Principles for Corporate Governance The North Alliance Group

The North Alliance

The Board of Directors and executive management of The North Alliance AS (NOA) carry out an annual review of the principles for corporate governance and how they function within the Group. NOA provides here an account of its principles and practice for corporate governance pursuant to Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance (NUES) as issued on 30 October 2014.

The Norwegian Code of Practice for Corporate Governance is available on www.nues.no/en/.

A description of how NOA complies with the 15 recommendations set out in the Code of Practice for Corporate Governance is provided below.

1. Implementation and reporting on corporate governance

NOAs principles for corporate governance ensure an appropriate division of roles and good collaboration between the company's owners, its Board of Directors and its executive management as well as satisfactory control of its activities. An appropriate division of roles, good collaboration and satisfactory control help to ensure the greatest possible value creation over time in the best interests of owners and other stakeholders.

Each major unit in NOA has ethical guidelines that address principles for relationships with customers, suppliers and other relevant topics.

NOA complies with the Norwegian Code of Practice for Corporate Governance with no material deviations from the Code's recommendations, with the exception of the deviations set out in sections 4, 5, 6, 7, 8, 12, 13 and 14

2. Business (No deviation from the Code)

NOA is a group of companies delivering services within technology, design, communication and innovation wrapped in one NOA culture. It is a group of specialists that offer broad perspectives needed to effectively manage gaps around us. We collaborate across disciplines in order to turn the challenges of today into opportunities of tomorrow. More details are available at the website (www.thenorthalliance.com).

The annual report includes input on company's goals and strategies, and the financial market is provided with continual updates by the company's quarterly reports.

3. Equity and dividends (No deviation from the Code)

The company's capital situation is kept under constant review in relation to its objectives, strategy and desired risk profile.

The company's objective is to generate a competitive return for its shareholders through long term value creation. The dividend policy is clear; no dividend payments to be done give the current shareholder structure and funding. This is supported by current shareholder agreements and bond agreement.
The Board of Directors as part of its preparations for the Annual General Meeting carries out an annual review of whether it should ask for authorisation from the Annual General Meeting to increase the company's share capital. Any authorisation is normally granted for one year, and the basis for such authorisation is clearly communicated at the Annual General Meeting.

4. Equal treatment of shareholders and transactions with close associates

The company is committed to treat all shareholders equally. There are two classes of shares, ordinary and preference shares.

The current shareholder agreements cover all relevant aspects related to selling and buying shares and voting rights. Given the bond agreement buy-back of shares is not an option for NOA.

All information liable to influence the pricing of the company's bond is published through the Oslo Stock Exchange's information system and on the company's website.

5. Freely negotiable shares

The shares of NOA is not freely negotiable. All aspects regarding negotiability is covered by current shareholder agreements. All transactions are based on fair market value.

6. Annual General Meeting

All shareholders are entitled to participate in the Annual General Meeting. Arrangements have been made that allow shareholders to vote in accordance with their ownership through a legal representative or proxy. All shares in the company carry equal voting rights.

Minutes from the annual general meeting is made available for all shareholders.

NUES recommends that the Annual General Meeting should vote separately on each individual candidate for any corporate bodies to which members are elected. NOA practice is for the entire Board to be elected. Auditor is not present at NOAs Annual General Meeting.

7. Committees

NOA has not established a nomination committe. Nominations are coordinated by our major shareholder and decisions are made at a General Meeting.

Audit Committee
The Board has established an Audit Committee. The Audit Committee has two members. Its mandate is to supervise the company's reporting procedures and to assess the effectiveness of internal control and risk management activities. The Audit Committee is in regular contact with the auditor and ensures the auditor is independent. The Audit Committee reports to the Board.

The members of the Audit Committee are Lars Wollung and Tobias Karte.

8. Board of Directors: Composition and Independence

The Board of Directors currently has six members, all elected by the shareholders at the Annual General Meeting. No member of the executive management is a member of the Board.

It is regarded as important for the Board to be balanced in terms of its members' expertise, experience and backgrounds in relation to areas that are of relevance to the company's activities.

The Board of Directors held 7 board meetings in 2016.

9. The Work of the Board of Directors (No deviation from the Code)

The Board prepares an annual plan for its work with an emphasis on targets, strategy and implementation. In addition, the Board has a formal mandate that regulates its areas of responsibility, its duties and the allocation of roles between the Board, the Chairman of the Board and the CEO. The Board receives monthly financial reports for the Group as a whole and for the subsidiary companies, in which the executive management comments on financial performance and financial position. The Board discusses the company's strategy and budgets at extended board meetings.

The Board holds 6-8 meetings a year and assess its own work on an annual basis.

10. Risk management and internal control (No deviation from the Code)

Risk management and internal control are carried out by the Group using a range of processes, both at Board level and by the Group's executive management. The Audit Committee monitors risk management and internal control on behalf of the Board in ways that are additional to the reports and discussions on the issue at Board meetings.

Risk management

The Board is regularly updated on potential risk factors by the executive management at its meetings, by routine financial reports and by the reports produced by the executive management presented at Board meetings. The Board also assesses the need for measures to be taken in response to risk factors.

The CEO, CFO and COO continually assess the financial results of the various companies and business areas, the extent to which they are meeting the objectives that have been set, critical situations and events that might influence the future performance of the group, and whether optimal use is being made of resources. The CEO, CFO and COO carry out this work in close cooperation with the management of the individual units. Business Reviews are held with the subsidiary companies every month to review these topics and others, and also to consider the risks related to financial reporting, over both the short and long term.

Internal control

The Board assesses the internal control systems and considers the most important risk factors facing the company as part work of the audit committee and as an integral part of Board meetings. The senior management of the subsidiary companies is responsible for ensuring there is appropriate and effective internal control that meets all applicable requirements, and is responsible for ensuring compliance with the internal control requirements.

Accounting/Finance is organised with a common set of processes and procedures across the Group where it has proved efficient to do so, including in relation to reporting. This ensures there is internal control across the companies and across national borders.

A specific approval authority matrix has been implemented at Group level including approval rights including level 3 in the organization. This includes the CEOs of each subsidiary. Each subsidiary has local authority matrices based on the Group approval matrix.

The local accounting teams are also responsible for quality control of accounting information by performing reconciliations and other checks.

The Group CFO and the local CFOs are responsible for continually assessing whether the accounting routines are functioning as required, including by quality-controlling reconciliations and by analysing and monitoring a set of KPIs. The reports produced by the subsidiary companies are consolidated on a monthly basis, and analysis is carried out as part of the reporting process, with action taken as required. Reporting is carried out using the Group's standard reporting template, with consolidation being carried out using Cantor.

11. Remuneration of the Board of Directors (No deviation from the Code)

The remuneration paid to the members of the Board is determined by the Annual General Meeting. Information on the remuneration paid to the members of the Board and their shareholdings can be found in the notes to the accounts in the annual report.

12. Remuneration of executive personnel

The Board defines the remuneration of the CEO of the Group. It is the responsibility of the Group CEO to define remuneration of other executive personnel in NOA.

13. Information and communications

The company strives to provide accurate and sufficiently comprehensive information every quarter, and to be quick to publish it. The company normally publishes quarterly figures within eight weeks of the end of a quarter.

The company's annual and quarterly reports are made available on the company's website at the same time as it is reported through the Oslo Stock Exchange.

The company does not communicate with analysts or media on matters that might include non-public information before public reports are distributed. This is to ensure that all market participants are treated equally.

NUES recommends that the company should publish an overview each year of the dates of major events such as annual general meeting, publication of interim reports etc. The company does not publish this plan but follows reporting requirements from Oslo Stock Exchange and requirements from the bond agreement.

14. Takeovers

Any situation related to takeover and in that context equal treatment of shareholders are covered by current shareholder agreements. The Board regards this as sufficient to ensure that shareholders' interests are safeguarded in an equal and proper manner.

15. Auditor (No deviation from the Code)

The company has elected PwC as its external auditor. PwC audits all the companies in the Group that are subject to statutory audit.

The auditor participates in all meetings of the Audit Committee.

The auditor prepares reports for the Audit Committee and the Board. These reports include an audit plan, an assessment of internal control at the company and a review of significant accounting principles and estimates. The auditor participates in the Board meeting at which the annual accounts are considered. Information about the fees paid to the auditor can be found in the annual report.