

# **CORPORATE GOVERNANCE REPORT**

## **1. Implementation and reporting on corporate governance**

This corporate governance report was prepared by the Board of Directors of Fjordkraft Holding ASA (“Fjordkraft” or the “Company”). The report is designed to cover all sections of the Norwegian Code of Practice for Corporate Governance (the “Code of Practice”). The Code of Practice is available from the Norwegian Corporate Governance Board’s website [www.nues.no](http://www.nues.no). The Code of Practice is unchanged from 2019.

The corporate governance report follows the Code of Practice. The Company’s business is described in chapter two. Chapter three contains descriptions of equity and dividends. Chapter four contains descriptions of the equal treatment of shareholders and transactions with close associates. Furthermore shares and negotiability (chapter five), General Meetings (chapter six), the nomination committee (chapter seven), the composition and independence of the corporate assembly and Board of Directors (chapter eight) and the work of the Board of Directors (chapter nine) are also described. Risk management and internal controls are described in chapter ten, followed by a description of the remuneration of the Board of Directors (chapter eleven) and executive personnel (chapter twelve). Finally there are descriptions of information and communication (chapter thirteen), take-overs (chapter fourteen) and the auditor (chapter fifteen). Only minor changes have been made to the descriptions since the 2019 report. Except for a minor deviation in chapter six, there are no deviations from the Code of Practice.

The Board is aware of its responsibility to ensure that the Company conducts its business in accordance with the applicable principles for good corporate governance. It is also responsible for the implementation of internal procedures and regulations aimed at ensuring that the Company and its subsidiaries (collectively referred to as the “Group”) comply with the Code of Practice.

## **2. Business**

The Company’s business, as defined in its articles of association, is the sale of electricity and other forms of energy in the retail market, in addition to other related business, including participation in other companies. The articles are available on [investor.fjordkraft.no](http://investor.fjordkraft.no). Fjordkraft Holding ASA is a public limited liability company organised under Norwegian law and subject to the provisions of the Norwegian Public Limited Liability Companies Act.

Our purpose is to create the most attractive electricity retailer in the Nordics. Based on our core values “make it easier”, “be friendly”, and “create value”, our goal is for Fjordkraft to deliver electricity to the power outlets of 3 million people, both at home and at work.

Fjordkraft aims to create long-term value for its shareholders through revenue from the sale of electricity and other services in both the private consumer and the business consumer markets.

In order to achieve this goal, we have based our strategy on the following:

- Profitable growth
- Product innovation
- Digitalisation and automation
- A strong brand
- Customer satisfaction
- Operational excellence
- Cost leadership

The Board of Fjordkraft conducts an annual evaluation of the Company's current strategy and goals and adopts a strategy plan for the coming period. Risk is an integral part of the strategy process, and attitudes and limits are defined for each individual category of risk factor. Half-yearly risk reports are produced for the Audit Committee.

Fjordkraft has a clear code of conduct that defines what we consider acceptable and unacceptable behaviour, both internally and externally, for all our employees, board members, contracted personnel, consultants, agents and others who act on behalf of Fjordkraft. The code of conduct is updated regularly and approved by the Board of Fjordkraft on an annual basis. The Company also has guidelines for whistle-blowing that define how our employees should report situations that breach our code of conduct, the law, or generally accepted ethical norms.

The Company has been climate neutral since 2007. The Company has made a commitment to remain climate neutral to the UN's climate programme *Climate Neutral Now*. All of the Company's contractual partners have to sign a letter of intent regarding becoming climate neutral. If they fail to do so, Fjordkraft will use its market power to find alternative partners. Our goal is to create a market where climate neutrality is not only the ideal, but the new standard.

*Deviations from the Code of Practice: None*

### 3. Equity and dividends

#### Shareholders' equity

At the General meeting in 2019, the Board was granted the following authorities:

- The authority to increase the Company's share capital by up to NOK 3,134,887 by issuing up to 10,449,622 new shares with a nominal value of NOK 0.30 per share. The capital can only be used for the Company's M&A activities. The authority has not been executed.
- The authority to purchase shares in the Company up to a total nominal value for the shares of NOK 313,489 by issuing a maximum of 1,044,962 new shares each per nominal value of NOK 0.30. The authority can only be used to purchase shares for use in the Company's share option programme. There has been an issuance of 76,000 new shares related to the authority.

At the General Meeting in 2020, the Board was granted the following authorities:

- The authority to increase the Company's share capital by up to NOK 3,137,166 through issuance of a maximum of 10,457,222 new shares each per nominal value of NOK 0.30. The authority can be used to issue shares in connection with potential mergers and acquisitions. The authority covers capital increases in other assets than cash. The authority also covers the right to incur special obligations for the Company, ref. § 10-2 of the Public Limited Companies Act. Subject to the aggregated amount limitation the authority may be used in more than one occasion. The pre-emptive rights of the shareholders under § 10-4 of the Public Limited Companies Act may be set aside. The authority also comprises changes in the articles of association as the share increase will require. The authority will remain valid until the General Meeting in 2021, however it will expire no later than 30 June 2021. As per 31 December 2020 there has been an issuance of 9,695,584 new shares.
- The authority to increase the Company's share capital by a maximum of NOK 313,717 through issuance of a maximum of 1,045,722 new shares each per nominal value of NOK 0.30. The authority can only be used related to the Company's share option programme. Subject to the aggregated amount limitation the authority may be used more than one occasion. The pre-emptive rights of the shareholders under § 10-4 of the Public Limited Companies Act may be set aside. The authority also comprises changes in the articles of association as the share increase will require. The authority will remain valid until the

General Meeting in 2021, however it will expire no later than 30 June 2021. As per 31 December 2020 there has been an issuance of 14,000 new shares related to the authority.

- The authority to acquire shares in the Company, on one or several occasions, up to a total nominal share value of NOK 313,717. The authority may only be used in connection with the Company's bonus programme, in connection with acquisitions, mergers, de-mergers or other transfers of business, or for the purpose of subsequent deletion of shares by reduction of the registered share capital with the General Meetings resolution. The lowest and the highest price that can be paid for the shares according to authorisation are respectively NOK 0.3 and NOK 300 per share. The Board will decide at their own discretion how the shares are acquired or disposed of. The authorisation shall be valid until the Company's ordinary General Meeting in 2021, though no longer than until 30 June 2021. As per 31 December 2020 the authority has not been executed.

### **Capital structure**

As at 31 December 2020, the Company's total non-current assets amounted to NOK 2,688 million and total current assets to NOK 2,442 million. The Company's total non-current liabilities amounted to NOK 1,136 million, total current liabilities to NOK 2,049 million and shareholders' equity to NOK 1,944 million. The management and the Board regularly evaluate whether the Group's capital structure is appropriate for its objectives, strategy and risk profile. The Board considers this to be satisfactory in relation to its expressed goals, strategy and risk profile.

### **Dividend policy**

Fjordkraft's initial target ambition is to distribute minimum 80% of its net income, adjusted for certain cash and non-cash items. In determining the annual dividend level, the Board of Directors will take into consideration, among other things, the expected cash flow, capital expenditure plans, covenant restrictions in its financial loan agreements, financing requirements (including for any mergers and acquisitions activity) and appropriate financial flexibility. There can be no assurance that a dividend will be proposed or declared in any given year. If a dividend is proposed or declared, there can be no assurance that the dividend amount will be as contemplated above.

*Deviations from the Code of Practice: None*

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

Fjordkraft has only one class of shares, and each share represents one vote at the General Meeting. Existing shareholders have priority rights to subscribe to shares in the event of a share capital increase.

Any purchase or sale by the Company of its own shares is carried out through the Oslo Stock Exchange or at prices quoted on the Oslo Stock Exchange.

Any transaction between the Company and a close associate will be at arm's length. In the event of a material transaction between the Company and a shareholder, parent company of a shareholder, board member, executive management personnel or any close associates of the aforementioned, which does not form part of the ordinary course of business, the Board will arrange for a third party valuation of the transaction.

*Deviations from the Code of Practice: None*

#### **5. Shares and negotiability**

The Company's shares are listed on the Oslo Stock Exchange. All shares in the Company have equal rights and may be traded freely.

Fjordkraft's articles of association do not contain any restrictions on the negotiability of its shares.

*Deviations from the Code of Practice: None*

#### **6. General Meetings**

Fjordkraft Holding ASA was listed on the stock exchange on 21 March 2018. In 2020 the Board has held twelve meetings and in addition five meetings by e-mail circulation of documents. The Company's annual General Meeting took place on 22 April 2020. In addition the Board has held a seminar devoted to strategy.

The General Meeting serves as a democratic and effective body for the views of the shareholders and the Board. Fjordkraft encourages all its shareholders to attend General Meetings.

The Board has taken the following steps to facilitate this:

- A notice calling the Meeting with comprehensive supplementary information on the resolutions to be considered at the General Meeting, including the recommendations of the Nomination Committee, was made available on Fjordkraft's website at least 21 days prior to the date of the General Meeting.

- All shareholders who are registered in the Norwegian Central Securities Depository (VPS) will receive notification of the General Meeting. This includes information on how to vote by proxy and the deadline for registering their intention to attend the General Meeting.
- The registration deadline for attendance by a shareholder has been set as close to the date of the General Meeting as possible.
- Shareholders who are unable to attend the General Meeting in person may vote by proxy.

The annual General Meeting approves the annual financial statements and annual report, the Board of Director's report and any dividend proposed by the Board. The annual General Meeting also approves the remuneration of members of the Board and the Nomination Committee, as well as the external auditor. The meeting agenda may also include authorisation to purchase own shares, increase the share capital, elect members of the Board, the Nomination Committee or the external auditor, and any other matters listed in the notice of the General Meeting.

Minutes from annual General Meetings will be made available on Fjordkraft's website immediately after the General Meeting.

All shares have equal voting rights at General Meetings. Resolutions at General Meetings are normally passed by simple majority (more than 50 per cent). However, Norwegian law requires a qualified majority for certain resolutions, including resolutions to waive preferential rights in connection with any share issue, approvals of mergers or demergers, amendments to the articles of association, or authorities to increase or reduce the share capital. Such matters require the approval of at least two-thirds of the share capital represented at the General Meeting.

Link to the articles of association:

<https://investor.fjordkraft.no/en/board-of-directors-and-corporate-governance/articles-of-associations/>

*Deviations from the Code of Practice: The Code of Practice recommends that the Board and chairman of the Nomination Committee be present at General Meetings. Fjordkraft has not deemed it necessary to require all board members to be present at General Meetings. The Chairman of the Board, the Company's external auditor, the chairman of the Nomination Committee, the CEO and other members of management are always present at General Meetings.*

## **7. Nomination committee**

Pursuant to the articles of association, the Company shall have a Nomination Committee that shall consist of at least three members, where the majority of the members are independent of the Board of Directors and the Company's executive management. The current members of the Nomination Committee are Lisbeth Nærø (Chairman), Jannicke Hilland and Atle Kvamme.

The annual General Meeting elects the members of the Nomination Committee. The members of the Nomination Committee are normally elected for a term of two years.

The Nomination Committee submits its recommendations to the annual General Meeting for the election of board members and the Board's remuneration.

The General Meeting has stipulated guidelines for the duties of the Nomination Committee, which are available from Fjordkraft's website.

All shareholders are entitled to propose candidates for the Board and the Nomination Committee through the Company's website.

*Deviations from the Code of Practice: None*

## **8. Corporate assembly and Board of Directors: composition and independence**

### *Corporate assembly*

As of today Fjordkraft has no corporate assembly. An agreement has been reached between the Company and a majority of the employees that the Company will not have a corporate assembly in accordance with the Section 6-35(2) of the Public Limited Liability Companies.

### *Composition of the Board*

The Board consists of eight members, of whom five are elected by the General Meeting and three are representatives of the employees. More than the minimum required two board members elected by the shareholders are independent of the Company's largest shareholders. Board members can be elected for a period of two years.

The Board must at all times represent sufficient diversity in terms of background, competence and expertise to ensure that it can satisfactorily perform its duties. Fjordkraft's Board will always consist of at least 40 per cent women. Value creation for the shareholders of the Company will always be the Board's highest priority, both financially and reputationally speaking.

### *Independence of the Board*

Operating as a collegiate body to promote value creation in the interests of the various stakeholders is key. The Board shall represent all stakeholders and not promote individual interests at the cost of the Company or any of its affiliates. Hence, the majority of the members elected to the Board are independent of the Company's executive management and its main business connections. Four of the members elected to the Board by the General Meeting are independent of the Company's major shareholders. None of the Company's executive management are members of the Board. This is intended to ensure that the interests of the shareholders are always properly represented. Once a board member has been in office for a certain period, an assessment will be made of whether the person can still be regarded as independent of the executive management or not.

The General Meeting elects the Chairman of the Board.

Fjordkraft encourages board members to hold shares in the Company to create a commonality of financial interest between themselves and the shareholders. The shares held by board members in 2019-2020 are listed in the notes to the financial statements in the Annual Report 2020.

Board members, including their CVs, are presented in this Annual Report and on the website: <https://investor.fjordkraft.no>. The Board is of the opinion that it has sufficient expertise and capacity to perform its duties in a satisfactory manner.

*Deviations from the Code of Practice: None*

## **9. The work of the Board of Directors**

The Board is responsible of determining the instructions for their work and instructions for the executive management. The internal division of responsibilities and duties must always be clear. Instructions have been drawn up for the Board's work and these have been approved by the Board. The Board is responsible for supervising the day-to-day management and activities in general. They must also delegate authority and nominate board committees when this is seen as expedient and more efficient. The Board is responsible for ensuring that the Group's activities are soundly organised and for approving all plans and budgets for the activities of the Group.

All Board members elected by the General Meeting have participated in all Board meetings in 2020. One of the representatives of the employees gave notice of absence at one meeting in 2020.

Fjordkraft has prepared guidelines ensuring that board members and executive management personnel notify the Board in the event that they, directly or indirectly, have a significant interest in any agreement entered into by the Company.

In the event of a matter that is material in nature and in which the Chairman of the Board is, or has been, personally involved, the consideration of this matter is chaired by another board member to ensure impartiality in the decision-making process.

In accordance with the Norwegian Public Companies Act the Board has appointed an Audit Committee. More information about this can be found in Section 15 - Auditor. The majority of the members of this committee shall be independent.

The Board has established a Remuneration Committee. The committee prepare items for consideration by the Board and its authority is limited to making such recommendations.

The Board evaluates its own performance on annual basis and assures itself that its mix of board members possesses the competence and expertise necessary to govern the Company in a professional and appropriate matter. Details of any board committees appointed and/or newly appointed board members is presented in the annual report. No board committees were appointed during the year to consider particular matters other than the Audit Committee and Remuneration Committee.

*Deviations from the Code of Practice: None*

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

It is the Board's responsibility to ensure that the Company practises proper internal control and has systems for risk management that are appropriate in relation to Fjordkraft's activities. The Board must annually review and approve the risk management and internal control guidelines through its approval of the instructions for risk management and internal control.

The Board has delegated responsibility for monitoring and following up current risk exposure to the executive management. The CEO is responsible for ensuring compliance with the instructions given in this document. The CEO is also responsible for carrying out risk assessments from a business perspective.

The Company's CFO bears executive responsibility for the management and follow-up of the Company's risk management and internal control.

Fjordkraft has established a three-line defence system. This comprises the first line, second line and third line.

- The first line consists of line managers who are risk owners. Division and staff managers own the risk in their division/staff and are responsible for risk assessment and measures being taken in their division/staff. It is the risk owner's responsibility to ensure adequate risk management and internal control within his or her area of responsibility.
- The second line consists of roles that have professional and methodological responsibility, but no responsibility for any profits. The Company's second line is responsible for facilitating and reporting the Company's processes for risk management and internal control. The risk management function is part of the second line and consists of the Risk Manager, Finance Manager, Head of Security and Head of Power Trading.
- The third line consists of the internal audit function which reports directly to the Board's Audit Committee and performs control of both the first and second line. Two or three internal audits are conducted each year based on the internal audit plan.

The instructions for risk management and internal control define the main principles for Fjordkraft's comprehensive risk management and internal control and apply to all parts of the business and all risk categories, including strategic, market, liquidity, credit and operational risk. Risks related to information security, climate, compliance and corruption and fraud are part of operational risk.

The purpose of the instructions is to develop and maintain a framework for overall risk management, to set principles for risk reporting in the business, to create predictability about measures taken to deal with risk, and to ensure an appropriate and effective internal control system. The framework shall ensure uniform processes for identifying, measuring, managing and reporting significant risks. The instructions shall describe the limits for the different risks that Fjordkraft can and will assume to achieve its goals, and what roles the various functions have in relation to risk management. Furthermore, the instructions shall contribute to ensuring that adequate internal control has been established.

Fjordkraft shall focus on building a strong risk and internal control culture where employees are aware of their responsibility to ensure good risk management and internal control. As a result, internal control shall primarily be targeted at areas where risks are identified. For the same reason,

the follow-up of key employees' compliance with the Company's code of conduct will involve self-declarations rather than regular audits.

#### *Guidelines for risk management and internal control*

ISO31000 provides the basis for Fjordkraft's framework for risk management. This means that risk is to be understood as "the impact of uncertainty related to goals". Generally, this means that risk is to be understood as the effect of uncertainty related to Fjordkraft's strategy plan as approved by the Board, while risk at a staff and division level is to be understood as uncertainty related to the achievement of goals defined in sub-strategies.

Fjordkraft practises a general principle that risk is not to be avoided, but taken consciously and controlled while optimising it in relation to earnings. Fjordkraft approaches risk systematically and risk management must be an integrated part of the Company's operational and strategic management.

Risk management shall support the achievement of Fjordkraft's overall strategy and be a significant part of the strategic plan.

Internal control in Fjordkraft shall be established at a reasonable and appropriate level, in line with Fjordkraft's values and risk willingness.

#### *Risk willingness and limits*

Risk willingness describes how much risk Fjordkraft is willing to assume to achieve goals within different categories of risk. A higher risk willingness within a category indicates that the Company shall exploit the risks actively, but at the same time is willing to assume exposure to these risks. Lower risk willingness indicates that the Company seeks to limit exposure to these risks. Risk willingness will not necessarily remain constant and may change over time.

The CEO and the Company's first line shall make sure that its risk exposure is in line with the limits and guidelines provided. Violations of frameworks and guidelines shall be reported to the Board's Audit Committee.

#### *Risk-based internal control*

Fjordkraft shall take a risk-based approach towards internal control work to ensure appropriateness and efficiency. This means that the internal control work shall, as far as possible, correspond to the risks identified in connection with the Company's risk management process.

### *Risk and internal control reporting*

A risk report shall be submitted to the executive management at least quarterly. The report shall clearly indicate the Company's most significant risks, as well as the proposed measures for managing them. For those risk categories where specific exposure limits have been set, the report shall also include how these limits has been utilised.

In addition to the overall risk report, monthly reports shall be provided for credit risk, liquidity risk and market risk.

In connection with risk reporting, information on the status of measures adopted by the executive management and/or the Board's Audit Committee to deal with risk shall also be provided.

The Risk Manager, together with the CEO, shall submit a risk report for all risk categories to the Board's Audit Committee at least semiannually. The report shall clearly identify the Company's most significant risks, as well as proposed measures, responsibilities and deadlines for managing these where relevant.

The various roles in the risk management function are also responsible for notifying the CEO if events and/or uncertainties occur which indicate that risk management activities should be performed with greater frequency. If there is reason to believe that a conflict of interest may exist in relation to the CEO's assessment and management of risk, the risk management function has the right and duty to report on significant risk directly to the Board's Audit Committee.

Each year, the Risk Manager shall compile a report for the executive management on the internal control work performed and the condition of the internal control system.

### *Financial reporting*

The Board and the executive management are responsible for establishing and maintaining adequate internal control for financial reporting. The internal control of financial reporting is supervised by the CFO. The process is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The Audit Committee monitors financial reporting and its related internal controls, including the application of accounting policies, estimates and judgements.

The Group has a monthly reporting process where the financial results are presented and reviewed in a management report. Extended controls are carried out as part of the quarterly and year-end reporting processes.

The Board is of the opinion that the Group has sufficient expertise to perform proper and efficient financial reporting in accordance with IFRS and the Norwegian Accounting Act.

*Deviations from the Code of Practice: None*

## **11. Remuneration of the Board of Directors**

The remuneration paid to Board members is decided annually at the General Meeting, based on a proposal from the Nomination Committee. The remuneration shall reflect the Board's responsibilities, expertise, time commitment and the complexity of the Company's activities. The fee paid to Board members are fixed for the year and dependent on the role the member has on the Board, and is not linked to the Company's performance. The remuneration paid to each Board member is disclosed in the notes to the financial statements in the annual report.

Stock options in the Company are not held or issued to the Board of Directors.

Board members and/or companies they are associated with shall ordinarily not take on specific assignments for Fjordkraft in addition to fulfilling their responsibilities as a Board member. Any such situations must be disclosed to the full Board, and any remuneration for such additional assignments must be approved by the Board.

*Deviations from the Code of Practice: None*

## **12. Remuneration of executive personnel**

The Board has established guidelines for the remuneration of the members of the executive management. It is a policy of the Company to offer the executive management competitive remuneration based on current market standards, and company and individual performance. The remuneration consists of a basic salary element combined with a performance-based bonus programme. The management is covered by the Company's insurance policies and each member is entitled to certain additional benefits, such as a set car allowance. A special statement on the remuneration of executive personnel is prepared for the General Meeting.

The CEO and the other members of the executive management may terminate their employment with the Company with 6 months' written notice. The CEO is entitled to severance payment for a period of 12 months following termination of employment.

In accordance with the Public Limited Liability Companies Act, the Accounting Act and the NCGB Code of Practice, the details of the remuneration is disclosed in the notes to the financial statements. The remuneration to be paid shall be understandable and receive the general acceptance of relevant stakeholders.

*Deviations from the Code of Practice: None*

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

All reporting of financial and other information is based on transparency and takes into account the requirement for the equal treatment of all participants in the securities market. The Board establishes guidelines for the presentation of this information. A financial calendar and shareholder information is published on Fjordkraft's web pages: [www.fjordkraft.no](http://www.fjordkraft.no) and <https://investor.fjordkraft.no>. All communication with regards to investor relations is published on the company's website, including quarterly reports, public presentations and the payment date for any dividends.

Information shared with the company's shareholders is published on Fjordkraft's website at the same time as it is sent to the shareholders.

*Deviations from the Code of Practice: None*

### **14. Take-overs**

Fjordkraft's articles of association do not contain any restrictions on the negotiability of its shares, nor will the Board seek to hinder or obstruct any public bid for the Company's business or shares unless there are particular reasons for doing so.

In the event of a take-over bid, the Board will issue a statement to the shareholders in which they will make a recommendation as to whether shareholders should or should not accept the bid. This statement will include a valuation from an independent expert, including detailed explanations.

*Deviations from the Code of Practice: None*

## **15. Auditor**

In accordance with Norwegian law, the Board delegates authority to an Audit Committee that pre-approves the external auditor's audit plan. The auditor presents the main features of the audit plan to the Audit Committee each year.

A review of the Company's internal control procedures is presented to the Audit Committee at least once a year and the auditor reports any identified weaknesses and other areas for improvement.

The auditor is invited to participate in meetings held by the Board when annual accounts are being discussed, and attends every meeting held by the Audit Committee. At these meetings the auditor will report on any material changes to the Company's accounting policies and material accounting estimates. The auditor will also report on any material matters in which there has been disagreement between Fjordkraft's executive management and the auditor. The auditor must be present and present the auditor's report when the annual report is approved by the General meeting.

The Board must, at least once a year, hold a meeting with the auditor at which neither the CEO nor any other member of the executive management is present.

Guidelines have been established by the Board regarding the use by the Company of the auditor for non-auditing services. These are intended to make the Company's executive management more aware of the auditor's independence.

The remuneration paid to the auditor is reported by the Board at the annual General Meeting. This includes details of the fees paid for the audit itself, as well as any fees paid for other specific assignments. The remuneration paid is also disclosed in the notes to the Company's financial statements.

*Deviations from the Code of Practice: None*