

Corporate Governance Report

Our approach to corporate governance is intended to decrease business risk, maximise value and utilise our resources in an efficient and sustainable manner to the benefit of shareholders, employees and society at large.



Article continues



Corporate Governance Statement

Scatec Solar ASA (the "Company") has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and communication between the management, the Board of Directors (the "Board") and the shareholders. The Company's framework for corporate governance has been implemented to decrease business risk, maximise value and utilise the Company's resources in an efficient and sustainable manner for the benefit of shareholders, employees and society at large.

The Company has complied, and will continue to comply, with the Norwegian Code of Practice for Corporate Governance (the "Corporate Governance Code"), which is available on the Norwegian Corporate Governance Committee's web site www.nues.no. The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board and executive management more comprehensively than that required by legislation, and (ii) the effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other stakeholders. The Company is subject to the reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Stock Exchange's "Continuing obligations of stock exchange-listed companies" section 7. The Company has fulfilled its reporting requirements.

The Company's corporate governance framework is subject to annual reviews and discussions by the Board.

1. Equal treatment of shareholders and transactions with related parties

Class of shares

The Company has one class of shares. All shares carry equal rights in the Company, and the Articles of Association do not contain any provisions restricting the exercise of voting rights.

Pre-emption rights to subscribe

According to the Norwegian Public Limited Liability Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contributions. Such pre-emption rights may, however, be set aside, either by the General Meeting or by the Board if the General Meeting has granted a Board authorisation for this. Any resolution to set aside pre-emption rights will be justified by the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the Company.

Capital increases and issuance of shares

The Board is currently, and until the General Meeting of 2018, but in no event later than 30 June 2018, authorised by the General Meeting to resolve an increase in the Company's share capital, in one or more rounds, by a total of up to NOK 257,990 corresponding to 10% of the issued share capital. The authorisation may be used for necessary strengthening of the Company's equity, issuing of shares in connection with incentive schemes, and issuing of shares as consideration shares in the acquisition of businesses within the Company's purpose. The authorisation to increase the share capital is in line with the Company's Corporate Governance Statement in which it is stated that if the Board is authorised by the General Meeting to increase the share capital, such authorisation should be restricted to defined purposes and not last longer than to the Company's next annual General Meeting.

Trading in own shares

The Board is currently, and until the annual General Meeting of 2018, but in no event later than 30 June 2018, authorised by the General Meeting to, in one or more rounds, acquire shares with a total nominal value of up to NOK 257,990 corresponding to 10% of the issued share capital. Shares acquired pursuant to the authorisation shall either be deleted in connection with a later reduction of the registered share capital, be applied as remuneration to the members of the Board, be utilised for incentive schemes, or as consideration shares with regards to acquisition of businesses. The authorisation to acquire own share is in line with the Company's Corporate Governance Statement in which it is stated that if the Board is authorised by the General Meeting to acquire own shares, such authorisation should be restricted to defined purposes, and not last longer than to the Company's next annual General Meeting.

In the event of a future share buy-back programme, the Board will aim to ensure that all transactions pursuant to such programme are carried out either through the trading system on the Oslo Stock Exchange or at prevailing prices on the Oslo Stock Exchange. If such a programme is introduced, the Board will take the Company's and shareholders' interests into consideration and aim to maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Transactions with close associates

There have been no material transactions between the Company and the shareholders, a shareholder's parent company, members of the Board, executive personnel nor any close associates of any such parties during 2017. The

Board will ensure that any material transactions between the Company and the shareholders, a shareholder's parent company, members of the Board, executive personnel or close associates of any such parties are entered into on arms-length terms. For any such transactions, which do not require approval by the General Meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board will assess on a case-by-case basis whether a fairness opinion should be obtained from an independent third party.

Guidelines for directors and executive management

The Board has adopted rules of procedures for the Board, which inter alia include guidelines for notification by members of the Board and executive management if they have any material direct or indirect interest in any transaction entered into by the Company.

2. Freely negotiable shares

The shares of the Company are freely transferable. There are no restrictions on transferability of shares pursuant to the Articles of Association.

3. General meetings

The Board will use its best efforts with respect to the timing and facilitation of General Meetings to ensure that as many shareholders as possible are able to exercise their rights by participating in the meetings, thereby making them an effective forum for the views of the shareholders and the Board. The Company held two general meetings in 2017, the annual general meeting held 24 April 2017, and an extraordinary general meeting on the 14 December 2017. The Company does not require all Directors to participate on each General Meeting, however such that the Chairman of the board, the Chief Executive Officer, a member of the nomination committee and the auditor of the Company should be present at all annual general meetings.

Notification

The notice for a General Meeting, with reference to or attached supporting information on the resolutions to be considered at the General Meeting, shall as a principal rule be sent to shareholders no later than 21 days prior to the date of the General Meeting. The Board will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and supporting information, as well as a proxy voting form, will normally be made available on the Company's website www.scatecsolar.com no later than 21 days prior to the date of the General Meeting.

Participation and execution

The Company's Articles of Association require shareholders to give notice to the Company of their participation at General Meetings within five days prior to the General Meeting.

To the extent deemed appropriate or necessary, the Board will seek to arrange for the General Meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.

The Board and the Nomination Committee shall, as a general rule, be present at the General Meeting. The auditor will attend the ordinary General Meeting and any extraordinary General Meetings to the extent required by the agenda items or other relevant circumstances.

The Company will engage external counsel to Chair the General Meetings.

The Company will aim to prepare and facilitate the use of proxy forms, which allow separate voting instructions to be given for each item on the agenda, and nomination of a person who will be available to vote on behalf of the shareholders as their proxy.

4. Nomination committee

The Company has established a Nomination Committee in accordance with the Articles of Association. The Nomination Committee is independent of the Board and management of the Company, and its composition shall safeguard the shareholders' interests. The General Meeting (last held on 24 April 2017) elected the members of the Nomination Committee for a period of two years. The General Meeting also elected the Chairman of the Nomination Committee, and decide upon the committee's compensation. The current Nomination committee is composed of Mr. Inge K. Hansen (Chairman) and Mr. Alf Inge Gjerde (Member).

5. Board of directors: composition and independence

Pursuant to the Articles of Association section 7, the Company's Board shall consist of between three and seven members. The Board currently consists of the following five members: Mr. John Andersen, Mr. Alf Bjørseth, Mr. Jan Skogseth, Ms. Mari Thjømøe and Ms. Gisele Marchand. The term of office for members of the Board is two years at a time. Mr. Andersen, Mr. Skogseth and Ms. Thjømøe were all elected at the Annual General Meeting in 2016. Mr. Bjørseth was elected at the Annual General Meeting in 2017 and Ms. Marchand was elected at the Extraordinary General Meeting in December 2017.

All members of the Board are considered independent of the Company's executive management and material business contacts. Furthermore, Mr. Jan Skogseth, Ms. Gisele Marchand and Ms. Mari Thjømøe are considered independent of the Company's main shareholders.

The Board does not include executive personnel.

6. The work of the board

Seven (7) Board meetings were held in 2017. All meetings were quorate.

The Board approved the 2017 annual accounts and continuously monitored the financial situation of the Company, the operational performance, and adherence to compliance, health, security, safety and environment policies, and movement of pipeline and backlog projects.

The rules of procedure for the Board

The Board is responsible for the overall management of the Company, and shall supervise the Company's day-to-day management and the Company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board. In addition, the Board has adopted supplementary procedural rules, which provides further regulation on, inter alia, the duties of the Board and the Chief Executive Officer, the division of work between the Board and the Chief Executive Officer, the annual plan for the Board, notices of Board proceedings, administrative procedures, minutes, Board committees, transactions between the Company and the shareholders and confidentiality.

The Board's consideration of material matters in which the Chairman is, or has been, personally involved, shall be chaired by another member of the Board. There were no such matters in 2017.

The Board will evaluate its performance and expertise annually, and make the evaluation available to the Nomination Committee.

The audit committee

The Company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and by a separate policy adopted by the Board. The members of the audit committee are appointed by and from the members of the Board, and currently consist of Ms. Mari Thjømøe and Mr. John Andersen. Both members are independent of the

Company's executive management, and Ms. Mari Thjømøe and Mr. John Andersen have qualifications in accounting and auditing. The audit committee met five (5) times in 2016. The principal tasks undertaken by the audit committee were to:

- Prepare the Board's supervision of the Company's financial reporting process
- Monitor the systems for internal control and risk management
- Liaise continuously with the Company's auditor regarding the audit of the annual accounts
- Review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or auditing firm represent a threat to the independence of the auditor

The remuneration committee

The Company's remuneration committee is governed by a separate policy adopted by the Board. The members of the remuneration committee are appointed by and from the members of the Board, and currently consist of Mr. Jan Skogseth and Mr. John Andersen. Both are independent of the Company's executive management. The principal tasks of the remuneration committee are to prepare:

- The Board's declaration on determination of salaries and other remuneration for executive management in accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a
- Other matters relating to remuneration and other material employment issues in respect of the executive management

The remuneration committee had one meeting in 2017.

7. Risk management and internal control

The Board and internal control

In 2017, the Board assessed the Company's risks on an ongoing basis. Each year, as a minimum, the Board will conduct a thorough assessment of the significant parts of the Company's business and prospects in order to identify risks and potential risks, and remedy any risk, event or incident that have occurred. In 2017, the Board ensured that the management presented quarterly financial statements informing the Board and the shareholders of current business performance for the second and third quarter, whilst the fourth quarter results were presented on 26 January 2018.

8. Remuneration of the board

The remuneration of the Board shall be decided by the Company's General Meeting, and should reflect the Board's responsibility, expertise, time commitment and the complexity

of the Company's activities. The remuneration should not be linked to the Company's performance.

The Nomination Committee shall give a recommendation as to the size of the remuneration to the Board. Pursuant to the instructions for the Nomination Committee, the recommendation should normally be published on the Company's website no later than 21 days prior to the General Meeting that decides on the remuneration.

The Company has not granted share options to Board members.

Any remuneration in addition to normal fees paid to the members of the Board will be specifically identified in the annual report. However, no such fees were paid in 2017.

Members of the Board and/or companies with whom they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board.

9. Remuneration of the executive management

The Board, in accordance with the Norwegian Public Limited Liability Companies Act, prepared a separate guideline for the stipulation of salary and other remuneration to key management personnel which was approved by the General Meeting held 24 April 2017. The guideline includes the main principles applied in determining the salary and other remuneration of the executive management, and ensures alignment of the financial interests of the executive management and the shareholders. It is clear that only section 3.1.2 of the guidelines is binding, whilst the other parts of the guidelines are advisory.

Any revision to the guidelines will be communicated to the General Meeting.

The Board shall continue to ensure that performance-related remuneration of the executive management in the form of share options, annual bonus programmes and the like, if used, are linked to value creation for shareholders or the Company's earnings performance over time. Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

10. Information and communications

General

The Board has adopted a separate manual on the disclosure of information which sets out the Company's disclosure obligations and procedures. The Board will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company will publish an annual financial calendar, providing an overview of the dates for major events such as its ordinary General Meeting and publication of interim reports.

Information to shareholders

The Company shall have procedures for establishing discussions with important shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the Company's shareholders will be published on the Company's website at the same time as it is sent to the shareholders.

11. Takeovers

In the event that the Company becomes the subject of a takeover offer, the Board shall seek to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board shall also seek to ensure that the shareholders have sufficient information and time to assess the offer.

There are no defence mechanisms against takeover bids in the Company's Articles of Association, nor have other measures been implemented specifically to hinder the acquisition of shares in the Company. The Board has not established written guidelines for how it will act in the event of a takeover bid, as such situations are normally characterised by concrete and one-off situations, which make a guideline challenging to prepare.

In the event of a takeover occurring, the Board would consider the relevant recommendations in the Corporate Governance Code and whether the relevant situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

The Company has not established separate principles for how to act in a takeover situation as described above.

12. Auditor

The Company's external auditor is EY AS.

The auditor participates in the meetings of the Board that deal with the annual accounts. At least one board meeting with the auditor is held each year at which no member of the executive management is present.

The auditor participates in all audit committee meetings with a focus to assess and monitor the financial reporting process and internal control routines.

The Board has established guidelines in respect of the use of the auditor by the executive management for services other than the audit. The Board receives an annual independence confirmation from the auditor.

The remuneration to the auditor will be approved by the General Meeting. The Board will report to the General Meeting the details of fees for audit work and any fees for other specific assignments.

13. Dividend policy

All shares in the Company have equal rights to dividends. The Company's objective is to pay shareholders consistent and growing cash dividends.

Scatec Solar's dividend policy is to pay its shareholders dividends representing 50% of free cash distributed from the power producing project companies.

The Company will, subject to the approval of the General Meeting, propose a distribution of dividends on the basis of the 2017 account of approximately NOK 80 million.

