

# Corporate Governance Report 2018

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.



## Corporate Governance Statement

Scatec Solar ASA (“**Scatec Solar**” or the “**Company**”) has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and improved communication between the management, the Board of Directors (the “**Board**”) and the shareholders. The Company’s framework for Corporate Governance is intended to decrease business risk, maximise value and utilise the Company’s resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large.

The Company will comply with the Norwegian Code of Practice for Corporate Governance (the “**Corporate Governance Code**”), last revised on 17 October 2018, which is available at the Norwegian Corporate Governance Committee’s web site [www.nues.no](http://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 of Directors and Executive Management more comprehensively than what is required by legislation and (ii) 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 parties concerned.

The Company is subject to 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’s Corporate Governance framework is subject to annual reviews and discussions by the Board and an updated Corporate Governance policy was discussed and resolved by the Board on 24 January 2019 to adopt the amendments made to Corporate Governance Code in the 17 October 2018 version.

### 1. Implementation and reporting on Corporate Governance

The Board first adopted the Company’s Corporate Governance guidelines on 19 August 2014, including rules of procedure for the Board, instructions for the audit committee, instructions for the remuneration committee, insider manuals, manual on disclosure of information, ethical guidelines and guidelines for corporate social responsibility. On 17 October 2018, the Norwegian Corporate Governance Board issued the revised Corporate Governance Code. Pursuant to the revised Corporate Governance Code, the Board reviewed and revised the Company’s Corporate Governance policy as set out herein.

The Company shall comply with the Corporate Governance Code. The Board’s report on the Company’s Corporate Governance will be published on the Company’s website at the same time as the annual report, including an explanation of any deviations from the Corporate Governance Code.

Scatec Solar’s value base constitutes a key premise for the Company’s Corporate Governance. The key values of the Company are: predictable, driving results, changemakers and working together. These values aim to characterise the behavior of the Company and the Company’s employees and form the basis for the Company’s ethical guidelines.

### 2. Business

The Company is one of the world’s leading independent solar energy providers with capabilities and the experience needed to realise and operate utility-scale solar photovoltaic (PV) power plants. The Company and its subsidiaries engage in project development, financing, engineering, construction and operation and maintenance of PV power plants.

The Company’s business is defined in the following manner in the Company’s articles of association (the “Articles of Association”) section 3:

“The Company’s purpose is establishment and operation of business based on downstream technology for the production of solar electricity, including investment in companies operating such business”

The Company has adopted and implemented guidelines for how it integrates considerations related to its broader stakeholders into its business and value creation for its shareholders through its sustainability framework and reporting.

The Company’s objectives, principal strategies and stakeholder engagement are further described in the Company’s annual report, sustainability report and the Company’s website [www.scatecsolar.com](http://www.scatecsolar.com).

### 3. Equity and dividends

#### Equity

At 31 December 2018, the Company’s consolidated equity was NOK 2,475 million, which is equivalent to 17% of total assets. The Board considers this equity level to be satisfactory. The more relevant equity to capitalisation ratio for the Recourse Group (excluding the non-recourse financed project entities) as defined in the corporate bond agreement was 81% as of 31 December 2018. The Company’s capital structure is continuously considered in light of its objectives,

strategy and risk profile. For further description of financial risks, please see the Company's annual report page 54.

#### 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.

The Company's dividend policy is to pay its shareholders dividends representing 50% of free cash distributed from the power producing power plant companies.

#### Capital increases and issuance of shares

The Board currently do not have any authorisation to resolve an increase in the Company's share capital, as the Board utilised the previous authorisation in two rounds in 2018. The use of authorisation to increase the share capital was in line with the Company's Corporate Governance Statement.

The Board may ask the General Meeting to renew the authorisation 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.

The Board will propose to the General Meeting a distribution of dividends on the basis of the 2018 accounts of NOK 0.95 per share.

#### Trading in own shares

The Board is currently, and until the Annual General Meeting of 2019, but in no event later than 30 June 2019, 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. The Company has per 28 March 2019 acquired a total of 75,788 shares under this authorisation. 24,884 of the shares were used to settle shares to leading employees under the Company's long-term incentive programme and 50,904 shares were acquired for onward sale to employees under the Company's Share Purchase Programme for employees.

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 to Management and other key employees, 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.

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

### 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 contribution. Such pre-emption rights may however be set aside, either by the General Meeting or by Board of Directors if the General Meeting has granted a board authorisation which allows for this. Any resolution proposed by the Board to set aside pre-emption rights will be in the common interests of the Company and the shareholders, and the basis for such deviation will be publicly disclosed through a stock exchange notice from the Company.

### 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 2018, save for that the Company has a joint venture with subsidiaries of Equinor ASA in both Brazil and Argentina. The transactions related to these joint ventures were entered into and consummated prior to Equinor ASA acquiring 9.7% of the issued shares of the Company. The transactions related to these joint ventures were made on arm-length terms.

The Board shall ensure that any non-immaterial transactions between the Company and 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 shall assess whether a fairness opinion from an independent third party should be obtained. Any such transactions shall be described in the Company's financial statements.

### Guidelines for Directors and Executive Management

The Board has adopted rules of procedures for the Board which inter alia includes 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.

### 5. Shares and negotiability

The Company has one class of shares and all shares carry equal rights in the Company. There are no limitations on a party's ability to own, trade or vote for shares in the Company.

### 6. General meetings

The Board will make its best efforts to ensure that the Company's shareholders can participate in the General Meeting.

### Notification

The Board will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and precise to allow shareholders to form a view on all matters to be considered at the meeting.

### Participation and execution

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

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

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.

It is the intention of the Company that the Chairman of the Board, the Board members and the Chairman of the Nomination Committee shall be present at General Meetings. 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.

External legal counsel will normally be chairing the General Meetings.

The Company held one General Meeting in 2018, the Annual General Meeting held 23 April 2018.

In April 2018, the Company did 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. The revised Corporate Governance policy stipulates that the entire Board shall seek to be present as to conform with the revised Corporate Governance Code.

### 7. Nomination committee

The Company's nomination committee (the "**Nomination Committee**") is governed by the Articles of Association section 8. In addition, the Company's General Meeting has on 13 August 2014 adopted instructions for the Nomination Committee. The Nomination Committee shall consist of two to three members who shall be shareholders or shareholder representatives. The members shall be elected by the General Meeting for a term of two years, however, in such a manner that the entire committee is not elected at the same General Meeting. The Nomination Committee shall give its recommendation to the General Meeting on election of and compensation to members of the Board, in addition to election of members of the Nomination Committee. The basis for the proposal(s) for each candidate shall be disclosed.

The (i) members of the Nomination Committee, and (ii) the deadline for shareholders to propose candidates for election, is communicated to the Company's shareholders at [www.scatecsolar.com/investor](http://www.scatecsolar.com/investor).

The General Meeting on 23 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). The members of the Nomination Committee are to be elected on the Annual General Meeting to be held on 30 April 2019. At such meeting, the Board will, for the purpose of securing continuity, propose that the General Meeting adopts a revised instruction to the Nomination Committee specifying that members can be elected for a one year period (as well as a two year period), to ensure that not all members are up for election at the same time, as well as that there is no limitation to how many periods a member is re-elected for.

### 8. Board of Directors: composition and independence

Pursuant to the Articles of Association section 7, the Board shall consist of three to seven members. The Board currently consists of the following five members: Mr. John Andersen (Chairman until 2020), Mr. John Giverholt (until 2019),

Mr. Jan Skogseth (until 2020), Ms. Mari Thjømøe (until 2020) and Ms. Gisele Marchand (until 2019). The term of office for members of the Board is two years at a time.

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

## 9. The work of the Board of Directors

Fifteen (15) board meetings were held in 2018. All meetings were quorate.

The Board approved the 2018 annual accounts and continuously monitored the financial situation of the Company, the operational performance, and adherence to compliance, health, security, safety, compliance, sanctionable practices and environment policies, and movement of pipeline and backlog projects.

### The rules of procedure for the Board of Directors

The Board is responsible for the over-all 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 of Directors. In addition, the Board has adopted supplementary rules of procedures, 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 executing 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 shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Chief Executive Officer shall at least once a month, by attendance or in writing, inform the Board about the Company's activities, position and profit trend.

The Board shall ensure that members of the Board and executive personnel make the company aware of any material interests that they may have in items to be considered by the Board.

The Board's consideration of material matters in which the Chairman of the Board is, or has been, personally involved, shall be chaired by some other member of the Board.

The Board shall 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 a separate instruction adopted by the Board. The members of the audit committee are appointed by and among the members of the Board. A majority of the members shall be independent of the Company's Executive Management, and at least one member shall have qualifications within accounting or auditing. Board members who are also members of the Executive Management cannot be members of the audit committee. The audit committee currently consists of Ms. Gisele Marchand, Ms. Mari Thjømøe and Mr. John Andersen. All members of the audit committee are independent of the Company's Executive Management have qualifications in accounting and auditing. The audit committee met six (6) times in 2018.

The principal tasks of the audit committee are to:

- prepare the Board's supervision of the Company's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the Company's auditor regarding the audit of the annual accounts; and
- review and monitor the independence of the Company's auditor, including in particular the extent to which services than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

### The remuneration committee

The Company's remuneration committee is governed by a separate instruction adopted by the Board. The members of the remuneration committee are appointed by and among the members of the Board and shall be independent of the Company's Executive Management. The remuneration committee currently consists of Mr. Jan Skogseth, Mr. John Giverholt and Mr. John Andersen. 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; and
- consider other matters relating to remuneration and other material employment issues in respect of the Executive Management.

The remuneration committee held one meeting in 2018.

## 10. Risk management and internal control

In 2018, the Board ensured that the management presented quarterly financial statements informing the Board and the shareholders of current business performance for the first, second and third quarter, whilst the fourth quarter results were presented in January 2019. In addition, the Board receives monthly operating reports highlining key risks and mitigations on an ongoing basis, as well as measures of the key performance indicators set by the Board for the management each year.

### The Board of Directors and internal control

The Board should on an ongoing basis assess the Company's risks. Each year, as a minimum, the Board should have a thorough assessment of the significant parts of the Group's business and outlook, in order to identify risks and potential risks, and remedy any incident that have occurred.

The Board may engage external expertise if necessary. The objective is to have the best possible basis for, and control of, the Company's situation at any given time.

In addition to the annual risk assessment, the management should present quarterly financial statements that will inform the Board and shareholders on current business performance, including risk reports. These reports should be subject to review at the quarterly board meetings.

### The financial reporting process

The Company has a Financial Reporting and Planning policy with associated procedures and tools, owned by the CFO, which sets out the regulations and procedures for the financial reporting. The internal control of financial reporting is a process designed under the supervision of the CFO to provide reasonable assurance.

The Finance functions are responsible for monthly financial follow-up and reporting across the Group's entities. Foreign subsidiaries and joint ventures have its own finance personnel responsible for applicable reporting. This reporting is reviewed and followed up by the finance staff in Norway.

The monthly financial reporting from the operating entities is performed through the Company's reporting system in order to ensure consistent and unified reporting throughout the organisation.

The Company prepares and presents its financial statements in accordance with International financial reporting standards (IFRS), as adopted by the European Union.

### The Board of Directors' annual review

The Board aims to undertake a complete annual review of the risk situation, which should be carried out together with the Board of Directors' review of the annual accounts. The auditor should attend this meeting.

### The Board of Directors' reporting routines

The Board should present an in-depth review of the Company's financial status in the annual report.

The Board will seek to ensure that the Company has sound internal control and systems for risk management, including with respect to the its guidelines for how it integrates considerations related to its broader stakeholders into its business and value creation, that are appropriate in relation to the extent and nature of the Company's activities.

## 11. Remuneration of the Board of Directors

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 at least 21 days prior to the General Meeting that will decide on the remuneration.

The Company has not granted share options to Board members.

Any remuneration in addition to normal fees to the members of the Board should be specifically identified in the annual report.

Members of the Board and/or companies with which 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.

## 12. Remuneration of the Executive Management

The Board will in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to key management personnel. The guidelines shall include the main principles applied in determining the salary and other remuneration of the Executive Management and shall ensure convergence of the financial interests of the Executive Management and the shareholders. It should be clear which



aspects of the guidelines that are advisory and which, if any, that are binding thereby enabling the General Meeting to vote separately on each of these aspects of the guidelines. The guidelines will be published together with the notice of the ordinary General Meeting.

The Board aims to ensure that performance-related remuneration of the Executive Management in the form of share options, annual bonus programmes or the like, if used, are linked to value creation for shareholders or the Company's earnings performance over time. Performance-related remuneration should be subject to an absolute limit. Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

More detailed information about the individual remuneration of the Chief Executive and other executive personnel is provided in the Company's annual report on page 120-123.

### 13. Information and communications

#### General

The Board has adopted a separate manual on disclosure of information, which sets forth 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 each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary General Meeting and publication of financial 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 stock exchange announcements, financial reports and presentations, other public presentations and press releases are made available on the company's website [www.scatecsolar.com](http://www.scatecsolar.com) together with other relevant information. 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 shareholders. The Company holds open presentations in connection with the financial reporting, and these presentations are broadcasted live via webcast.

### 14. Take-overs

In the event the Company becomes the subject of a take-over 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 defense mechanisms against take-over bids in the Articles of Association, nor have other measures been implemented to specifically hinder or obstruct the launch of take-over bids for the shares in the Company. The Board has not established written guiding principles for how it will act in the event of a take-over bid, as such situations are normally characterised by concrete and one-off situations which make a guideline challenging to prepare.

In the event a take-over was to occur, the Board will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

### 15. Auditor

The Company's external auditor is EY AS.

The Board will require the Company's auditor to annually present to the audit committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement, as well as the main features of the plan for the audit of the Company.

Furthermore, the Board will require the auditor to participate in meetings of the Board that deal with the annual accounts. At least one Board meeting with the auditor shall be held each year in which no member of the Executive Management is present.

The auditor will, as a general rule, participate in audit committee meetings.

The Board has established guidelines in respect of the use of the auditor by the Executive Management for services other than audit.

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

