

## Corporate Governance

High standards of Corporate Governance is a cornerstone of the Fred. Olsen Energy Group. A strong Corporate Governance framework provides the guide to our overall approach to business operations, dealings and providing services to customers and adding shareholder value.

The Board of Directors in Fred. Olsen Energy ASA continually develops and refines its Corporate Governance policy and strive to be in compliance with the Norwegian Code of Practice for Corporate Governance (NUES). The Corporate Governance is subject to an annual assessment by the Board of Directors. Corporate Governance instituted throughout our Company reflects the economy and industry we operate in.

The Corporate Governance chapter is structured in the same order as the Norwegian Code of Practice. In the Board of Directors Report, Fred. Olsen Energy ASA is required to report our Corporate Governance in accordance with the Norwegian Accounting Act section 3-3b. We refer to this in the Board of Directors report.

### Business

As stated in the articles of association, the Company's purpose is to carry out shipping business, including the ownership and leasing of floating platforms and everything related thereto, including owning shares and interests in companies with similar or related businesses. In carrying out their duties, assignments or appointments for the Company, all employees are expected to follow high standards of ethical and non-discriminating behaviour. The objectives of the Company, as defined in its articles of association, are to own or carry out industrial and other associated businesses, management of capital and other functions for the Group, and to participate in or acquire other businesses. The principal strategies of the Group are presented in the Annual Report. Each year, the Board of Directors evaluates the strategy, goals and guidelines of the Company through designated strategy processes. Information concerning the financial position and principal strategies of the Company, and any changes thereto is disclosed to the market in the context of the Company's quarterly reporting and in designated market presentations.

### Equity and dividends

To the extent it is considered desirable the Company may raise new equity in the capital market to strengthen its business within the offshore segment. In this regard the Board of Directors received an authorization from the Annual General Meeting in 2016 to increase the share capital by 6 669 422 shares through

an equity issue and to increase the share capital by another 6 669 422 shares through convertible loans. This mandate expires at the next Annual General Meeting. When the General Meeting of shareholders considers whether or not to authorize the Board of Directors to carry out share capital increases for multiple purposes, each purpose must be considered separately by the meeting. At 31 December 2016, the consolidated equity is USD 853 million (USD 966 million in 2015), which is equivalent to 45% (38%) of total assets. The Board of Directors considers this satisfactory. The Company's need for financial strength is considered at any given time in the light of its objectives, strategy and risk profile.

The Annual General Meeting authorized the Board in 2016 to purchase up to 10% of the Company's own shares, pursuant to Sections 9-2 onwards of the Norwegian Public Limited Companies Act, in order to allow greater flexibility around managing the Company's capital structure. This mandate expires at the next Annual General Meeting. As at 31 December 2016 the Company held 430 100 shares of its own shares.

Dividends will be distributed subject to earnings, the Company's investment plans, financial strategy, market conditions and approval by the shareholders. In addition, the Company may consider share buy-backs in accordance with the authorization to the Board of Directors from the Annual General Meeting. Due to the challenging offshore market, the Board of Directors will not propose dividend at the Annual General Meeting in May 2017.

### Treatment of shareholders, transactions with close associates

The Company's shares are listed on Oslo Stock Exchange. Shares have been issued in only one share class. The Company's transactions in own shares will be carried out in the market at market price. All shares in the Company have equal rights and all shareholders have the right to participate in General Meetings.

There has not been any share capital increases in the Company since the listing in 1997 except conversion of the convertible bond loan FOE 02 in the period 2005 to 2008. In a case where the preemptive right of existing shareholders is waived in connection with a capital increase a stock notice with the reasoning behind the proposal will be issued to the Oslo Stock Exchange.

In connection with transactions that are not immaterial between the Company and related parties (see note 18), a competent Board of Directors consisting of Board members independent of the Company's main shareholder, Bonheur ASA, will deal with

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any such matters and avoid conflicts of interest. In such cases the Board will ensure that an independent valuation is presented to the Board.

The Company has established routines to ensure that the Board is notified if any Directors or management directly or indirectly have material interest in agreements entered into by the Company.

### Freely negotiable shares

The Company has no restrictions on ownership and voting rights.

### General Meetings

The Annual General Meeting (AGM) is normally held in May each year. Summons together with all supporting documents and resolution proposals are sent to shareholders and will also be available on the Company's website 21 days prior to the AGM. The supporting documents must contain all the documentation necessary to enable the shareholders to decide on the matters to be decided. The registration to participate in the AGM is set as close to the AGM date as possible.

The auditor is present at the AGM. The chairman for the AGM is elected at the AGM. One shareholder together with the chairman will sign the minutes and approval of the Summons of the Meeting and the Agenda. It is intended for the Board of Directors to attend the general meeting.

Shareholders registered in the Norwegian Registry of Securities (VPS) can vote in person or by proxy. Shareholders who can not attend the meeting are urged to authorize a proxy, and the system facilitates the use of proxies on each individual item on the agenda. Shareholders, who are not able to attend the Annual General Meeting in person, may execute a proxy in the name of another person attending the meeting. Such proxy may be issued to the Chairman Anette S. Olsen, CEO Ivar Brandvold or any other person. If no name is stated the proxy will be considered given to the chairman of the meeting.

The Annual General Meeting of shareholders elects individually the members to the Board of Directors, appoints the external auditor, determines the auditor's remuneration, approves the annual result and any dividend proposed by the Board of Directors and determines the remuneration to the Board of Directors. The summons and registration form are distributed to all shareholders according to the address list in VPS, at least 21 days before the Annual General Meeting.

### Nomination committee

Fred. Olsen Energy ASA has for the time being no Nomination Committee. Due to the ownership structure of the Company, the Company has not considered it adequate to establish a Nomination Committee. The Board will appoint a Nomination Committee as a sub-committee of the Board on an ad hoc basis as and if required.

### Corporate Assembly and Board of Directors, composition and independence

In accordance with Norwegian law, the Board of Directors is responsible for managing the Company and for ensuring that the Company's operations are organized in a satisfactory manner. The Company's Articles of Association provides that the Board of Directors shall have no less than three and no more than seven members. In accordance with Norwegian law, the CEO and at least half of the members of the Board of Directors must either be resident in Norway, or be citizens of and resident in an EU/EEA country. The Annual General Meeting of the shareholders elects each member of the Board of Directors individually. The Board of Directors currently consists of five Board members who are elected for a two-year period. The Chairman of the Board is elected annually by the Board of Directors.

All of the Directors are independent of the Company's management and three of them are independent also in relation to the Company's main shareholder, Bonheur ASA. 40% of the Members of the Board are women. In 2016 the Board of Directors had 13 meetings. Board members are elected based on need for expertise, capacity and ability to make balanced decisions in the best interests of the shareholders in general. The Board shall operate independently of any special interests and function effectively as a collegiate body in the best interests of the shareholders in general. All Directors attended all Board meetings. The Board of Directors are encouraged to own shares in the Company. The Company has no Corporate Assembly.

*The Board of Directors consists of:*

**Anette S. Olsen** (b. 1956), Chairman. Ms. Olsen has been the Chairman of the Board since the inception of the Company in 1997. Since 1994 Ms. Olsen has been the sole proprietor of Fred. Olsen & Co. – which is in charge of the management of the stock listed company Bonheur ASA, where Ms. Olsen holds the position as Managing Director. Ms. Olsen holds chairman and ordinary board positions with a number of companies, amongst others with Fred. Olsen Ocean Ltd., Fred. Olsen Renewables Ltd., Fred. Olsen Cruise Lines Ltd., Timex Corporation and NHST Media

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Group AS. Ms. Olsen holds a BA in Business Organization and an MBA. Ms. Olsen is a Norwegian citizen, resident in Oslo, Norway.

**Richard Olav Aa** (b. 1966), Director. Mr. Aa became a Director of the Board in October 2016 after assuming the position as CFO in Fred. Olsen & Co. Prior to joining Fred. Olsen & Co., Mr. Aa held positions as CFO of the Telenor Group, Investment Director of Arendals Fossekompani ASA, CEO of Norsk Vekst ASA, CFO and other functions within Elkem ASA and Senior VP business development of Bertel O. Steen AS. He has further experience both as chairman and board member from numerous boards in Norway and internationally. Mr. Aa graduated as Siviløkonom from NHH in Bergen in 1990. He is a Norwegian citizen, resident in Bærum, Norway.

**Agnar Gravdal** (b. 1941), Director, independent of the main shareholder. Mr. Gravdal became a Director of the Board in May 2007. He is working as independent consultant after being CEO at the Rosenberg Yard from 2003-2007. In addition, he has many years experience from CEO positions within various companies in the Kværner group, Aker group and Umoe group as well as from development and design of advanced LNG ships. He holds positions within several boards, including chairman of the board in Sway AS and Lyse Produksjon AS and board member in Scanfuel AS and Inwind AS. He holds a Master Degree in Naval Architecture and Marine Engineering from NTNU 1968. Mr. Gravdal is a Norwegian citizen, resident in Stavanger, Norway.

**Cecilie B. Heuch** (b. 1965), Director, independent of the main shareholder. Ms. Heuch became a Director of the Board in 2007. She is presently Chief Human Resource Officer in DNV GL. Ms. Heuch has previously worked for Norsk Hydro in the fertilizer division (now Yara), in Hydro Aluminium and in Corporate staff. She has had several positions within economic and market analysis, strategy and business development. Ms. Heuch graduated from Institut d'Etudes Politiques de Paris. She has a MSc from London School of Economics and a Business diploma from Henley Management College. Ms. Heuch is a Norwegian citizen, resident in Bærum, Norway.

**Jan Peter Valheim** (b. 1951), Director, independent of the main shareholder. Mr. Valheim became a Director of the Board in May 2007. Mr. Valheim retired from the position as CFO in Fred. Olsen & Co. in September 2016. Prior to joining Fred. Olsen & Co., Mr. Valheim was CFO in Fred. Olsen Energy ASA from 2002. Mr. Valheim has held positions in Scribona AB, PC Lan ASA, Saga Petroleum ASA and Fearnley Finans AS. Mr. Valheim is a graduate from

BI Norwegian School of Management. He is a Norwegian citizen, resident in Bærum, Norway.

Mr. Øivin Fjeldstad resigned from his position as Director of the Board in May 2016. Mr. Fjeldstad has been at the Board since the inception of the Company.

### The work of the Board of Directors

The Company has implemented guidelines for the work of the Board of Directors. The purpose of these guidelines is to establish a practical tool for the Board's annual plan for exercising good Corporate Governance. The Board has prepared special instructions for the CEO. The current composition of Directors reflects adequate competence relative to the main business areas of the Group. The Board of Directors has appointed an Audit Committee consisting of two Directors, of which one is independent of the main shareholder of the Company. The charter of the Audit Committee is to assist the Board in fulfilling its responsibilities concerning the financial reporting process, internal controls, management of financial risks, the audit process, and the Company's process for monitoring compliance with applicable laws and regulations. The Audit Committee has regular meetings with the management and the external auditor. Part of the meetings with the external auditor are without participation of the management. The Board of Directors has appointed a Compensation Committee comprising four Directors including the Chairman of the Board and two of the independent Directors. The Compensation Committee discusses and recommends to the Board salary and benefits for the CEO and senior management as well as the management incentive schemes for the Group. Meetings of the Board of Directors are chaired by the Chairman of the Board. If the Chairman of the Board is absent, the Board must select a member to chair the meeting.

The Board evaluates its own work and work methods annually, and the evaluation forms the basis for adjustments and measures. In addition, the Board's competencies, overall and those of each Board member, are evaluated.

### Risk management and internal control

The Board of Directors holds responsibility that proper guidelines and internal control processes are instituted and operated. The Company's risk management, financial reporting and internal control procedures are reviewed by the Audit Committee in accordance with its charter. The risk management process of the Group is carried out in accordance with the Group's Risk Management Manual. The process ensures identification and treatment of all relevant risks in order to support the organiza-

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tion in achieving defined corporate objectives, enable explicit consideration of risks in decision-making and maintain the risk exposure of the Group at an acceptable level. The operational risk management, financial reporting and internal controls are carried out within each subsidiary in accordance with the nature of the operations and the government legislation in the relevant jurisdiction. In addition, the Company carries out internal audits related to specific projects and to the ongoing business. Risk management related to foreign exchange, interest rate management and short-term investments is handled by the Company on behalf of itself and the subsidiaries, in accordance with listed authorizations, policies and procedures. The Company receives reports on the financial development of each business segment and subsidiary on a monthly basis. The Audit Committee will raise issues to the Board of Directors if deemed necessary and a review of the Group's risks is part of an annual review.

### Remuneration of the Board of Directors

The Board's remuneration reflects the Board's responsibility, expertise, time commitment and the complexity of the Company. All Directors are remunerated with a fixed fee and the remuneration is not linked to the Group's bonus scheme and there is no option program for Directors. If any additional remuneration is given to Board members it will be specified in the annual report. The remuneration to the Board of Directors is fully disclosed in note 18. In 2016 none of the Board of directors have worked for the Company outside of their directorships.

### Executive Management

The Chief Executive Officer (CEO) is appointed by and serves at the discretion of the Board of Directors. He is responsible for the daily management and the operations of the Company. The CEO is not a member of the Board of Directors.

*The executive management consists of:*

**Ivar Brandvold** (b. 1956), Chief Executive Officer. Mr. Brandvold joined the company in September 2009, and was appointed President and Chief Executive Officer as of November 2009. Before joining the company, Mr. Brandvold held the position as Chief Operating Officer of DNO International ASA. He previously has 23 years of experience from Norsk Hydro ASA, of which he has held a number of positions within the company's oil and gas activities, including the overall responsibility for Norsk Hydro's global drilling operations from 2002 to 2007. Mr. Brandvold has a Master of Science degree from The Norwegian Institute of Science and Technology (NTNU) in Trondheim, Norway. Mr. Brandvold is a Norwegian citizen, and resides in Bergen, Norway.

**Hjalmar Krogseth Moe** (b. 1971), Chief Financial Officer. Mr. Moe has been Chief Financial Officer since June 2007. Mr. Moe joined Fred. Olsen Energy ASA in January 2005 as Financial Manager, and has previously held positions in Aros Securities and A. Sundvall ASA/Kaupthing ASA. Mr. Moe holds a Master of Business and Economics from BI Norwegian School of Management. He is a Norwegian citizen and resides in Bærum, Norway.

**Johan Finnestad** (b. 1965), acting Managing Director for Dolphin Drilling AS and Dolphin Drilling Ltd. Mr. Finnestad assumed the position as acting Managing Director in October 2016. Mr. Finnestad has had several positions within these companies, and served lately as Senior Vice President Operations. Mr. Finnestad joined Dolphin Drilling AS in 1984 and has been a member of the management team in Dolphin Drilling since 1996. He is a graduate from Technical School in Stavanger and holds all drilling certificates. Mr. Finnestad is a Norwegian citizen and resides in Stavanger, Norway.

**Gunnar Koløen** (b. 1978), Managing Director, Dolphin Drilling Pte Ltd. Mr. Koløen was appointed Managing Director of Dolphin Drilling Pte Ltd in July 2014. He first joined the Company in July 2011 as CFO for Dolphin Drilling Pte Ltd. He has previously held positions in the Awilco Offshore Group (later known as China Oilfield Services Limited), Gram Car Carriers and KPMG. Mr. Koløen holds a Master of Science degree in Finance from University of Strathclyde and qualified as a state authorised public accountant from Norway. Mr. Koløen is a Norwegian citizen, and resides in Singapore.

**Robert J Cooper** (b. 1952), Chief Executive Officer, Harland and Wolff Group Plc. Mr. Cooper was appointed CEO of Harland and Wolff Group Plc in February 2003. Prior to that he held the position as financial director in the Harland and Wolff Group from 1993. Mr. Cooper joined the Company in 1983 as a trainee accountant, and after completing his ICMA professional examinations he held a number of positions within the finance department. Mr. Cooper is a UK citizen and resides in Belfast, Northern Ireland.

### Remuneration of the executive management

The Board has adopted guidelines for remuneration of executive management in accordance with section 6-16a of the Norwegian Public limited Liability Companies Act. These guidelines are communicated to the Annual General Meeting.

The Board's Compensation Committee present and recommends to the Board of Directors salary and benefits for the Chief

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Executive Officer and leading personnel as well as management incentive schemes for the Group.

Management has had a cash bonus scheme since 2005. The beneficiaries of the scheme are the executive management and certain key personnel. Annual awards under the scheme, maximized to one year's salary, are subject to the Group achieving certain predefined financial criteria, including achieved budget goals and development of the Company's share price. See also note 18 on page 44.

### Information and communications

The Company provides information to the market through quarterly and annual reports; investor- and analyst presentations open to the media and by making operational and financial information available on the Company's website. Events of importance are made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Information is provided in English.

### Takeovers

In light of the Company's shareholder structure, with the controlling shareholder holding a majority of the shares, the Board of Directors has not found it appropriate to establish separate guidelines to prepare for a take-over situation.

### Auditor

The auditor is appointed by the Annual General Meeting. The remuneration of the auditor is stated in the Annual Report and approved by the general meeting of shareholders. The same firm of auditors should also as a general rule be appointed for all subsidiaries. The auditor should not perform any work for the Company which could lead to conflicts of interest. The Audit Committee is responsible for ensuring that the auditor's independent role is maintained and, on an annual basis, the auditor presents a review of the Company's internal control procedure to the committee. A summary annual audit plan shall be presented to the Audit Committee once a year. In accordance with the auditor's independence requirement, the Company is cautious when using the elected external auditor for tasks other than the financial audit required by law. Nevertheless, the auditor may be used for tasks that are naturally related to the audit, such as technical assistance with tax returns, annual accounts, understanding of accounting and tax rules and confirmation of financial information in various contexts. Information about fees paid by the Company to the auditor is provided in the Annual Report. The Audit Committee is kept informed, on a regular ba-

sis, of all work undertaken by the auditor. The auditor provides the Board with an annual written confirmation that a number of requirements, including independence and objectivity are met. The auditor attends meetings of the Audit Committee that deal with the financial statements and that review the report on the auditor's view of the Company's accounting principles, risk areas and internal control routines. The external auditor also takes part in the Board's discussions on the final annual financial statements. Both the Audit Committee and Board of Directors ensures that it is able to discuss relevant matters with the auditor without the presence of the management.