

CORPORATE GOVERNANCE

Eksportfinans adheres to the Norwegian code of practice for corporate governance to the extent possible. No changes were made to the code in 2019, so the prevailing version is dated October 17, 2018.

Eksportfinans is also compliant with the requirements of section 3-3b of the Norwegian accounting act. Rules regarding corporate governance of financial institutions operating in Norway are to a large extent laid down in national legislation. In addition, Eksportfinans is subject to the international regulations that apply to issuers of bonds in other jurisdictions.

1. Implementation and reporting on corporate governance

In the board of directors' opinion, Eksportfinans is performing sound corporate governance in accordance with the Norwegian code of practice. Below is a description of how Eksportfinans is adapting to the different areas of corporate governance as defined in the code of practice, based on the "comply or explain principle". For more information on the Norwegian code of practice see www.nues.no.

2. Business

According to its articles of association, Eksportfinans' objective is to conduct financing operations to the export sector. In addition, operations may include financing as approved or requested by Norwegian authorities and the municipal sector. The financing is provided in accordance with the license and articles of association, applicable Norwegian law, in addition to decisions by and guidelines from the board. The articles of association also provide for the operation of the company, and are available on the company's website.

Eksportfinans has not submitted new loans since 2012. The current strategy is to actively manage the existing portfolio of assets, liabilities and other commitments, with the overall objective of maintaining company value.

The board has defined clear objectives, strategies and risk profiles for the company's business activities, and aims to create shareholder value to the extent possible given the current strategy. The board's annual strategy process forms the basis for the strategic plan for the company, referred to in the annual report.

The policy for corporate social responsibility is approved by the board of directors on an annual basis and published on the company's website. It comprises ethical guidelines, whistle blowing routines, health, environment and safety guidelines, environmental awareness and measures against corruption and money laundering. Human rights, employee rights and social matters are not currently an explicit part of the policy as Eksportfinans does not grant new loans. When Eksportfinans was an active lender, these factors were part of the loan approval process. Issues covered by the ethical guidelines are legal compliance, conflicts of interest, relationships with clients and suppliers, confidentiality, the duty to provide correct and timely information, media statements, securities trading, insider trading, whistle blowing and other relevant issues related to private finances. In 2018, Eksportfinans was certified as an eco-lighthouse, Norway's leading certificate for companies that want to document their environmental efforts and take social corporate responsibility.

3. Equity and dividends

The board regularly reviews the capital structure of Eksportfinans in relation to the company's objective, strategy and risk profile. The target core capital adequacy ratio and other relevant key figures are published in the company's Pillar 3 reporting on its website.

The board proposes dividends to the annual general meeting based on the capital situation of the company and other relevant factors. Due to the company's situation, no regular dividends have been disbursed to the shareholders since 2011. The company is over-capitalized and the board will continue its attempts to optimize the capital structure going forward. In 2019 the Norwegian Financial Supervisory Authority declined an application to pay out capital to the owners. The board has filed a complaint that is currently being processed by the government. . (*blir oppdatert frem til publisering hvis det mottas svar fra FIN*).

4. Equal treatment of shareholders and transactions with close associates

Eksportfinans has one class of shares, where each share counts for one vote. The shares are not listed on a stock exchange.

The articles of association do not include any provision entitling the board of directors to make a decision to buy back or issue Eksportfinans' shares on behalf of the company, nor is there any other written authorization granting the board this right.

Eksportfinans has a number of ongoing business transactions with its owner banks, which can be characterized as closely related parties. Material transactions with related parties are listed in note 27 to the financial statements in the annual report for 2019. All transactions are of a business nature, and conducted at market terms. It is the board's assessment that the recommendation in the Norwegian code of practice to evaluate the value of this type of transactions is not required because it falls under activities that can be characterized as ongoing business.

5. Shares and negotiability

The Norwegian code of practice states that the company should not limit any party's ability to own, trade or vote for shares in the company. Eksportfinans is not complying with this recommendation due to the following:

- Paragraph 2 of the articles of association states that only banks and the Norwegian state can own shares in Eksportfinans. The board does not have authority to approve share transfers.
- A shareholder agreement exists between the major and some of the minor shareholders, giving them mutual rights of first refusal in the event that any one of them should desire to dispose of its shares in the company.
- Norwegian law requires that the authorities shall be notified about transactions regarding the acquisition of over 10, 20, 30 or 50 percent of the shares of a financial institution.

6. General meetings

In accordance with the articles of association, the annual general meeting is held before the end of April each year. The articles of association also state that the notification, including comprehensive documentation should be sent to the shareholders no later than two weeks before the meeting. Board members, the chairman of the nomination committee and the company auditor is present at the annual general meeting. The general meeting elects an independent chairperson to lead the meeting, normally the head of the nomination committee.

The company provides procedures for voting on each individual matter, including on each individual candidate nominated for election. In the absence of representation at the general meeting, shareholders may issue proxies to third-parties on pre-designed forms.

7. Nomination Committee

As specified in the articles of association, Eksportfinans has a nomination committee that nominates candidates to the board including its chairperson and deputy chairperson, and to the nomination committee itself. It also suggests remuneration to the members of these bodies.

The nomination committee is elected by the general meeting and consists of three representatives from the shareholders and one independent representative who is also the chairperson of the committee.

The nomination committee communicates with shareholders, the board and executive personnel in order to evaluate relevant candidates to the board and nomination committee. It shares its grounds for the different nominations with the annual general meeting following a thorough assessment of Eksportfinans' need for expertise, capacity and diversity.

8. Board of directors: composition and independence

In accordance with the Act on Financial Companies and paragraph five of the articles of association, the board of directors is elected by the general meeting based on recommendations made by the nomination committee. One boardmember and one observer with alternates are elected by and among the employees. The board of directors shall have a minimum of five members. At December 31, 2019 the board had three members representing owner banks, two independent members and one member elected among the employees. Board members are elected for a term of one year, with the exception of members elected by the employees who serve two year terms. In 2019 the participation rate at board meetings was close to 100 percent.

Eksportfinans complies with the Norwegian regulation implying that board members elected by the shareholders should consist of at least 40 percent men and 40 percent women. The board members' independence and competence are discussed in the nomination committee and in the board itself. Each board member's background is listed in the annual report and on the corporate website.

9. The work of the board of directors

Eksportfinans' board has established a set of instructions for its undertakings and procedures, as well as instructions for the CEO and all major areas of operations. This includes clear internal allocation of responsibilities and duties. Guidelines for the handling of potential conflicts of interest between board members and/or executive management have been implemented. In addition, the company's ethical guidelines, applicable to the board and the management specifically, state that conflicts of interest shall be avoided, and that each employee is obliged to inform their immediate superior as soon as they become aware that an impartiality conflict might arise. Furthermore, board members are subject to the statutory impartiality and insider considerations incorporated in Norwegian law.

The board defines clear objectives, strategies and risk profiles for the company's business activities, and receives monthly reports on developments in relation to budgets, plans and risk management. As of 2019, the board serves as the company's audit committee and risk committee.

The board's remuneration committee consists of three members of the board, including the employee's representative, all appointed for one year periods. The committee ensures that Eksportfinans at any given time practices guidelines and frameworks for a compensation scheme that will apply to the whole

company in general and for certain specified categories of employees including, in particular, the management.

The board evaluates its competence and performance annually, whereupon a report is issued to the nomination committee.

10. Risk management and internal control

Risk management is a key element of Eksportfinans' operations. Eksportfinans' board has set a comprehensive risk policy for all major risk areas, including detailed risk limits. The board receives monthly reports including the status of all major risk areas, in addition to a comprehensive quarterly risk report. This forms the basis for board discussions on risk management. The board regularly assesses risk and overall capital needs. In addition, it liaisons with the risk control functions in the company, reviews the risk policies at least annually and monitors the compliance with these policies. Predefined risk related issues regularly appear on the agenda of the board meetings.

Eksportfinans complies with Norwegian internal control regulations (internkontrollforskriften). As a registered borrower in the USA until 2017, Eksportfinans was subject to section 404 of the Sarbanes-Oxley Act, where under the company performed a thorough identification of key earnings and risk areas, the operational processes and controls of these processes, documentation and reporting. The company has decided to keep the majority of these control measures as part of its internal control also after all notes issued under the company's USMTN program were repaid in 2017.

Eksportfinans' internal auditor ensures that risk analysis is conducted and that the activities are in accordance with external regulations, approved strategies and guidelines. The internal audit is an integrated part of the management and planning process. The internal auditor conducts a risk workshop with the executive management team on an annual basis, during which the risk factors perceived as most important are identified and discussed. The workshop leads to an action plan with regards to the handling of major risk factors. The results of the workshop are reported to the board. In 2019 the entire organization participated in the risk workshop in order to enhance the overall focus on risk in the company.

Eksportfinans' financial reporting is led by the chief financial officer and includes guidelines for monthly, quarterly and annual reporting on the basis of internal and external requirements and risk assessments related to financial reporting. The financial reporting is ensured to be in line with prevailing legislation, accounting standards and current accounting principles. A number of control measures have been prepared in connection with the finalization of such information, including general assessments of reasonableness, probability tests and detailed reconciliation controls.

All financial reporting from Eksportfinans is considered by the board of directors. The annual accounts are approved at the annual general meeting.

11. Remuneration of the board of directors

In accordance with the articles of association, remuneration to the different elected officers is proposed by the nomination committee based on an assessment of responsibility, expertise and allocated time. On this basis the fees are set by the annual general meeting. The remuneration is independent of results, and does not include any form of options or bonuses. Details on the remuneration to board members are found in note 28 to the financial statements in the annual report for 2019.

12. Remuneration of executive personnel

The board determines the remuneration to the chief executive officer, and sets the limits for compensation to other executive personnel. In accordance with Norwegian legislation, the board has set guidelines for the remuneration of executive personnel. These are reviewed annually and presented to the annual general meeting. Eksportfinans does not have remuneration schemes based on the share value of the company. For a more detailed description of the remuneration policy, see the annual report or the corporate website.

13. Information and communication

The board has set guidelines to ensure relevant, up-to-date and identical information to shareholders, financial investors and other actors in the international capital markets. The market is updated through annual and interim reports published on the corporate website and relevant stock exchanges.

Eksportfinans does not have set guidelines for communicating with shareholders other than through the general meetings. However, financial information and other corporate information such as press releases are forwarded to the shareholders at release.

14. Take-overs

Eksportfinans has defined guiding principles on how it will react in the case of a take-over bid situation. The limited number of shareholders, the limitation in the articles of association on ownership eligibility and the agreement between certain shareholders providing for mutual rights of first refusal in the event that any one or more of them desires to dispose of its shares in the company will help ensure equal treatment of shareholders and timely and relevant information if such a situation should occur.

15. Auditor

Eksportfinans has an independent external audit, conducted by auditors who act according to the recommendations set out in the Norwegian code of practice for corporate governance. Also, the internal audit is conducted by an independent auditor.

The external auditor participates at the board's resolving of the annual accounts and internal control issues, and has quarterly meetings with the board without the administration being present. Guidelines have been established for the relationship with the external auditor. This includes limitations on the type of additional services that can be performed, and approval of fees. The annual general meeting elects the external auditors and approves their remuneration.