

## CORPORATE GOVERNANCE 2016 - UPDATED

### 1. Corporate Governance Report:

The Board of Hexagon Composites ASA shall ensure the Company complies with the Norwegian Code of Practice for Corporate Governance, most recently revised on 30 October 2014. The Group's compliance with, and derogation from, each point contained in the Norwegian Code of Practice for Corporate Governance shall be commented on by the Board and shall be made available to the Company's stakeholders when the annual report is published.

Hexagon Composites ASA's own code of corporate governance is designed to clarify role division between shareholders, the general meeting, the Board and the Company's management in addition to what is prescribed in legislation.

Hexagon Composites ASA's Code of Corporate Governance - general principles:

- The Group's corporate governance principles are largely in line with the Norwegian Code.
- The Group works on the basis that all activity and all employees' work shall be performed to a high ethical standard, and with the following common values:
  - To practise all business operations within the regulatory framework of the individual market and to a high ethical standard
  - To promote cooperation and joint resolution of challenges
  - To promote innovation and fresh approaches
  - To make expertise and market focus the backbone of the Group's operations
  - To find solutions that will stand the test of time
  - To demonstrate drive and integrity
- The Board shall provide a report on the Group's corporate governance principles in the annual report or in a document referred to in the annual report. The report must cover each section of the Code. If this recommendation is not followed, the derogation shall be justified, together with an account of how the Company has made a different arrangement.
- The Board shall clarify the Company's values and produce Group guidelines for ethics and corporate responsibility which reflect these values.

Hexagon Composites ASA's Code of Practice for Corporate Governance is described in detail in the following documents:

- The Board's Annual Corporate Governance Report (in the annual report)
- The Company's Ethical Guidelines
- The Group's Strategies
- Rules on Handling Price-Sensitive Information and Insider Trading
- Guidelines for the Nomination Committee
- Instructions for the CEO
- Instructions for the Board

## GOVERNING DOCUMENT

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- Instructions for the Audit Committee
- Instructions for the Remuneration Committee
- Guidelines for the Determination of Management Salaries and Other Benefits
- Guidelines for Information from the Company
- Guidelines for Use of Auditors as Company Advisors
- Guidelines for Corporate Responsibility
- Anti-Corruption Policy and Guidelines

### **2. Business:**

- Hexagon Composites ASA develops and commercialises competitive products based on advanced composite technology.
- Our goal is to remain the international leader in selected niches of the composites industry. We aim to take market share from products based on traditional materials by offering cost effective, innovative solutions in the pressure cylinder market.
- The objectives of the company are in the development, production, marketing and sale of goods and services related to composites or other areas, and activities that are related thereto, and participation in companies within similar business areas. The Company's articles of association, which include the objective described above, can be found on our website.

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

- The Company shall have an equity that is appropriate to its objectives, strategies and risk profile.
- The Group focus on high-growth markets and intend to make the necessary investments to develop the business in these markets.
- The Group's shareholders shall receive a competitive return on their shares, mainly through price increases in the Group's shares, but also in the form of dividends based on financial performance/investment needs.
- The annual general meeting can resolve to grant a mandate to the board of directors to approve the distribution of dividends on the basis of the approved annual accounts. Such a mandate should be based on the existing dividend policy. The explanation for the proposal to grant a mandate should state, inter alia, how the mandate reflects the company's dividend policy.
- The Board mandate to implement capital increases is normally restricted to defined purposes and is not granted for a period beyond the date of the next annual general meeting. This also applies to mandates granted to the Board for the Company to purchase its own shares. Share option schemes for employees are normally arranged under a special authorisation.
- If the Board mandate to implement capital increases encompasses several purposes, the annual general meeting shall normally consider each purpose separately rather than as part of a collective mandate.

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

- Hexagon Composites ASA has only one class of shares.

## GOVERNING DOCUMENT

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- In the event of an increase in share capital, all shareholders will normally be treated equally. If this is not the case, subsequent measures shall be implemented to ensure that the other shareholders are, as far as possible, in the position they would have occupied had they participated in the original capital increase. If existing shareholders' pre-emptive rights are waived in the case of a capital increase, justification must be provided. If the Board approves the capital increase by deviating from the preferential right based on authorisation, the grounds for this should be announced in a notice to the stock exchange in connection with the capital increase.
- The Group shall normally conduct transactions in its own shares through the stock exchange or at market rates.
- Particular prudence should be applied in external transactions in which the Group's shareholders, Board members, management or related parties have a financial or personal interest.
- In the event of any sizeable external transactions in which the Group's shareholders, Board members, management or related parties have a financial or personal interest, a valuation shall be obtained from an independent third party. Guidelines must also be in place.
- The Company shall establish guidelines to ensure members of the Board and executive management notify the Board of any direct or indirect significant interest in a transaction entered into by the Company.

### **5. Freely negotiable shares:**

- All shares in Hexagon Composites ASA are freely negotiable. No form of sales limit has been stipulated in the articles of association.

### **6. General meetings:**

- The Board shall ensure that as many shareholders as possible are able to exercise their rights by participating in the Company's annual general meeting, and that this is an effective meeting place for shareholders and the Board.
- The notice of the meeting and supporting documents, including the nomination committee's recommendations, shall be available on the Company's website 21 days before the meeting.
- The supporting information shall be sufficiently detailed to allow all shareholders to form a view on matters to be considered at the meeting.
- The deadline for registration is three days before the date of the general meeting.
- The Board and the person chairing the meeting shall make appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.
- Shareholders who are unable to attend may vote by proxy. The Company shall normally nominate a person who will be available to vote on behalf of shareholders as their proxy. The Company shall produce proxy forms which shall, as far as possible, be designed in such a way as to allow voting on each individual matter to be considered and on the candidates nominated for election.
- The Board, nomination committee and auditor shall normally be present at the general meeting.

## GOVERNING DOCUMENT

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- There shall also be procedures to ensure an independent chairman presides over the meeting.

### **7. Nomination committee:**

- The Company has a separate nomination committee that is elected by the annual general meeting, which also defines its remuneration.
- The nomination committee structure is referred to in the articles of association. The annual general meeting defines detailed guidelines for the nomination committee.
- The composition of the nomination committee shall normally take into account the interests of shareholders. The majority of the committee shall normally be independent of the Board and executive management.
- The nomination committee consists of two to five members, one of whom is a Board member.
- The nomination committee's duties are to evaluate the work and expertise profile of the Board of directors and to propose candidates for election to the Board.
- The nomination committee shall have contact with shareholders, the board of directors and the company's executive personnel as part of its work on proposing candidates for election to the board.
- The company shall provide information on the membership of the committee and provide suitable arrangements for shareholders to submit proposals to the committee for candidates for election.
- The nomination committee shall also propose the fees to be paid to Board members.
- The committee's recommendations, together with relevant information about the candidates, including competence, capacity and independence, is to be sent out with the other supporting documents.
- This information shall include details of who serves on the committee and how to make proposals to the committee.

### **8. The Board's composition and independence:**

- The Board shall be composed in such a way as to enable it to look after the interests of shareholders, to have the necessary expertise to make independent evaluations of the Group's operations and to ensure it is able to function effectively as a collegiate body.
- At least two of the shareholder-elected Board members must be independent of the Group's management, important business associations and large shareholders.
- In this respect, the term independent means that a Board member:
  - does not normally receive remuneration other than Board fees.
  - has not been an employee of the Company in recent years.
  - is not entitled to any performance-based Board fees.
  - does not have any cross-relationships with other Board members or management.
  - does not have any close family ties with management.
  - does not have or represent any material business connections with the Company.

## GOVERNING DOCUMENT

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- At least two of the shareholder-elected Board members should be independent of the Company's main shareholder(s).<sup>1</sup>
- Members of executive management shall not serve on the Board.
- A description of the Board members' capacity, independence and attendance at Board meetings shall be included in the annual report.
- The term of office for Board members is two years.
- Both genders shall be represented on the Board; cf. 6-11a, Norwegian Companies Act.
- Board members are encouraged to own shares in the Company.

<sup>1</sup>) owner of 10% or more of the shares

### **9. The work of the Board:**

- A set of instructions for the Board's work has been issued.
- Discussions regarding matters of a material nature in which the Chairman of the Board is, or has been, personally involved shall be chaired by another member of the Board.
- The Board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.
- The Board shall ensure that the Group has good leadership with clear internal accountability and allocation of duties.
- A set of instructions for the CEO has been issued.
- The Board shall work with the CEO and auditor to ensure that the Group has good internal control, in accordance with its corporate values and ethical guidelines.
- The Board shall submit an annual evaluation of its own work and expertise to the nomination committee.
- Board members and related parties wishing to trade in the Company's securities must obtain prior clearance.
- Board members and related parties are not allowed to engage in short-term trading in the Company's securities.
- The Company shall have an audit committee, in accordance with the Norwegian Companies Act and stock exchange regulations. The full Board shall not function as the Company's audit committee. The majority of the members of the audit committee shall normally be independent of the Company's operations.
- The Company shall establish a remuneration committee to help ensure detailed and independent handling of matters relating to the remuneration of executive management. The remuneration committee shall consist of Board members who are independent of executive management.

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

- The Board shall ensure the Company has sound internal control, and risk management systems appropriate to the extent and nature of its activities. The internal control and systems shall encompass the Company's corporate values and ethical guidelines. The main points relating to this are described in the annual report.
- The Board shall conduct an annual review of the Group's main areas of risk and its internal control arrangements.

**11. Board compensation:**

- Remuneration of the Board of Directors shall reflect the Board's responsibility, expertise, time commitment and complexity of activities.
- Remuneration of the Board shall not be performance-based. Options shall not be issued to Board members.
- Members of the Board, and companies with which they are associated, will not normally take on specific assignments for the Company in addition to their Board work.
- In special cases, a member of the Board may be asked to assist executive management in particular matters. This type of assistance must be authorised by the Group President and also disclosed to the entire Board. Normal payment terms for this type of assignment shall apply, and fees shall be approved by the Board. Any additional assignments for the Company undertaken by the Board shall be mentioned in the annual report.

**12. Remuneration of executive management:**

- The Board has established guidelines for the remuneration of executive management. These set out the main principles of the Company's management remuneration policy. The main points are described in the annual report. The guidelines are presented to the annual general meeting.
- The Board holds a meeting to determine the salary and other benefits received by the CEO. The Board is also informed about remuneration of executive management. The remuneration committee is a sub-committee of the Board of Hexagon Composites ASA. The purpose of the committee is to act as a preparatory and advisory body for the Board's handling of executive management's remuneration and compensation.
- Remuneration shall, both in form and size, promote long-term value creation in the Company.
- It is the Group's belief that prudent use of options and/or similar instruments and/or bonus schemes will promote long-term value creation. Schemes should be performance-related and based on quantifiable factors over which the employee has some control. There should also be a cap on performance-related bonuses.
- The framework for capital increases for the purpose of honouring share option agreements and other agreements regarding allocation of shares shall be approved by the annual general meeting.
- A break-down of remuneration of the CEO and a total for other members of executive management shall be shown in the annual report.

**13. Information and communication:**

- Hexagon Composites ASA's information policy is based on openness and equal treatment of all shareholders and securities market participants.
- All shareholders shall receive correct, clear, relevant and timely information. Information is placed on the Company's website at the same time as it is sent to shareholders.

## GOVERNING DOCUMENT

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- A key focus area shall be the identification and development of key value drivers and risk factors.
- The CEO normally speaks on behalf of the Company. The Chairman of the Board may also speak on behalf of the Company on events of a particular character.
- The Company is careful to comply with the Oslo Børs requirements relating to availability of information.
- The Company holds regular presentations at which shareholders are able to put forward their views.
- The Company publishes its financial calendar annually, and all interim reports and results presentations are available on its website and from Oslo Børs.
- Guidelines on the Company's contact with shareholders outside general meetings shall be established.

### 14. Take-overs:

- In the event of a take-over process or restructuring situation, the values and interests of all shareholders shall be respected
- The Board shall not prevent or obstruct offers for the Company's business operation or shares.
- Agreements with offerors to restrict the Company's opportunities of obtaining other offers for the Company's shares should only be entered into when these can clearly be justified as being in the joint interests of the Company and the shareholders. The same applies to agreements for compensation to the offeror if the offer is not implemented. Any compensation should be limited to the costs the offeror incurred in presenting the offer.
- Agreements between the Company and offerors that are of importance to the market's assessment of the offer should be publicised no later than at the same time as notice is given that the offer will be presented.
- In the event of a take-over bid, the Board shall not exercise mandates or pass any resolutions which obstruct the take-over bid unless this is approved by the general meeting following the announcement of the bid. The Board shall also be bound by any resolutions which may have been passed at previous general meetings
- If an offer is made for the Company's shares, the Board shall issue a statement with an evaluation of the offer and a recommendation as to whether shareholders should or should not accept the offer. The Board's statement about the offer shall indicate whether the evaluation was unanimous and, if not, on what grounds individual Board members made reservations about the Board's statement. The Board shall arrange a valuation from an independent expert. The valuation should be justified and published on or before the date of the Board's statement
- Transactions which in reality involve selling the Company's entire operations shall be put before a general meeting.

### 15. Auditor:

- The auditor shall provide annual written confirmation of his/her independence and objectivity.
- The auditor shall submit the main features of the plan for the audit of the Company to the audit committee annually.

GOVERNING DOCUMENT

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- The auditor shall attend Board meetings which deal with the annual accounts. At the meetings the auditor shall review any material changes in the Company's accounting policies, comment on any material estimated accounting figures and report all material matters on which there has been a lack of agreement between the auditor and executive management. Once a year, the Board shall hold a meeting without the presence of any member of the management group.
- The auditor shall, at least once a year, prepare and review with the audit committee a letter or report containing his opinions of the Company's accounting policies, asset management and internal control procedures, including identified weakness and proposals for improvement.
- All important correspondence from the auditor is submitted to the Board.
- The auditor shall normally only perform auditing and attestation assignments and services associated with these assignments, such as assistance with tax and accounting matters.
- The Board shall establish guidelines in respect of use of the auditor by the Company's executive management for services other than the audit.
- Notes to the annual financial statements will include auditor's fees, broken down into the categories statutory auditing and other services.

Adopted at the Board meeting held on 10 February 2016  
Hexagon Composites ASA