



## Corporate governance

**Through good corporate governance, Norwegian Property has a goal of strengthening confidence in the company and contributing to the greatest possible value creation over time. The objective is to secure a clear and appropriate division of roles between shareholders, the board of directors and the executive management over and above legal requirements.**

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

Norwegian Property's overall principles for corporate governance are available at [www.norwegianproperty.no](http://www.norwegianproperty.no) and are reproduced in the directors' report on page 10 in the annual report.

The board presents below the way Norwegian Property has implemented the applicable Norwegian code of practice for corporate governance of 21 October 2010 ("the code") and the document of 20 October 2011 concerning various changes to the code. The code is available on the website of the Norwegian Corporate Governance Board (NCGB) at [www.nues.no](http://www.nues.no). This presentation covers each section of the code, and possible variances from the code are specified under the relevant section.

Norwegian Property's core values are reliable, innovative, proactive and collaborative. Like the company's other policy documents, its ethical guidelines and strategy for corporate environmental and social responsibility have been formulated in accordance with the company's values base. The company's values base and ethical guidelines can be found on its website.

### **2. Business**

Norwegian Property's articles of association are available in the investor relations area of its website. Within the framework of its articles of association, the company has presented goals and strategies for its business on page 6 of the directors' report and on its website.

The company's business purpose states that:

*"The company operates in management, acquisitions, sales and development of commercial real estate, including participation in other companies as well as businesses which are related to such".*



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

#### *Equity*

Group equity at 31 December 2011 totalled NOK 5 164.1 million. The equity ratio at that date was 31.8 per cent, compared with 31.4 per cent a year earlier. The board regards this as an acceptable level in relation to the risks in and scope of the business. To secure good financial freedom of action, the company has a long-term ambition that the relationship between net interest-bearing debt and gross fair value will be in the order of 55-65 per cent. Considerable work was devoted by the company during 2010 and 2011 to increasing its financial flexibility, and this ratio was 65.6 per cent (61.8 per cent if the NOK 600 million seller credit to the buyer of Norgani Hotels is included) at 31 December 2011.

#### *Dividend*

Norwegian Property's dividend policy specifies that a goal for the company is to pay a competitive annual dividend. The company's long-term goal is to pay a dividend of 30-50 per cent of its net profit before value adjustments. In light of the company's work on securing good financial freedom of action, the board has signalled that dividend could be lower than the long-term goal for a period. The dividend policy is also described in note 24 to the consolidated financial statements in the annual report and on the company's website.

#### *Board mandates*

The board held two mandates at 31 December 2011 to increase the company's share capital, each of up to NOK 24.9 million or just under 10 per cent of the company's share capital. The mandates can be utilised as settlement for property acquisitions and in return for cash payment respectively. The board is also mandated to purchase the company's own shares up to a total nominal value of NOK 24.9 million. The board mandates remain in force until 30 June 2012.

No provisions are included in the company's articles of association which allow the board to decide that the company will repurchase or issue its own shares or equity certificates.

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

Norwegian Property has only one share class, and all shares have equal rights in the company. Its articles of association impose no voting restrictions.



The board and the executive management are committed to ensuring equal treatment of all shareholders and to transactions with close associates (related parties) taking place on an arm's-length basis. Note 25 to the consolidated financial statements details transactions with close associates (related parties). Financial relationships related to the directors and executive personnel are described in notes 15 and 20.

The general meeting has mandated the board to increase the share capital. Pursuant to these mandates, the board can resolve to waive the pre-emptive right of shareholders to subscribe to new shares. This is because the mandates are intended in part to be used for such purposes as the issue of shares in settlement for property transactions.

Transactions in the company's own shares will be carried out on the stock exchange or in another manner at the stock market price.

The company has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This is intended to serve as a source of information for the company's administration in order to avoid unintended conflicts of interest.

## **5. Freely negotiated shares**

The articles of association impose no restrictions on the negotiability of Norwegian Property's shares, and the share is freely tradable on the Oslo Stock Exchange.

## **6. General meetings**

Pursuant to section 5-11a of the Norwegian Public Limited Companies Act, the company has specified in its articles of association that, when documents relating to matters on the agenda for the general meeting are made available to shareholders on the company's website, it is not necessary to send these documents to the shareholders. A shareholder can nevertheless request that they be sent documents related to matters on the agenda for the general meeting. The company does not require any form of reimbursement for sending these documents to shareholders.

No provisions in the articles of association otherwise involve any expansion of or deviation from the provisions in chapter 5 of the Public Limited Companies Act.

The company facilitates the attendance of as many of its shareholders as possible at the general meeting. Notice of the general meeting, with comprehensive documentation including the recommendations of the nomination committee, is made available to shareholders on the company's website no later than 21 days before a meeting takes place.



The deadline for shareholders to register their intention to attend is set as close to the meeting as possible, and not more than five days in advance.

Notices with documentation are made available on the company's website immediately after the documentation has been issued as a stock exchange announcement. Shareholders wishing to attend a general meeting must indicate this intention by the specified deadline. Shareholders who cannot attend in person are encouraged to appoint a proxy. Arrangements will be made for shareholders to instruct a possible proxy how to vote on each item on the agenda. The general meeting elects its own chair. Representatives of the company's board and executive management are encouraged to attend. The same applies to the nomination committee at those meetings where the election and remuneration of directors and members of the nomination committee are to be considered, and to the auditor at the AGM.

Minutes from a general meeting are published as soon as practicable via the stock exchange's reporting system ([www.newsweb.no](http://www.newsweb.no), ticker code: NPRO) and on the company's website at [www.npro.no](http://www.npro.no) in the investor relations section.

Notices of general meetings have provided information on the procedures to be observed for attendance and voting, including the use of proxies. A proxy form, where a proxy has been named, has been included with the notices and framed so that the shareholder can specify how the proxy should vote on each issue. The notices have included information on the right to raise issues for consideration at the general meeting, including the relevant deadlines.

## **7. Nomination committee**

Pursuant to the company's articles of association, Norwegian Property has a nomination committee comprising two or three members. These are selected to safeguard the interests of shareholders in general, and the committee is independent of the board and the executive management and otherwise composed pursuant to the code.

Members of the nomination committee and its chair are elected by the general meeting for two-year terms, and their remuneration has also been determined by the general meeting.

The nomination committee has nominated directors and recommended their remuneration. Its recommendations with reasons are made available via the company's website before the election and as soon as they are available. The committee is encouraged to be present at general meetings to present and justify its recommendations and to answer questions. Deadlines for submitting nominations to the committee will be published on the company's website. The present nomination committee was elected at



the extraordinary general meeting of 4 May 2011 and comprises Tom Furulund (chair) and Pål Hvammen. No directors or executive personnel are represented on the nomination committee. Instructions for the nomination committee were submitted to the AGM in 2007.

## **8. Corporate assembly and board of directors, composition and independence**

The company does not have a corporate assembly. Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has five shareholder-elected directors. Directors and the chair of the board are elected by the general meeting for two-year terms, confer the provisions of the Public Limited Liability Companies Act. The board's composition is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background and an in-depth understanding of the property market, purchase and sale of businesses, financing and capital markets. In addition, account has been taken of the need for the board to function well as a collegiate body. The background and experience of directors are presented on the company's website. The board has been composed in such a way that it can act independently of special interests. The company's executive management is not represented on the board. All the directors are regarded as independent of the company's executive management or significant commercial partners. They are all considered to be independent of the company's principal shareholders (defined as shareholders with more than 7.5 per cent of the company's shares). Information on shares owned by directors is updated continuously on the company's website. All the directors attended nine out of 12 board meetings in 2011. On the other three occasions, four of the five directors attended.

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

The board has overall responsibility for managing the group and for supervising the chief executive and the group's activities. Its principal tasks include determining the company's strategy and monitoring its operational implementation. In addition come control functions which ensure acceptable management of the company's assets. The board appoints the president and CEO. Instructions which describe the rules of procedure for the board's work and its consideration of matters have been adopted by the board. The division of labour between the board and the chief executive is specified in greater detail in standing instructions for the latter. The chief executive is responsible for the company's executive management. Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair.

The board has considered it appropriate to appoint sub-committees as advisory bodies to the board. An audit committee of three directors has been established to support the



board in the exercise of its responsibility for financial reporting, internal control, audit and overall risk management. Its work is governed by a standing instruction. A compensation committee of two directors has also been established to assist the board over the employment terms of the chief executive and the strategy and main principles for remunerating the company's senior executives. This committee is also governed by a standing instruction.

The board has established an annual plan for its meetings, and evaluates its work and expertise once a year. It aims to carry out a self-assessment in connection with the presentation of the results for 2011. The outcome of this evaluation will be reported to the nomination committee.

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

Overall goals and strategies are established and further developed through a continuous updating of Norwegian Property's strategy. On the basis of this strategy, the values base and the ethical guidelines, overall instructions have been established for the board as well as policies for the most important areas. An authority matrix has also been prepared for delegation of responsibility to defined roles in the organisation. Norwegian Property has established a set of internal procedures and systems to ensure unified and reliable financial reporting. In addition, regular audits are carried out on the way the company's systems are performing and procedures are being observed. The board receives periodic reports on the company's financial results as well as a description of the status for its most important projects. Governing processes have been established in important areas on the basis of overall policies. On the basis of significant changes to the company's operational strategy, including the establishment of a development department and an internal property management department, the company is conducting a thorough audit of its documents and process descriptions. The board reviews the company's most important risk areas and its internal control on an annual basis.

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

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee, and have not been related to results. The directors have not been awarded options. Nor have they undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments without approval from the board in each case. Further details on the remuneration paid to individual directors are provided in note 20 to the consolidated annual financial statements.



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

As mentioned under section 9, a compensation committee of two directors has been established to assist the board with the employment terms of the chief executive as well as the strategy and main principles for remunerating the company's senior executives. The group's guidelines for remuneration of senior executives are reported in note 20 to the consolidated financial statements. This note also provides further details about remuneration in 2011 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual financial statements. No options have been issued to employees or elected officers of the company. A ceiling has been set on the size of profit-related remuneration for those employees entitled to receive this.

## **13. Information and communication**

All reporting of financial and other information will be timely and accurate, and based on openness and equal treatment of players in the securities market. Information is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presentations. All information of significance for valuing the company will be distributed and published via Cision and the Oslo Stock Exchange's company disclosure system.

Such information is simultaneously made available on the company's website, where it is also possible to subscribe to announcements. The main purpose of such information will be to clarify the company's long-term goals and potential, including its strategy, value drivers and important risk factors. Important dates for the AGM and for interim reports are published on the company's website and in the annual report. The instructions for the chief executive specify more detailed guidelines on information and communication, and the company's approved investor relations policy is available on its website.

Norwegian Property complies with the Oslo Stock Exchange's recommendations on reporting investor relations information. The applicable recommendation on such reporting is available on the stock exchange's website at [www.oslobors.no](http://www.oslobors.no)

## **14. Takeovers**

No takeover bids were made for the company's shares in 2011. The company's articles of association place no restrictions on buying shares in the company. In a takeover process, the company's board and executive management will seek to help ensure that the shareholders are treated equally and that the company's business suffers no unnecessary disruption. The board will give particular weight to ensuring that shareholders have



sufficient time and information to be able to form a view of a possible offer for the company's business or shares.

The board has not prepared guiding principles for responding to a possible takeover bid, since it wishes to be free, within the constraints of existing regulations, to react to such an offer as it sees fit.

### **15. Auditor**

As mentioned above, an audit committee of three directors has been established to support the board in the exercise of its responsibility for financial reporting, internal control, audit and overall risk management. Its work is governed by a standing instruction. During 2011, the auditor conducted the following work in relation to fiscal 2010:

- Presented the main features of the audit work
- Attended board meetings considering the annual financial statements and when significant changes in accounting principles, assessments of significant accounting estimates and possible disagreements between auditor and executive management were considered
- Conducted a review together with the board of the company's internal control systems
- Held a meeting with the board without the presence of the executive management
- Confirmed that the requirements for the auditor's independence were fulfilled, and provided an overview of services other than auditing which have been rendered to the company.

Pursuant to the instruction for the board's audit committee, the use of the auditor for substantial assignments other than ordinary auditing services must be considered and approved by the board.