board shall consist of four to eight members. The current Board has five members and shall, in adherence with Norwegian law, have a representation of at least two members of each gender. The majority of the Board's members shall be independent of management and significant business counterparties of the Group. At least two of the Board's members shall be independent of the main owners. The Board members are elected for a term of one year.

The Partners of the Group have a significant shareholding in ABGSCH. Consequently, ABGSC considers it is in its best interest to have a Partner representative on the Board. In order to avoid any possible conflicts of interest, the Board will use separate committees to consider certain matters when deemed necessary.

The Group CEO is not a member of the Board in ABGSCH.

### **8.2 Organisation**

The Board has the ultimate responsibility for the management of the Group. Through the CEO, the Board shall ensure an adequate organisation of business activities and that the Board is regularly updated on ABGSC's financial performance as well as its business activities. The Board shall ensure that the activities of the Group are subject to adequate control and under prudent risk management.

The Board has approved a set of Board instructions governing its responsibilities and relevant administrative procedures. The Board shall produce an annual Agenda as part of its forward planning. The Agenda includes dates for Board meetings and the main topics to be covered in each meeting.

The Board meetings are led by the Chairman of the Board. The Board has elected a deputy Chairman to serve as Chairman in situations where the Chairman is absent or prevented from participating in a Board discussion.

ABGSCH and ABGASA hold joint Board meetings. The Board of Directors of ABGSCH is responsible for nominating the Board members of ABGASA.

The Board has implemented a bi-annual self-assessment procedure including an evaluation of its own activity and competence. The outcome of the self-assessment shall be distributed to the Nomination Committee.

### **8.3 Sub-committees**

#### *Risk committee*

The Board collectively constitutes the Risk Committee. Risk related items shall be addressed and discussed on a regular basis as part of Board meetings. The Risk Committee shall advise the Executive Management on the institution's overall current and future risk appetite and strategy and assist the Executive Management in overseeing the implementation of that strategy. The Executive Management shall retain overall responsibility for risks.

#### *Compensation committee*

The Board has established a Compensation Committee and has also approved a set of instructions covering the work of such a committee. The committee shall be independent of the Group management. The Compensation Committee shall evaluate the performance of the CEO and senior management as well as propose the remuneration for the CEO to the Board. The committee shall also advise the CEO upon issues

relating to the remuneration of members of senior management and on overall staff remuneration issues in general.

#### *Audit committee*

The Board has established an Audit Committee and has also approved a set of instructions covering the work of such a committee. The Audit Committee shall be independent of the Group's management.

The primary task of the Audit Committee is to oversee the operational risks related to the accounting process and the preparation and quality of external financial reporting. The Audit Committee meets regularly and reviews quarterly and annual reports prior to these reports being presented to the Board. In connection with these reviews, the Audit Committee has discussions with the CFO and the external auditor.

### **8.4 Remuneration**

The remuneration of the members of the Board is proposed by the Nomination Committee and decided by the AGM. The remuneration of the Board members is not linked to the Group's performance and the Board members do not have any share options for the ASC share.

The Chairman's remuneration is higher than that of the other Board members. Board members receive additional compensation for serving in the respective committees. Partners of the Group who also serve as members of the Board do not receive any separate compensation as a Board member, but do receive remuneration in their capacity as a partner of the Group.

Members of the Board may receive additional remuneration if they take on assignments or other duties for the Group that do not form a natural part of the responsibilities of a Board member. Any such assignments need to be approved by the Board in advance of the work being undertaken. The agreement shall be in accordance with normal commercial terms in respect of payment and other obligations. Details of any such corresponding remuneration will be set out in the notes to the financial accounts.

### **8.5 Conflict of interest**

Board members of the Group may hold Board positions with other listed companies in which ABGSC may trade shares, either for customers or on its own behalf, or conduct other forms of business. The Board Instructions prevent any Board member from engaging in any Board discussions relating to a business relationship with another company in which he or she has a material interest.

## **9 Executive Management**

### **9.1 Executive Committee**

The Executive Committee is the formal management body of ABGSC. The Executive Committee is headed by the CEO and consists of the CFO and a defined set of other senior managers representing the most important business areas of the Group. The Executive Committee shall meet on a weekly basis. The Global Head of Compliance is not a formal member of the Executive Committee, but shall have the right to attend all meetings.

### **9.2 Remuneration**

Remuneration in ABGSC comprises base salary, benefits, discretionary variable compensation and equity-based compensation. The total remuneration shall be competitive and market based as well as supporting the Group's and the Employer Entity's business strategy, goals, long-term interests and vision. ABGSC's views and general guidelines in relation to remuneration are described in the Corporate Remuneration Policy.

The principles for the remuneration policy for top management are presented to the AGM and the shareholders can participate in an advisory vote at the AGM in relation to the policy.

The remuneration to the Executive Committee is primarily based on the same principles for remuneration that are applied for all partners of the Group. All members of the Executive committee are subject to regulatory restrictions including payment deferral and claw-back mechanisms, and a variable to fixed remuneration cap.

The principles for allocation of the variable compensation are decided by the Board after recommendations from the Compensation Committee. The compensation of the CEO is proposed by the Compensation Committee and approved by the Board. The allocation to the other individual members of the Executive Committee is decided by the CEO after taking advice from the Compensation Committee.

## **10 Compliance**

The Group has a separate Compliance and Risk Control team. The team is led by the Global Head of Compliance and is organised as an independent control function separated from the business areas and with established dual reporting lines to the CEO and the Chairman of the Board. The objectives of the function are to support and advise senior management in its work with internal steering and control and to ensure compliance with applicable securities laws and other relevant regulations for conducting the business, to advise senior management in its work with risk assessment, management and control of risks in the business, report and ensure that procedures, limits and guidelines are adhered to.

The team shall issue compliance and risk control reports to each Board meeting.

## **11 Risk Management and Risk Control**

ABGSC faces a variety of risks and the daily operation of the Group involves taking intelligent risks in different forms. The Board shall supervise the risks incurred by the firm, either directly or through delegation to the appropriate levels in the organisation, and define risk mandates for each relevant business area. The Board is responsible for approving a set of risk management and risk control procedures defining ABGSC risk approach and treatment. The purpose is not to eliminate risks, but to control them and keep them within the limits set in the various set of risk mandates that cover risk positions.

The Executive Committee is responsible for providing risk recommendations to the Board and for implementing the approved risk procedures throughout the Group.

There are three lines of defence in ABGSC: 1) Operational Management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis; 2) the Risk Management function shall manage the market and credit risks within the Board approved limits throughout the Group and the Risk Control function shall ensure that risks are properly identified, evaluated, monitored and reported; and 3) the Internal Audit function.

ABGSC is primarily exposed to three types of risk; 1) Credit risk; 2) Market risk; and 3) Operational risk.

### **11.1 Credit Risk**

The Executive Committee together with the Global Head of Compliance acts as the credit committee of the firm, approving policies and limits for client financing, cash collateral and the pledging of shares. Changes in collateral value are followed daily and adjustments are made through either reduced exposure or additional collateral. Regular stock broking transactions are settled on a delivery versus payment basis such that the credit risk is minimised to the difference between the unsettled amount and market value of the shares. Credit limits above NOK 100 million requires Board approval.

### **11.2 Market Risk**

As a part of ABGSC's trading operation, the firm takes on financial risk relating to positions in financial instruments. All trading operations are kept within pre-defined limits and any breach of such limits is reported to the Board.

### 11.3 Operational Risk

While position risk-taking is an integral part of ABGSC's core business activities, ABGSC is also exposed to a variety of risks in the course of conducting the daily operations of a global investment bank. The main risk is operational risk from inadequate or failed internal processes, people and systems, or from external events. The responsibility and accountability for these risks remain with the managers at all levels to implement robust and functional control procedures in each organisational unit, and monitor and report the effective results of control procedures put in place.

### 12 Internal audit

The Board has established an internal audit function and has engaged a well reputed external firm to perform the internal audit. The internal audit's annual work plan shall be approved by the Board and a summary of findings and recommendations is presented to the Board on a regular basis. In addition, the Board meets annually with the external auditor to discuss the annual accounts as well as internal control issues related to external financial reporting.

### 13 Auditor

The external auditor shall be independent and is responsible for auditing the financial statements of ABGSC and expressing an opinion on these statements based on the audit.

The auditor shall present the annual audit plan to the Audit Committee and to the Board. The auditor shall also attend the Audit Committee meetings in conjunction with relevant items on the agenda and participate in the Board meeting at which the annual financial statements are approved. At such a meeting the auditor shall review material changes in the Group's accounting policies, assess material accounting assumptions and any other material matters on which the external auditor and management may disagree, and identify weaknesses in and suggest improvements to ABGSC's internal controls.

Both the Board and the Audit Committee hold meetings with the external auditor without members of the management present.

Norwegian laws and regulations define which services the external auditor can render in addition to audit services. Fees to the external auditor for audit and other services are disclosed in the notes to the annual financial statements.

### 14 Anti-corruption and Anti-bribery Policy

Whomever ABGSC may deal with, and wherever ABGSC may operate, ABGSC is committed to doing so lawfully, ethically and with integrity. As part of this commitment, all forms of bribery and corruption are unacceptable (zero tolerance approach). Corruption prevents economic development, distorts competition and undermines both the rule of law and the democratic process. Local and international law applicable to ABGSC business activities around the world prohibit ABGSC and its partners and employees from engaging in corruption, such as the bribery of public and/or private sector officials. Extraterritorial application of several anti-corruption regimes implies that it is not sufficient to observe local law when dealing abroad.

The zero tolerance approach of bribery and corruption also requires ABGSC to take all steps reasonable under the circumstances to ensure that ABGSC's independent business partners, including suppliers, agents, consultants and subcontractors, do not engage in corruption or other illegal or unethical activities in relation to their business with ABGSC.

All partners and employees shall know that engaging in any form of corrupt activity may cause great damage to ABGSC. Absolute compliance with this policy is required by all partners and employees at all times, including temporary workers and trainees. No partner or employee may authorize anyone to deviate from this policy.

Failure to comply with this policy, whether or not this is intentional, may lead to disciplinary action (including dismissal), and criminal liability for the individual involved (including imprisonment).

The Board shall approve documented procedures to explain the basic legal and ethical requirements that ABGSC staff shall follow to avoid corrupt practices throughout their business activities. The Executive Management is responsible for designing and ensuring the implementation of the procedures.

## **15 Whistleblowing Policy**

ABGSC views whistleblowing protection to be fundamental to the firm's professional integrity and reinforces the value the firm places on staff to be honest and respected members of their individual professions. It provides a method of properly addressing bona fide concerns that individuals within the firm might have, while also offering a whistleblower protection from victimisation, harassment or disciplinary proceedings.

The Board shall approve documented procedures to cover situations where an individual raises a concern about a risk, malpractice or wrongdoing that affects others such as clients, suppliers, other staff, partners, the firm or the public interest. The Executive Management is responsible for designing and ensuring the implementation of these procedures.

## **16 Information and Communication**

ABGSC shall adhere to the information dissemination requirements as laid down by the Oslo Stock Exchange. All regular information in the form of interim or annual financial statements is made on pre-announced dates and the material used is available on the ABGSC website [www.abgsc.com](http://www.abgsc.com).

Due to the confidential nature of ABGSC's business, the number of persons who are entitled to speak on behalf of the Group is restricted.

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*The Corporate Governance Policy was approved by the Board of ABG Sundal Collier Holding ASA on 5 June 2019 and will apply until the Board decides otherwise.*