

## **CORPORATE GOVERNANCE**

Eksportfinans adheres to the Norwegian code of practice for corporate governance (NUES) last updated on October 30, 2014, to the extent possible, and is compliant with the requirements of section 3-3b of the Norwegian accounting act. Rules regarding corporate governance of financial institutions operating in Norway are to a large extent laid down in national legislation. In addition, Eksportfinans is subject to the international regulations that apply to issuers of bonds in other jurisdictions. Due to all notes issued under the company's USMTN program being repaid, the company is no longer required to report on Form 20F according to the US Security and Exchange Act, effective from December 2017.

Below is a description of how Eksportfinans is adapting to the different areas of corporate governance as defined in the code of practice, based on the "comply or explain principle". For more information on the Norwegian code of practice see [www.nues.no](http://www.nues.no).

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

The company's policy for social responsibility and the corporate values; commercial, responsible and innovative, are at the core of the company's activities.

The policy for social responsibility is published on the company's website ([www.eksportfinans.no](http://www.eksportfinans.no)) and is approved by Eksportfinans' board of directors. It includes guidelines for the practical application of environmental considerations, anti-corruption and anti-money laundering measures as well as ethical guidelines. The ethical guidelines apply to all employees and state that the company should be characterized by a high standard of ethics. Issues covered by the guidelines are legal compliance, conflicts of interest, relationships with clients and suppliers, confidentiality, the duty to provide correct and timely information, media statements, securities trading, insider trading, whistle blowing and other relevant issues related to private finances.

In the board's opinion, Eksportfinans is performing sound corporate governance in accordance with the Norwegian code of practice.

### **2. Business**

According to its articles of association, Eksportfinans' objective is to conduct financing operations to, among others, the export sector. In addition, operations may include financing as approved or requested by Norwegian authorities and the municipal sector. The financing should be in accordance with the license and articles of association, applicable Norwegian law, in addition to decisions by and guidelines from the board. The articles of association also provide for the operation of the company.

Eksportfinans has not submitted any new loans since the state-owned entity Export Credit Norway assumed responsibility for new officially supported loans from July 1, 2012. The current strategy is to actively manage the existing portfolio of assets, liabilities and other commitments, with the overall objective of maintaining company value.

In the annual report, Eksportfinans gives information on its objectives, business model and principle strategies. Annual strategy processes form the basis for the strategic plan for the company. Clear guidelines for line responsibilities have been drawn up for the business areas.

The board is of the opinion that the articles of association provide a good framework for strategic planning and business development. The articles of association are available on [www.eksportfinans.no](http://www.eksportfinans.no).

### **3. Equity and dividends**

The board regularly reviews the equity situation of Eksportfinans in relation to profitability, risk profile and business development. The target core capital adequacy ratio and other relevant key figures are published in the company's Pillar 3 reporting on its website.

The board proposes dividends to the annual general meeting based on the equity situation of the company and other relevant factors for the period ahead.

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

Eksportfinans has one class of shares, where each share counts for one vote. The shares are not listed on a stock exchange.

The articles of association do not include any provision entitling the board of directors to make a decision to buy back or issue Eksportfinans' shares on behalf of the company, nor is there any other written authorization granting the board this right.

Eksportfinans has a number of ongoing business transactions with its owner banks, which can be characterized as closely related parties. Material transactions with related parties are listed in note 28 to the financial statements in the annual report for 2017. All transactions are of a business nature, and conducted at market terms. It is the board's assessment that the recommendation in the Norwegian code of practice to evaluate the value of this type of transactions is not required because it falls under activities that can be characterized as ongoing business.

Eksportfinans does not have guidelines requiring board members and executive management to report to the board if they, directly or indirectly, have a special interest in an agreement entered into by the company. However, the company's ethical guidelines, applicable to management specifically, state that conflicts of interest shall be avoided, and that each employee is obliged to inform their immediate superior as soon as they become aware that an impartiality conflict might arise. Furthermore, board members are subject to the statutory impartiality and insider considerations incorporated into Norwegian law.

### **5. Freely negotiable shares**

The Norwegian code of practice states that shares, in principle, should be freely negotiable. Eksportfinans is not complying with this recommendation due to the following:

- Paragraph 2 of the articles of association states that only banks and the Norwegian state can own shares in Eksportfinans. The board does not have authority to approve share transfers.
- A shareholder agreement exists between the major and some of the minor shareholders, giving them mutual rights of first refusal in the event that any one of them should desire to dispose of its shares in the company.
- Norwegian law requires that the authorities shall be notified about transactions regarding the acquisition of over 10, 20, 30 or 50 percent of the shares of a financial institution.

### **6. General meetings**

In accordance with the articles of association, the annual general meeting is held before the end of April each year. The notification and documents are sent to the shareholders no later than two weeks before

the meeting. Due to the limited number of shareholders, Eksportfinans has decided against announcing general meetings and providing documentation on its website. The board of directors, the nomination committee and the company auditor is present at the annual general meeting.

Shareholders may issue proxies to third-parties. The company provides procedures for voting in the absence of representation at the general meeting.

## **7. Nomination Committee**

As specified in the articles of association, Eksportfinans has an independent nomination committee that nominates candidates to the board, its chairperson and deputy chairperson and suggests the board members' remuneration. The nomination committee is elected by the general meeting and consists of three representatives from the shareholders and one independent representative, which is the chair of the committee.

In its work the nomination committee emphasizes the mutual interests of the shareholders. It shares its grounds for the different nominations with the annual general meeting following a thorough assessment of Eksportfinans' need for expertise, capacity and diversity.

## **8. Board of directors: composition and independence**

In accordance with the Act on Financial Companies and paragraph five of the articles of association, the board of directors is elected by the general meeting based on recommendations by the nomination committee. One member and one observer with alternates are elected by and among the employees. The board of directors shall have a minimum of six, and a maximum of eight members. At December 31, 2017 the board had three members from owner banks, two independent members and one member elected among the employees. Board members are elected for a term of one year. In 2017 the participation rate at board meetings was nearly 100 percent.

Eksportfinans complies with the Norwegian regulation implying that board members elected by the shareholders should consist of at least 40 percent men and 40 percent women. The board members' independence and competence are discussed in the nomination committee and in the board itself. Each board member's background is listed in the annual report and on the corporate website.

Clear distinction of roles and responsibilities between the different corporate bodies of the company has been established in the articles of association, directives, guidelines and reporting systems. Guidelines have been established in order to handle potential conflicts of interest between board members, executive decision makers and the organization.

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

Eksportfinans' board has established a set of instructions for its undertakings and procedures, and has an annual plan for its work. Instructions for the CEO, and all major areas of operations have also been issued by the board. The board resolves strategies and the budget, and receives monthly reports on developments in relation to budgets, plans and risk management. Eksportfinans has an audit committee consisting of three board members, two of which were shareholder representatives at December 31, 2017. It also has a risk committee, with the same members as the audit committee.

Both the audit committee and the risk committee normally have predefined meetings minimum four times a year. The purpose, tasks and functions of the committees comply with Norwegian and international regulations and standards. The audit committee's main tasks are to facilitate the board's

review and approval of the financial reporting process and to monitor the internal control and risk management systems and the company's internal auditing. It shall also make a statement regarding the election of the company auditor, liaison with the auditor on the auditing of the annual financial accounts as well as assess and monitor the auditor's independence. The mandate of the risk committee is to prepare and facilitate the board's monitoring and management of the company's overall risk, and regularly assess whether the management and control systems are adapted to the level of risk and scope of the business. Auditors participate in the meetings of the committees on a regular basis.

The remuneration committee consists of three members of the board, including the employee's representative, all appointed for one year periods. The committee ensures that Eksportfinans at any given time practices guidelines and frameworks for a compensation scheme that will apply to the whole company in general and for certain specified categories of employees including, in particular, the management.

The board evaluates its competence and performance annually, whereupon a report is issued to the nomination committee.

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

Risk management is a key element of Eksportfinans' operations. Eksportfinans' board has set a comprehensive risk policy for all major risk areas, including detailed risk limits. The board receives monthly reports including the status of all major risk areas, in addition to a comprehensive quarterly risk report. This forms the basis for board discussions on risk management. The risk committee has a special responsibility to prepare the board's assessment of risk and overall capital needs. In addition, it liaisons with the risk control functions in the company, reviews the risk policies at least annually and monitors the compliance with these policies. Predefined risk related issues regularly appear on the agenda of these committee meetings. This includes the company's ICAAP (Internal Capital Adequacy Assessment Process) approved by the board on an annual basis, stating the capital requirement for the ongoing business according to the Basel Accords.

Eksportfinans complies with Norwegian internal control regulations (internkontrollforskriften). As a registered borrower in the USA until 2017, Eksportfinans was subject to section 404 of the Sarbanes-Oxley Act, where under the company performed a thorough identification of key earnings and risk areas, the operational processes and controls of these processes, documentation and reporting. The company has decided to keep the majority of these control measures as part of its internal control also after all notes issued under the company's USMTN program were repaid in 2017.

Eksportfinans' internal auditor ensures that risk analysis is conducted and that the activities are in accordance with external regulations, approved strategies and guidelines. The internal audit is an integrated part of the management and planning process. The internal auditor conducts a risk workshop with the executive management team on an annual basis, during which the risk factors perceived as most important are identified and discussed. The workshop leads to an action plan with regards to the handling of major risk factors. The results of the workshop are reported to the risk committee and the board.

Eksportfinans' financial reporting is led by the chief financial officer and includes guidelines for monthly, quarterly and annual reporting on the basis of internal and external requirements and risk assessments related to financial reporting. The financial reporting is ensured to be in line with prevailing legislation, accounting standards and current accounting principles. A number of control measures have been

prepared in connection with the finalization of such information, including general assessments of reasonableness, probability tests and detailed reconciliation controls.

The audit committee reviews all financial reporting from Eksportfinans. After the quarterly accounts and proposed annual accounts for Eksportfinans have been reviewed by the audit committee, they are considered by the board of directors. The annual accounts are approved at the annual general meeting.

#### **11. Remuneration to the board of directors**

In accordance with the articles of association, remuneration to the different elected officers is proposed by the nomination committee based on an assessment of responsibility, expertise and allocated time. On this basis the fees are set by the annual general meeting. The remuneration is independent of results, and does not include any form of options or bonuses. Details on the remuneration to board members are found in note 29 to the financial statements in the annual report for 2017.

#### **12. Remuneration to executive personnel**

The board determines the remuneration for the chief executive officer, and sets the limits for compensation to other executive personnel. In accordance with Norwegian legislation, the board has set guidelines for the remuneration of executive personnel. These are reviewed annually and presented to the annual general meeting. Eksportfinans does not have remuneration schemes based on the share value of the company. For a more detailed description of the remuneration policy, see the annual report or the corporate website.

#### **13. Information and communication**

The board has set guidelines to ensure relevant, up-to-date and identical information to shareholders, financial investors and other actors in the international capital markets. The market is updated through the annual registration of Form 20-F with the Securities and Exchange Commission in the USA, as well as annual reports and interim reports published on the corporate website according to a predefined financial calendar. Eksportfinans provides the market with comprehensive analytical material in connection with submission of the accounts. The information is made available concurrently to Oslo Stock Exchange and other relevant stock exchanges on which the company's debt instruments are listed, as well as on the corporate website.

Eksportfinans does not have set guidelines for communicating with shareholders other than through the general meetings. However, financial information and other corporate information such as press releases are forwarded to the shareholders at release.

#### **14. Take-over**

Eksportfinans has not defined guiding principles on how it will react in the case of a take-over bid situation. However, the limited number of shareholders, the limitation in the articles of association on ownership eligibility and the agreement between certain shareholders providing for mutual rights of first refusal in the event that any one or more of them desires to dispose of its shares in the company, will help ensure equal treatment of shareholders and timely and relevant information if such a situation should occur.

#### **15. Auditor**

Eksportfinans has an independent external audit, conducted by auditors who act according to the recommendations set out in the Norwegian code of practice for corporate governance. Also, the internal audit is conducted by an independent auditor.

The external auditor has quarterly meetings with the board without the administration being present. In addition, the auditor is present at relevant audit committee and risk committee meetings. Guidelines have been drawn up for the relationship with the external auditor. This includes limitations on the type of additional services that can be performed, and approval of fees. The annual general meeting elects the external auditors and approves their remuneration.