THE NORWEGIAN CODE OF PRACTICE FOR

CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

issued by the

Norwegian Corporate Governance Board (NCGB)

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The Norwegian Corporate Governance Board (NCGB)

The Norwegian Code of Practice for Corporate Governance (the "Code of Practice") is issued by the Norwegian Corporate Governance Board (NCGB). NCGB considers each year whether a revised version of the Code of Practice should be issued. Matters that will require a revised version include changes in legislation and regulations as well as experience gained from the use of the Code of Practice. NCGB also takes into account international changes in this area. Each autumn, NCGB organises a conference, the "Corporate Governance Forum" to report on its work and contribute to the debate on corporate governance. In addition, NCGB strives to improve awareness of the Code of Practice both in Norway and internationally.

This Code of Practice is a revised version of the Norwegian Code of Practice for Corporate Governance issued on 28 November 2006. Comments on the changes made in this version can be found in the section "Changes since the last version of the Code of Practice" on page 10.

Attorneys Arne Didrik Kjørnæs, Sigurd Opedal and Per Anders Sæhle of the law firm Wikborg Rein assisted with checking the Code's references to current legislation.

The Code of Practice is published with financial support from the Financial Markets Fund.

Any questions or comments in respect of the Code of Practice can be submitted to info@ncgb.no.

The following organisations participate in the NCGB:

Organisation	Representative
Norwegian Shareholders Association	Bernt Bangstad
Norwegian Institute of Public Accountants	Per Hanstad
Institutional Investor Forum [1]	Arild Orgland
Norwegian Financial Services Association	Stein Sjølie
The Norwegian Society of Financial Analysts	Ludvik Sandnes
Norwegian Association of Private Pension Funds	Håkon Persen Søderstrøm
Confederation of Norwegian Enterprise [2]	Ingebjørg Harto
Oslo Børs	Atle Degré
Norwegian Mutual Fund Association	Lasse Ruud

The Board is chaired by Lasse Ruud. Attorney Halvor E. Sigurdsen, of the Confederation of Norwegian Enterprise, provided secretariat services for the Board in 2007.

[1] The members of the Institutional Investor Forum are ABN AMRO Kapitalforvaltning, DnB NOR Kapitalforvaltning, Folketrygdfondet, KLP, Nordea Fondene, Odin Forvaltning, Oslo Pensjonsforsikring, the Ministry of Trade and Industry (Department of Ownership), Statoil Kapitalforvaltning, Storebrand and Vital Forsikring.

[2] The Norwegian Financial Services Association and the Confederation of Norwegian Enterprise also represent the Næringslivets Aksjemarkedsutvalg. These two organisations are members of the Næringslivets Aksjemarkedsutvalg together with the Federation of Norwegian Commercial and Service Enterprises and the Norwegian Shipowners' Association.

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Introduction

The purpose of the Norwegian Code of Practice

The objective of this Code of Practice is that companies listed on regulated markets in Norway will practice corporate governance that regulates the division of roles between shareholders, the board of directors and executive management more comprehensively than is required by legislation.

Good corporate governance will strengthen confidence in companies, and help to ensure the greatest possible value creation over time in the best interests of shareholders, employees and other stakeholders.

Listed companies manage a significant proportion of the country's assets, and generate a major part of value creation. It is therefore in the interests of society as a whole that companies are directed and controlled in an appropriate and satisfactory manner. There is international competition to attract the interest of both Norwegian and international investors, and this makes it essential that Norwegian companies and the Norwegian stock market are seen to maintain high standards in the area of corporate governance.

The Code of Practice is intended to strengthen confidence in listed companies among shareholders, the capital market and other interested parties. It is important that companies enjoy good relationships with society as a whole, and particularly with the stakeholder groups that are affected by their business activities. Companies should therefore pay careful attention to establishing guidelines for their activities that take into account these issues.

Target group

This Code of Practice is principally intended for companies whose shares are listed on regulated markets in Norway, i.e. at the current time Oslo Børs and Oslo Axess. The Code also applies to savings banks with listed primary capital certificates to the extent that it is appropriate.

Unlisted companies with broadly held ownership whose shares are the subject of regular trading may also find the Code of Practice appropriate for their circumstances. Oslo Børs´ "Continuing obligations of stock exchange listed companies (Continuing obligations)" will determine which listed foreign companies and which Norwegian companies with a secondary listing must report in accordance with this Code of Practice.

Corporate management and control in Norway

In Norway, representatives of the executive management are not normally elected to the board of directors. Under Norwegian company law, a company's board of directors has both a controlling function and a management function in respect of the company's activities and the executive managers of the company. The management function requires the board to play an active high-level role in matters that are of an extraordinary nature or of major importance and are therefore not a normal part of the day-to-day management of the company. The board's management responsibility also includes drawing up strategies, budgets and guidelines for the company's activities.

Any comparison of the Norwegian Code of Practice with international codes of practice should take into account some principal features of Norwegian company law:

- In the absence of any agreement with employees to the contrary, companies with more than 200 employees must elect a corporate assembly with at least 12 members of which 2/3 are elected by shareholders and 1/3 are elected by the employees. The main duty of the corporate assembly is the election of the board of directors. In addition, the corporate assembly has certain duties in respect of supervision, issuing opinions and decision-making.

- In any company with more than 30 employees, the employees have the right to be represented on the board of directors. If a company has more than 200 employees but has not elected a corporate assembly, employees must be represented on the board.

- The Norwegian Public Limited Liability Companies Act (hereinafter the "Public Companies Act") stipulates that the chief executive of a company may not be the chairman of its board of directors.

Nordic contacts

NCGB had in 2007 contact with the bodies in the other Nordic countries responsible for national codes of practice for corporate governance. NCGB intends to maintain these contacts with a view to exchanging experience and information with these countries.

Adherence to the Code of Practice – "comply or explain"

The Norwegian Code of Practice for Corporate Governance is based on company, accounting, stock exchange and securities legislation. This Code of Practice includes provisions and guidance that in part elaborate on existing legislation and in part cover areas not addressed by legislation.

This Code of Practice addresses 15 major topics, with a separate section for each topic.

Adherence to the Code of Practice will be based on the "comply or explain" principle whereby companies must either explain how they comply with each of the recommendations that make up the Code of Practice or explain why they have chosen an alternative approach.

Oslo Børs stipulates that companies listed on Oslo Børs and Oslo Axess must publish a report in the annual report, on the company's corporate governance. If the company does not fully comply with the Norwegian Code of Practice for Corporate Governance, this must be explained, cf. Continuing obligations of stock exchange listed companies (Continuing obligations), Section 7.

The Code of Practice is addressed in the first instance to the board of directors of a company. It is the responsibility of the board to consider each section of the Code and decide how the company will meet the requirements. The board is expected to include a corporate governance report in the company's annual report, including an explanation of how the company adheres to this Code of Practice.

Companies should apply this Code of Practice dated 4 December 2007 with effect from the 2008 financial year, and should report in accordance with it with effect at the latest from the 2008 annual report. Companies that do not report in accordance with this latest version of the Code of Practice in their annual reports for 2007 must report in accordance with the version of the Code of Practice issued on 28 November 2006.

Structure and form of the Code of Practice

The text set out in bold type in the text boxes represents the recommendations to companies. These are the recommendations with which companies must either comply or explain their deviation from.

The commentary provided in each section is intended to provide greater detail and explanation of the requirements, and to explain the reason for their inclusion. The commentary also provides information on the relationship between the requirements of the Code of Practice and the relevant legislation. References to the appropriate legislative provisions can be found in the footnotes.

The requirements set out, together with the commentaries and footnotes, are based on legislation and regulations as in force at 1 January 2008. Any changes to legislation and regulations after this date may affect the use of this Code of Practice by companies.

The Act on securities trading (Securities Trading Act) of 29 June 2007 No. 75 and the Act on regulated markets (Stock Exchange Act) of 29 June 2007 No. 74 will come into full force and effect from 1 January 2008. From the same date the Securities Trading Regulations of 29 June 2007 No. 876 and the Stock Exchange Regulations of 29 June 2007 No. 875 come into full force and effect. Oslo Børs and Oslo Axess will amend their listing rules and rules on the continuing obligations of issuers to reflect the new legislation and regulations. The changes proposed by Oslo Børs to these rules have not yet been finally adopted, but for the purpose of this Code of Practice it is assumed that the changes proposed come into effect from 2008.

The Code of Practice uses the term "should" when describing its requirements. Where the requirement in question is already the subject of legislation, the term "must" is used. In addition, the Code of Practice uses the term "must" in Section 1 on corporate governance, as a consequence of the requirement imposed by Oslo Børs for listed companies to issue a report in this respect in their annual reports.

Changes since the last version of the Code of Practice

This issue of the Code of Practice does not include any new sections, but changes have been made to some of the recommendations and related commentary. In addition, the notes have been brought up to date in accordance with the legislation and regulations in force from 1 January 2008 as described in the chapter 'Introduction'. The following paragraphs provide a summary of the most important changes made to the recommendations and commentary.

Section 1: Implementation and reporting on corporate governance
This section now clarifies that a company's report on corporate governance must cover every section of the Code of Practice. The commentary under the heading "Structure and form of the Code of Practice" clarifies that the recommendations with which companies must either comply or explain their non-compliance relate to the text set out in bold type in the text boxes.

Section 4: Transactions with close associates
The requirements set out in the Public Companies Act for certain transactions to be approved by the general meeting have been expanded. Where such matters are considered by the general meeting, there is no requirement for the board to provide an independent valuation.

The commentary to the recommendation clarifies that the criteria for a transaction to be not immaterial applies separately to each of the parties, i.e. the company and the counterparty to the transaction.

Section 6: General meetings
In accordance with the EU directive on the exercise of certain rights of shareholders in listed companies, the recommendation stipulates that shareholders should be given access to the documents for a general meeting no later than 21 days before the meeting is due to be held. Moreover, the notice calling a general meeting should include certain explicit items and information.

The recommendation also makes it clear that when the general meeting casts votes for elections to the board of directors and other elections, a separate vote for each candidate might be appropriate.

Section 7: Nomination committee
There is now clear guidance on the information that should be included in the nomination committee's recommendations, namely relevant information on the candidates and an evaluation of their independence. This is set out in the fifth paragraph of the commentary.

Section 8: Composition of the board of directors
The recommendation for the independence of members of the board of directors has been made stricter in that the majority of the members of the board should be independent of the company's executive management and material business contacts rather than "at least half". This change is incorporated in the third paragraph of the recommendation text of Section 8.

Section 9: Board committees
Board committees should be called "*komiteer*" when they are elected by the general meeting and "*utvalg*" in other cases, for example the audit committee should be called "*revisjonsutvalg*". This is in line with the proposed implementation of the 8th Company Law Directive in Norwegian legislation.

Section 12: Remuneration of the executive management
The formal requirements for the board to issue a statement on the remuneration of executive management and the procedures involved are now included in the Public Companies Act.

Section 13: Information and communications
The first paragraph of the commentary clarifies that also the rules on good stock exchange practice restrict the company's freedom to disclose information and that these restrictions also apply to disclosing information to investment analysts etc.

1. Implementation and reporting on Corporate Governance

The board of directors must ensure that the company implements sound corporate governance.

The board of directors must provide a report on the company's corporate governance in the annual report. The report must cover every section of the Code of Practice. If the company does not fully comply with this Code of Practice, this must be explained in the report.

The board of directors should define the company's basic corporate values and formulate ethical guidelines in accordance with these values.

Commentary

The requirement for reporting corporate governance is based on the principle that companies must either comply with the Code of Practice or explain any deviations from its principles ("comply or explain"). The report must

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This Code of Practice for corporate governance applies in addition to any other guidelines for the company's activities, cf. inter alia the Public Limited Liability Companies Act (Allmennaksjeloven – hereinafter "Asal." or the "Public Companies Act") § 6-12 and any formal instructions for executive management, cf. Asal. § 6-13.

Companies listed on Oslo Børs must publish a comprehensive report on the company's corporate governance, cf. ' Continuing obligations of stock exchange listed companies (Continuing obligations)', Section 7. The rules also require that companies must provide an explanation of any matters where they do not comply with the Norwegian Code of Practice for Corporate Governance. Companies that apply for listing on Oslo Børs must as part of the application confirm that the company complies with the Norwegian Code of Practice for Corporate Governance, or the equivalent code for companies with a primary listing on a foreign exchange, or explain any deviation there from, cf. `Listing rules for shares (Listing rules),´ Section 3.4, second paragraph, Item 31, in respect of listing on Oslo Børs. These rules also apply to companies listed on, or subject to an application for admission to listing on, Oslo Axess.

An EEA prospectus for an offer for subscription or purchase or for admission to listing of negotiable securities on a Norwegian regulated market must include a statement as to whether or not the issuer complies with the national code of practice for corporate governance in its country of incorporation, cf. Securities Trading Act Regulations § 7-13, equivalent to Commission Regulation (EU) No. 809/2004, Annex 1, Item 16.4. The same provision requires that if the issuer does not comply with the relevant code of practice, a statement to that effect must be included together with an explanation of why the issuer does not comply with the code.

cover every section of the Code of Practice. It is possible that a company's specific circumstances will render some sections inappropriate. Any deviations from the Code of Practice must be explained.

Publishing such an overview of all aspects of corporate governance will make it easier for shareholders and other interested parties to evaluate the extent to which the company follows the principles of good corporate governance. However, the overview may refer to more detailed information elsewhere in the annual report or on the company's web site.

Corporate values represent an important foundation for corporate governance. A company's corporate values and ethical guidelines may play a significant role in the way the company is perceived.

2. Business

The company's business should be clearly defined in its articles of association.

The company should have clear objectives and strategies for its business within the scope of the definition of its business in its articles of association.

The annual report should include the business activities clause from the articles of association and describe the company's objectives and principal strategies.

Commentary

The Public Companies Act requires that the articles of association state the nature of a company's business. A company's articles of association, together with its publicly declared objectives and principal strategies, provide the information needed to help ensure that shareholders can anticipate the scope of the company's activities. In many cases, the business activities clause in the articles of association is expressed in relatively general terms. This may permit the company considerable freedom to change its actual activities and risk profile. The business activities clause should provide a clear statement of the nature of the company's business. This is not intended to restrict the board of directors' ability to take strategic decisions within the overall scope of the company's business as defined by its owners through the articles of association. The question of appropriate balance between room for manoeuvre on the part of the board and executive management and any wish by the shareholders to limit their freedom in this respect is a matter for the general meeting.

The purpose of publishing information on these matters in the annual report is to provide shareholders and the capital markets in general with a degree of predictability. It is for the board of directors to decide how much detail should be provided in this respect after taking into account the need to protect the company's commercial interests.

The Securities Trading Act (Verdipapirhandelloven - "Vphl.") § 5-5 stipulates that the company must produce an annual financial report at the latest four months after the end of each financial year. The company's business activities and the scope of the board of directors' authority are restricted to the business specified in its articles of association, cf. Asal. § 2-2, first paragraph, item 4, or as otherwise approved by the general meeting.

3. Equity and dividends

The company should have an equity capital at a level appropriate to its objectives, strategy and risk profile.

The board of directors should establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy should be disclosed.

Mandates granted to the board of directors to increase the company's share capital should be restricted to defined purposes and should be limited in time to no later than the date of the next annual general meeting. This should also apply to mandates granted to the board for the company to purchase its own shares.

Commentary

The Public Companies Act includes provisions to ensure that companies maintain a sound level of equity at all times. If it must be assumed that the company's equity has fallen below an appropriate level in relation to the scale and risk profile of its business activities, the board of directors is required to call a general meeting within a reasonable time in order to report the company's financial condition and the measures proposed to rectify the situation. The requirement that a company should maintain its equity capital at a level appropriate to its objectives, strategy and risk profile also

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Asal. § 3-4 and § 3-5 include provisions for companies to maintain a sound level of equity and to take appropriate action if their equity is lost. Asal. § 8-1 stipulates what may be distributed as dividend. The general meeting cannot adopt a resolution to distribute a higher amount of dividend than that recommended or approved by the board of directors, cf. Asal. § 8-2. Asal. § 10-14 stipulates that the general meeting may grant the board of directors a mandate to increase the share capital subject to the same majority as is required for an amendment to the articles of association. Such mandates may not be granted for a period longer than two years at a time. A mandate for the company to purchase its own shares shall not be granted for any period in excess of 18 months, cf. Asal. § 9-4.

implies that if a company retains capital which is surplus to these requirements, it must justify why it is not distributing the surplus to shareholders through dividend payments or a capital reduction.

The Public Companies Act requires that a mandate granted to the board of directors to increase a company's share capital must specify whether the mandate extends to an increase in capital for contributions other than cash, or a resolution on a merger and whether the pre-emption rights of shareholders are to be waived. The Code of Practice goes further than the Act by specifying that such mandates should be limited to a defined purpose, such as the acquisition of companies within a specific sector or a similar definition of purpose. Share option programs for employees should always be approved by means of a specific board mandate, cf. Section 12.

The Public Companies Act permits a mandate to the board of directors to be valid for up to two years. However, companies should not take advantage of such an extended period (except where the company is already committed to honouring options). The company's situation and its shareholders' views may change over the course of a year. For this reason, it is recommended that shareholders be given the opportunity to consider any board mandates at each annual general meeting.

A mandate to the board of directors for the company to acquire its own shares should be dealt with in the same way as a mandate to increase the company's share capital.

4. Equal treatment of shareholders and transactions with close associates

The company should only have one class of shares.

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital must be justified.

Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the company's shares, the company should consider other ways to ensure equal treatment of all shareholders.

In the event of any not immaterial transactions between the company and shareholders, members of the board of directors, members of the executive management or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

The company should operate guidelines to ensure that members of the board of directors and the executive management notify the board if they have any material direct or indirect interest in any transaction entered into by the company.

Commentary

General

The Public Companies Act stipulates that neither the general meeting, nor the board of directors nor the chief executive may make any decision that is intended to give an unreasonable advantage to certain shareholders at the expense of other shareholders or the company. The Securities Trading Act states that a company may not treat shareholders differently unless there is a factual basis for such discrimination.

Different classes of shares
The basic assumption of the Public Companies Act is that all a company's shares have equal rights unless the articles of association specify that the company is to have more than one class of shares. Holders of each class of shares must be treated equally. The Code of Practice is more restrictive than the Public Companies Act in that the Act does permit companies to have different classes of shares.

Share issues
The Public Companies Act allows the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital to be waived by the general meeting. Such a resolution requires the same majority as is required for a change to the articles of association. If the board of directors proposes that the general meeting should approve such a waiver of

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All a company's shares carry equal rights unless the articles of association stipulate that there are different types of shares (several classes of shares), cf. Asal. § 4-1. A principle of equal rights is also reflected, inter alia, in Asal. § 10-4 on the pre-emption rights of shareholders to subscribe for shares by cash payment and the restrictions in § 5-21 and § 6-28 on a general meeting, the board of directors or the chief executive adopting any resolution which may give certain shareholders or other parties an unreasonable advantage at the expense of other shareholders or the company. See also the requirement in Vphl. § 5-14 on discriminatory treatment that is not objectively based in the issuer's and the holders' mutual interests.

When a company carries out transactions in its own shares it must pay due attention to the rules on duty of disclosure, cf. Vphl. § 5-2, and the requirement for equal treatment of all shareholders, cf. Vphl. § 5-14, the prohibition of insider trading, cf. Vphl. § 3-3, the prohibition of price manipulation and unreasonable business methods, cf. Vphl. § 3-8 and § 3-9 and notification and disclosure requirements, cf. Vphl. § 4-1.

Asal. § 3-9 stipulates that transactions between companies in the same group must be based on standard business terms and principles.

Asal. § 3-8 stipulates that certain agreements between a company and a shareholder (including certain close associates etc of a shareholder), a member of the board of directors or the chief executive require approval by the general meeting if the consideration exceeds five percent of the share capital. The board of directors must ensure that an account of the acquisition is prepared pursuant to the rules set out in Asal. § 2-6, which must also confirm that there is a fair correlation between the costs and benefits. The account must be included as an appendix to the notice calling the general meeting, and must be notified to the Register of Business Enterprises. The requirement for approval by the general meeting does not apply for business agreements which fall within the normal activities of the company and which apply prices and other terms and conditions common for such agreements.

pre-emption rights, the reasons for the waiver must be justified by the common interest of the company and the shareholders. An explanation of this must be included as an appendix to the agenda for the general meeting.

Transactions with close associates

The Code of Practice's requirements on independent valuation of material transactions between the company and any shareholder(s) etc. do not apply where the general meeting considers the transaction pursuant to the provisions of the Public Companies Act in respect of transactions with close associates and certain transactions between companies within the same group. The Act requires that general meeting approval will be required for certain agreements between the company and certain close associates where the value exceeds 1/20th of the share capital at the time of the transaction. In such cases, the board of directors must arrange for a report from an independent expert such as a state authorised public accountant or registered auditor to address, inter alia, the contract/assets etc. involved.

The Code of Practice's requirements apply where a transaction is not immaterial for either the company or the close associate involved. A transaction may be not immaterial for the company even if the consideration paid by the company is less than 1/20th of its share capital. Where a valuation is required as a result of the Code of Practice but is not required by the Act, the third party does not necessarily have to be a state authorised public accountant or registered auditor. The board of directors should report all such transactions in the annual report.

The Code of Practice stipulates that guidelines should be established to ensure that the board of directors is notified of a situation where a member of the board or a member of the executive management has a material interest in a transaction or other matter entered into by the company or binding on the company. This is more comprehensive than the requirements of the Public Companies Act on conflict of interests for members of the board and the requirements of securities legislation on the disclosure of share purchases etc.

The company must publicly disclose agreements of material significance for the company that are entered into between the company and another company in the same group, cf. Section 3.3 of 'Continuing obligations of stock exchange listed companies (Continuing obligations)'. This also applies to agreements between the company and close associates which are by their nature or circumstances unusual for the company and/or the close associate in question. The company's financial accounts must include further information on transactions with close associates, cf. the Accounting Act (Regnskapsloven) § 3-9, equivalent to IAS 24 Disclosure of related party transactions. See also Securities Trading Regulations § 5-3.

5. Freely negotiable shares

Shares in listed companies must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability should be included in a company's articles of association.

Commentary

The basic requirement imposed by stock exchange legislation and regulations is that a listed company may only exercise any provisions in its articles of association for transfers of shares to require approval by the board of directors, restrictions on share ownership or other restrictions on the negotiability of shares to the extent that there is sufficient cause to restrict negotiability and that such restriction will not cause disturbances in the market. The Code of Practice is stricter than this, and requires that the company's articles of association are free of any form of restriction on the negotiability of its shares.

Shares may change owners by transfer or in some other way unless otherwise provided for by law, the company's articles of association or an agreement between the shareholders, cf. Asal. § 4-15. If the articles of association contain provisions on a requirement for consent to a change of ownership or pre-emption rights for other shareholders, change of ownership is subject to the rules set out in Asal. § 4-16 to § 4-23. Shares quoted on a stock exchange must, in principle, be freely transferable, cf. Stock Exchange Regulations (Børsforskriften) § 6. If the company has been given a discretionary right to bar a share acquisition, such right may only be exercised if there is sufficient cause and such imposition does not cause disturbances in the market. The Financial Institutions Act (Finansieringsvirksomhetsloven) § 2-2 lays down rules on the prior approval of acceptable owners of a financial institution. See also the Act of 14 December 1917 relating to acquisition of waterfalls, mines and other real estate.

6. General meetings

The board of directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board. Such steps should include:

- **making the notice calling the meeting and the support information on the reso lutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the company's website no later than 21 days prior to the date of the general meeting, and sending this information to shareholders no later than two weeks prior to the date of the general meeting**
- **ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting**
- **setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible**
- **ensuring that shareholders who cannot attend the meeting in person can vote by proxy**
- **ensuring that the members of the board of directors and the nomination committee and the auditor are present at the general meeting**
- **making arrangements to ensure an independent chairman for the general meeting**

The notice calling the general meeting shall provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. The notice should also set out:

- **the procedure for representation at the meeting through a proxy, including a form to appoint a proxy**
- **the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting**
- **the web pages where the notice calling the meeting and other supporting documents will be made available**

The company should, at the earliest possible opportunity, make available on its website:

- **information on the right of shareholders to propose matters to be considered by the general meeting**
- **proposals for resolutions to be considered by the general meeting, alternatively comments on matters where no resolution is proposed**
- **a form for appointing a proxy**

The board of directors and the chairman of the general meeting should ensure that the general meeting is given the opportunity to vote separately for each candidate nominated for election to the company's corporate bodies.

Commentary

Notice calling the annual general meeting

The Public Companies Act stipulates that at least two weeks' notice must be given to call a general meeting. The Act requires that the notice calling the meeting must specify the matters to be considered by the meeting, and any proposed amendments to the articles of association must be stated. Making the notice calling the meeting and the supporting documents available in electronic format 21 days before the general meeting will make it easier for shareholders to prepare for participating and voting at the general meeting. In order to allow shareholders to form a view on matters to be considered at an annual or extraordinary general meeting, all the matters to be considered must be documented in sufficient detail in the notice calling a meeting.

In addition to the statutory requirements, the notice calling a general meeting should provide information to assist shareholders in exercising their shareholder rights. This applies in particular to shareholders who are not familiar with Norwegian company law.

A shareholder is entitled to exercise rights as holder of the shares, including participating in a general meeting, if the shareholding is registered in the register of shareholders or has been reported to the company and documented without this being prevented by any provisions in the articles of association on consent or pre-emption rights in respect of change of ownership, cf. Asal. § 4-2, cf. § 5-2 on proxies or advisers. Written and dated powers of attorney can be delivered by electronic means of communication if a satisfactory method is used to authenticate the sender. The notice convening a general meeting must be sent no later than two weeks before the meeting is to be held, unless the articles of association stipulate a longer deadline, cf. Asal. § 5-10. The articles of association may stipulate that shareholders wishing to attend a general meeting must give the company prior notice thereof subject to a deadline that may not be set earlier than five days prior to the meeting, cf. Asal. § 5-3.

The notice convening the general meeting must state the business to be transacted at the meeting. Any proposed amendments to the articles of association must be reproduced in the notice, cf. Asal. § 5-10. The chairman of the board of directors must be present at a general meeting, cf. Asal. § 5-5. Other members of the board of directors may attend a general meeting. The auditor must attend the general meeting if the business that is to be transacted is of such a nature that his or her attendance must be regarded as necessary, cf. Asal. § 7-5. The general meeting is declared open by the chairman of the board of directors or a person appointed by the board of directors, cf. Asal. § 5-12. If the company has a corporate assembly, the general meeting is declared open by the chairman of the corporate assembly or a person appointed by the corporate assembly. If the articles of association stipulate who shall be chairman of the general meeting, the general meeting is declared open by the chairman so appointed. Shareholders representing more than one twentieth of the share capital can, no later than seven days before the general meeting is to be held, demand that the county court shall appoint a person who is to open the general meeting, cf. Asal. § 5-12, second paragraph.

The recommendation that the general meeting should vote separately on each candidate for election applies to the corporate assembly, the board of directors, the nomination committee and any other corporate bodies to which members are elected by the general meeting. The effect of this recommendation is not that voting must always take place in written format.

Participation by shareholders in absentia

The Public Companies Act allows shareholders to appoint a proxy by electronic means so long as a satisfactory method is used to authenticate the sender. However, legislation does not currently permit shareholders to participate in or vote at a meeting by electronic means. Companies should be ready to make arrangements for electronic voting if there is a change in legislation to permit this.

Shareholders should be offered the opportunity to vote by proxy, and arrangements should be made for shareholders voting by proxy to give voting instructions on each matter to be considered at the meeting.

Attendance by the board of directors, nomination committee and auditor

The Public Companies Act stipulates that the chairman of the board of directors and the chairman of the corporate assembly must attend general meetings. Other members of the board are entitled to attend. The general meeting is the main meeting place for shareholders and the officers they elect, and it is therefore appropriate that all members of the board should attend general meetings. Similarly, the auditor should be present. General meetings should be organised in such a way as to facilitate dialogue between shareholders and the officers of the company.

For the same reasons, the members of the nomination committee should attend the annual general meeting in order to present their recommendations and answer any questions.

Chairman of the meeting and minutes

The Public Companies Act stipulates that a general meeting must be declared open by the chairman of the corporate assembly or the chairman of board of directors, or a person nominated by the corporate assembly/board of directors. The general meeting elects a chairman for the meeting. Alternatively, the company's articles of association may specify who is to chair general meetings. If this is the case, the chairman of the meeting pursuant to the articles of association will also be responsible for declaring the meeting open. In practice, responsibility for resolving any questions in respect of voting rights will fall to whoever declares the meeting open.

The Code of Practice stipulates that the board of directors should make arrangements to ensure an independent chairman for the general meeting. The board should consider how the objective of an independent chairman can best be achieved given the company's organisation and shareholder structure. It is for the board to decide whether this can best be achieved through proposals for appropriate changes to the articles of association or by arranging for the person responsible for declaring the meeting open to put forward a specific proposal for an independent chairman for the meeting.

The Public Companies Act requires that the minutes of general meetings must be made available for inspection by shareholders at the company's offices. These minutes should also be made available on the company's web site.

7. Nomination committee

The company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration.

The nomination committee should be laid down in the company's articles of association.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive management. At least one member of the nomination committee should not be a member of the corporate assembly, committee of representatives or the board. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election. The nomination committee should not include the company's chief executive or any other member of the company's executive management.

The nomination committee's duties are to propose candidates for election to the corporate assembly and the board of directors and to propose the fees to be paid to members of these bodies.

The nomination committee should justify its recommendations.

The company should provide information on the membership of the committee and any deadlines for submitting proposals to the committee.

Commentary

The use of a nomination committee is not regulated by legislation, and should therefore be laid down in the articles of association.[4] The articles of

[4] The Public Companies Act does not regulate nomination committees, and the nomination committee is therefore a 'voluntary' corporate body. However, financial institutions are subject to specific rules on nomination committees.

association or separate written guidelines should set out how elections to the nomination committee are to be prepared, the criteria for eligibility, the number of members, the term of office for which members are appointed, the fees to which they are entitled etc.

The remuneration paid to members of the nomination committee should reflect the character of their duties and the time commitment involved, taking into account the central importance of the nomination committee.

Composition of the committee

The provisions of the Code of Practice on the composition of the nomination committee seek to balance differing aspects. On the one hand, the Code of Practice reflects the principles of independence and the avoidance of any conflict of interest between the nomination committee and the candidates it puts forward for election. On the other hand, the Code of Practice takes into account that elected officers of the company with experience from the corporate assembly and board of directors contribute an understanding of the company's situation. The composition of the nomination committee should also be such that it reflects the interests of shareholders in general.

The company should provide information on the membership of the nomination committee on its web site.

The nomination committee should be independent of the company's board of directors. This means that the candidates for election to the nomination committee should not be proposed by the board of directors. The independence of the nomination committee from the company's board of directors and executive management dictates that candidates for election to the nomination committee should be put forward by the nomination committee itself.

The company's guidelines for the nomination committee should establish rules for rotation of the members of the nomination committee, for example by requiring that at a stipulated regular interval the member of the committee with the longest service at that time shall retire and be replaced.

The work of the nomination committee

The chairman of the nomination committee has the overall responsibility for the work of the committee.

The nomination committee should ensure that it has access to the expertise required in relation to the duties for which the committee is responsible. The nomination committee should have the ability to make use of resources available in the company or be able to seek advice and recommendations from sources outside of the company.
When reporting its recommendations to the general meeting, the nomination committee should also provide an account of how it has carried out its work.

The nomination committee is expected to monitor the need for any changes in the composition of the board of directors and to maintain contacts with shareholder groups, members of the corporate assembly and board and with the company's executive management. The nomination committee should pay particular attention to the board's report on its own performance, cf. Section 9 on the work of the board.

In carrying out its work, the nomination committee should actively seek to represent the views of shareholders in general, and should ensure that its recommendations are endorsed by the largest shareholders.

In accordance with Section 6 above, the nomination committee's recommendations and report should be made available and distributed to shareholders before the relevant elections are to take place. The committee's recommendation should include relevant information on the candidates, cf. Section 8 on the composition of the corporate assembly and board of directors. The recommendation should include information on each candidate's competence, capacity and independence. Information on the members of the board of directors should include each individual's age, education and business experience. Information should be given on how long each individual has been a member of the board of directors and any assignments carried out for the company, as well as the individual's material appointments with other companies and organisations. In the case of a proposal for re-election, the recommendation can refer to the information already provided in the annual report.

The company should give notice on its web site, in good time, of any deadlines for submitting proposals for candidates for election to the board of directors, nomination committee or, if appropriate, the corporate assembly.

8. Corporate assembly and board of directors: composition and independence

The composition of the corporate assembly should be determined with a view to ensuring that it represents a broad cross-section of the company's shareholders.

The composition of the board of directors should ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body.

The composition of the board of directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the company's executive management and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s).

The board of directors should not include representatives of the company's executive management. If the board does include members of the executive management, the company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board, cf. Section 9.

The chairman of the board of directors should be elected by the general meeting so long as the Public Companies Act does not require that the chairman shall be appointed either by the corporate assembly or by the board of directors as a consequence of an agreement that the company shall not have a corporate assembly.

The term of office for members of the board of directors should not be longer than two years at a time.

The annual report should provide information to illustrate the expertise and capacity of the members of the board of directors and identify which members are considered to be independent.

Members of the board of directors should be encouraged to own shares in the company.

Commentary

Composition of the corporate assembly

A company with more than 200 employees is, as a general rule, required to have an elected corporate assembly with 12 members. Shareholders elect 2/3 of the members of a corporate assembly through the general meeting, and 1/3 are elected by and from among the employees. The shareholder-elected representatives on the corporate assembly represent the interests of shareholders in the election of the board of directors. The corporate assembly is also charged with supervising the management of the company by the board and the executive management. It is therefore important that the shareholder-elected members of the corporate assembly represent a broad cross-section of shareholders in order to protect the interests of shareholders in general. A company and its employees may enter into an agreement for the company not to have a corporate assembly. In such circumstances, the employees are given greater representation on the board of directors. The majority of the duties of the corporate assembly are transferred to the board of directors, including the election of the chairman of the board.

Composition of the board of directors

In addition to having the appropriate expertise, it is important that the board of directors has sufficient capacity to carry out its duties. In practice, this means that each member of the board must have sufficient time available to devote to his or her appointment as a director. Holding a large number of other board appointments, for example, may mean that a director does not have the capacity necessary to carry out his or her duties in the particular company. The commitment involved in being a member of a board can vary from company to company, and it is therefore not appropriate to set an absolute limit for the number of board appointments an individual should hold. However, directors who hold a number of board appointments should at all times bear in mind the risk of conflicts of interest between such appointments.

The composition of the board of directors as a whole should represent sufficient diversity of background and expertise to help ensure that the board carries out its work in a satisfactory manner. In this respect due attention should be paid to the balance between male and female members of the board. The board is responsible as a collegiate body for balancing the interests of various stakeholders in order to promote value creation by the company. The board should be made up of individuals who are willing and able to work as a team.

Independence of the board of directors

It is important that the board of directors, as required by the Public Companies Act, operates as a collegiate body when carrying out its duties. Members of the board must not operate as individual representatives for specific shareholders, shareholder groups or other stakeholders. In order to support the stock market's confidence in the independence of the board, at least two of its members should be independent of the company's main shareholder. This principle is particularly important for companies where one or more controlling shareholders could, in practice, decide the outcome of elections to the board.

The majority of the members elected to the board of directors by shareholders should be independent of the company's executive management and its main business connections. It is important that the composition of the board ensures that it is able to evaluate the performance of the executive management and consider material agreements entered into by the company in an independent manner. Particular attention should be paid to ensuring that the board is capable of independently evaluating the company's performance and specific matters put forward by the executive management.

In general terms, a member of the board of directors may be defined as independent when the individual in question has no business, family or other relationships that might be assumed to affect his or her views and decisions. It is difficult to provide an exhaustive summary of all the matters that might affect the independence of a member of the board. When evaluating whether a member of the board is independent of the company's executive management or its main business connections, attention should be paid to ensuring, inter alia, that the individual:

- has not been employed by the company (or group where appropriate) in a senior position at any time in the last five years
- does not receive any remuneration from the company other than the regular fee as a board member (does not apply to payments from a company pension)
- does not have, or represent, business relationships with the company
- is not entitled to any fees as a board member that are dependent on the company's performance or to any share options
- does not have any cross-relationships with members of the executive management, other members of the board of directors or other shareholder elected representatives
- has not at any time in the last three years been a partner or employee of the accounting firm that currently audits the company.

The rationale for placing such emphasis on the independence of the board of directors is to ensure that the interests of shareholders in general are properly represented. Where a company's ownership is widely held, the independence of the board is principally intended to ensure that the executive management does not play too dominant a role relative to the interests of shareholders. Where a company has controlling shareholders, the independence of the board is principally intended to protect minority shareholders.

Where a company has a corporate assembly, the members of the board of directors are elected by the corporate assembly, cf. Asal. § 6-37. If, by agreement with its employees, a company with more than 200 employees does not have a corporate assembly, certain of the duties of the corporate assembly are transferred to the board of directors, including the election of the chairman of the board, cf. Asal. § 6-1, second paragraph, § 6-37, fourth paragraph, and § 6-12, fifth paragraph. Where a company does not have a corporate assembly, employees have the right to elect members of the board of directors pursuant to Asal. § 6-4. Both sexes must be represented on the company's board of directors in accordance with the provisions of Asal. § 6-16a. At least half the members of the board of directors must be citizens of and reside in an EEA country unless the Ministry of Finance grants a specific exemption, cf. Asal. § 6-11. Members of the board of directors serve for a term of two years unless the articles of association stipulate a different term of office, cf. Asal. § 6-6. In certain types of situation, the corporate assembly is replaced by a board of representatives, cf. for example the Commercial Banks Act (Forretningsbankloven) § 11 or the Insurance Act (Forsikringsloven) § 5-4. The board of representatives has many of the same duties as the corporate assembly in other companies, particularly in electing the members of the board of directors.

In accordance with the \`Listing rules for shares (Listing rules)´, the majority of the members of the board of directors elected by the shareholders must be independent of the company's executive management and material business connections, and at least two of the members elected by the shareholders must be independent of the company's major shareholders. In addition, the Listing rules specify that no member of the company's executive management may be a member of the board of directors. Oslo Børs may grant exemptions from these requirements in special circumstances.

The board of directors shall itself elect its chairman if the chairman has not been elected by the general meeting, cf. Asal. § 6-1. If the company has a corporate assembly, the corporate assembly shall elect the chairman of the board of directors cf. Asal. § 6-37, first paragraph. If it has been agreed pursuant to the Public Companies Act that the company shall not have a corporate assembly, the board of directors must elect its chairman, cf. Asal. § 6-1, second paragraph.

The chief executive cannot be elected as chairman of the board of directors, cf. Asal. § 6-1. However for certain types of institution it is a legal requirement that the chief executive is a member of the board of directors, cf. for example Forretningsbankloven § 9.

Members of the board of directors shall serve for a term of two years, cf. Asal. § 6-6. The period of office may be fixed for a shorter or longer term in the articles of association, but not for a term of more than four years.

§ 4-2 of the Auditing and Auditors Act stipulates that no one may be appointed as auditor of a company if any other auditor or senior employee of the accounting firm for which he or she works, or any member or deputy member of the accounting firm's corporate bodies, is a member of any corporate body of the company in question.

Membership of the board of directors by the chief executive

The Public Companies Act stipulates that the chief executive cannot be the chairman of the board of directors. This Code of Practice recommends that neither the chief executive nor any other member of the executive management should be a member of the board.

Term of office and length of service

While the legislation permits a term of office for members of the board of directors of up to four years, this Code of Practice recommends that the term of office should not exceed two years. The situation in respect of both the company's requirements and the demands of independence can change over the course of a two-year period. Shareholders (and the corporate assembly where appropriate) should therefore be given the opportunity to re-evaluate each shareholder-elected member of the board at least every second year. When considering whether to re-elect members of the board, the value of continuity should be balanced against the need for renewal and independence. Where a member of the board has served for a prolonged continuous period, consideration should be given to whether the individual in question is still considered to be independent of the company's executive management. Recruitment of members of the board should be phased so that the entire board is not replaced at the same time.

Information on members of the board of directors and candidates for election to the board

The annual report should provide key information to illustrate the expertise, capacity and independence of members of the board of directors. Information on individual members should include details of their age, education and work experience, and state how long they have been a member of the company's board. Information should also be provided on any additional work a member has carried out for the company, and on any material appointments or assignments with other companies and/or organisations. Detailed information on candidates for election to the board (both new appointments and re-elections) should be distributed in advance, cf. Sections 6 and 7.

Share ownership by members of the board of directors

Det at styremedlemmer eier aksjer i selskapet, kan bidra til økt økonomisk fellesskap mellom aksjeeierne og styremedlemmene. Samtidig må aksjeeiende styremedlemmer utvise varsomhet i forhold til å bidra til kortsiktige disposisjoner fra selskapets side som ikke tjener fellesskapet også over tid.

Ownership of shares in the company by members of the board of directors can contribute to creating an increased common financial interest between shareholders and the members of the board. At the same time, members of the board who do hold shares should take care not to let this encourage a short-term approach which is not in the best interests of the company and its shareholders over the longer term.

9. The work of the board of directors

The board of directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

The board of directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

A deputy chairman should be elected for the purpose of chairing the board in the event that the chairman cannot or should not lead the work of the board.

The board of directors should consider appointing board committees in order to help ensure thorough and independent preparation of matters relating to financial reporting and compensation paid to the members of the executive management. Membership of such sub-committees should be restricted to members of the board who are independent of the company's executive management.

The board of directors should provide details in the annual report of any board committees appointed.

The board of directors should evaluate its performance and expertise annually.

Commentary

The duties of the board of directors

The Public Companies Act stipulates that the board of directors has the ultimate responsibility for the management at the company and for supervising its day-to-day management and activities in general.

The board's responsibility for the management of the company includes responsibility for ensuring that the activities are soundly organised, drawing up plans and budgets for the activities of the company, keeping itself informed of the company's financial position and ensuring that its activities, accounts and asset management are subject to adequate control.

The board of directors should lead the company's strategic planning, and make decisions that form the basis for the executive management to prepare for and implement investments and structural measures. The company's strategy should be reviewed on a regular basis.

Instructions for the board of directors

Where a company's employees are represented on the board of directors, it is required by law to produce written instructions for the board with specific rules on the work of the board and its administrative procedures which determine what matters must be considered by the board. This Code of Practice states that companies should have such instructions whether or not employees are represented on the board.

Instructions for the executive management

Instructions for the executive management of the company should provide a detailed statement of the duties, responsibilities and delegated authorities of the chief executive pursuant to the rules laid down for the company's activities. The chief executive has a particular responsibility to ensure that the board of directors receives accurate, relevant and timely information that is sufficient to allow it to carry out its duties.

Financial reporting

The board of directors' duties and responsibilities for financial reporting are governed by legislation and regulations. When considering the company's accounts, the board can ask that the chief executive and the finance director/head of accounting confirm to the board that the proposed annual accounts which the board is asked to adopt have been prepared in accordance with generally accepted accounting practice, that all the information included is in accordance with the actual situation of the company and that nothing of material importance has been omitted.

Chairman of the board of directors

The Public Companies Act stipulates that the principal duty of the chairman of the board of directors is to ensure that the board of directors operates well and carries out its duties. In addition, the chairman of the board of directors also has certain specific duties in respect of the general meeting.

Matters to be considered by the board are prepared by the chief executive in collaboration with the chairman, who chairs the meetings of the board. In practice, the chairman carries a particular responsibility for ensuring that the work of the board is well organised and that it functions effectively. The chairman should encourage the board to engage in open and constructive debate. The chairman should pay particular attention to the need for members of the board to have appropriate up-to-date professional understanding in order to facilitate high quality work by the board, and he or she should take whatever initiatives are necessary in this respect. This may include holding training programs for new members of the board and arranging for the board as a whole to be regularly updated on specialist matters relevant to the company's activities.

In order to ensure an independent approach by the board of directors, the deputy chairman should take the chair when the board considers matters of a material nature in which the chairman has an active involvement. Such matters might, for example, include negotiations on mergers, acquisitions etc.

Board committees

There is a clear international trend for more extensive use of board committees and for the board of directors to provide information on its use of sub-committees, their mandates, membership and working processes. In many countries the prevalence of board committees reflects structures for managing and directing companies that differ appreciably from the Norwegian model.

Under Norwegian law, the members of the board of directors are jointly responsible for its decisions. Accordingly, where board committees are appointed, their role must be seen as preparing matters for final decision by the board as a whole. Material information that comes to the attention of board committees should also be communicated to the other members of the full board. If the chief executive is a member of the board, an audit committee and a compensation committee should be established in order to ensure the greatest possible independence for the board's deliberations, cf. Section 8.

However, consideration should also be given to appointing an audit committee and/or a compensation committee even where the executive management is not represented on the board of directors. Appointing such commit-

tees will serve to increase the focus on the board's responsibility for remuneration, financial reporting and internal control, and create opportunities for board members to develop greater specialist expertise in these areas.

Rules on the board of directors' responsibility for the management of the company and its responsibility for supervising the company's activities are set out principally in Asal. § 6-12 and § 6-13. Asal. § 6-23 requires that in companies in which the employees are represented on the board of directors, the board of directors must adopt rules of procedure which lay down rules on the work and administrative procedures of the board of directors. Asal. stipulates that the rules of procedure or 'instructions' should include rules on which matters must be decided by the board of directors and on the job description of the chief executive and his or her duty to report to the board of directors. The rules of procedure should also include rules for giving notice of meetings of the board and the conduct of board meetings.

The board of directors must ensure that the company's business activities are soundly organised, must draw up plans and budgets for the company's activities and must ensure that that its activities, accounts and asset management are subject to adequate control, cf. Asal. § 6-12.

The board of directors is a collegiate body that reaches decisions subject to the rules set out in Asal. § 6-19 and subsequent.

Asal. § 6-27 sets out rules on excluding members of the board from discussion and decision on issues in which they have a personal interest. The board of directors must not take any action which may confer on certain shareholders or other parties an unfair advantage at the expense of other shareholders or the company, cf. Asal. § 6-28.

Asal. § 6-13 provides that the board of directors may lay down instructions for the day-to-day management of the company. Day-to-day management does not cover matters which, in relation to the company's affairs, are of an extraordinary nature or of major importance, cf. Asal. 6-14. The chief executive must make a statement on the company's activities, position and profit/loss development to the board of directors at a meeting or in writing at least once a month, cf. Asal. § 6-15. The chief executive prepares matters which are to be discussed with the board of directors in consultation with the chairman of the board, cf. Asal. § 6-21.

Asal. § 6-19 and § 6-23 set out rules on the preparation of matters for the board and rules of procedure for the board.

The Accounting Act stipulates at § 3-5 that the annual accounts must be signed by all members of the board of directors and the chief executive. The statements in the annual report and half-yearly reports must be signed by all members of the board of directors and the chief executive, cf. Vphl. § 5-5 and Securities Trading Regulations § 5-2.

The duties of an audit committee will typically include:
- preparations for the board's quality control of the company's financial reporting
- monitoring the company's internal control arrangements and its risk evaluation systems, as well as monitoring the internal audit function where this exists
- maintaining regular contact with the company's auditor in respect of the audit of the company's annual accounts/consolidated accounts
- reviewing with the auditor and monitoring the independence of the auditor/accounting firm used by the company, including monitoring non-audit services provided by the auditor/accounting firm.
- to make recommendations for the election of the auditor.

Companies that have a corporate assembly should seek recommendations from the audit committee.

The members of the audit committee should have accounting expertise.

The duties of a remuneration committee will typically include:
- preparing guidelines for the remuneration of the executive management and preparing for the board's discussion of specific remuneration matters
- preparing matters relating to other material employment issues in respect of the executive management.

Where board committees are appointed, the board of directors should issue specific instructions for their work. Board committees should have the ability to make use of resources available in the company or be able to seek advice and recommendations from sources outside of the company.

The board of directors' evaluation of its own work

The board of directors' evaluation of its own performance and expertise should include an evaluation of the composition of the board and the manner in which its members function, both individually and as a group, in relation to the objectives set out for its work. Such a report will be more comprehensive if it is not intended for publication. However such reports should be made available to the nomination committee. The board of directors should consider whether to use an external person, such as the chairman of the nomination committee, to facilitate the evaluation of its own work.

10. Risk management and internal control

The board of directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's corporate values and ethical guidelines.

The board of directors should carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

The board of directors should provide an account in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting.

Commentary

The board's responsibility and objective for risk management and internal control

This section of the Code of Practice on risk management and internal control is intended to clarify the supervision responsibilities of the board of directors.

The objective for risk management and internal control is to manage, rather than eliminate, exposure to risks related to the successful conduct of the company's business and to support the quality of its financial reporting. Effective risk management and good internal control contribute to securing shareholders' investment in the company and the company's assets.

Internal control comprises guidelines, processes, duties, conduct and other matters that:

- facilitate targeted and effective operational arrangements for the company and also make it possible to manage commercial risk, operational risk, the risk of breaching legislation and regulations as well as all other forms of risk that may be material for achieving the company's commercial objectives.

- contribute to ensuring the quality of internal and external reporting
- contribute to ensuring that the company operates in accordance with the relevant legislation and regulations as well as with its internal guidelines for its activities, including the company's ethical guidelines and corporate values.

The board of directors must form its own opinion on the company's internal controls, based on the information presented to the board. Reporting by executive management to the board of directors should give a balanced presentation of all risks of material significance, and of how the internal control system handles these risks.

The company's internal control system must, at a minimum, address the organisation and execution of the company's financial reporting. Where a company has an internal audit function, it must establish a system whereby the board receives routine reports and ad hoc reports as required. If a company does not have such a separate internal audit function, the board must pay particular attention to evaluating how it will receive such information.

Ethical guidelines should provide guidance on how employees can communicate with the board to report matters related to illegal or unethical conduct by the company. Having clear guidelines for internal communication will reduce the risk that the company may find itself in situations that can damage its reputation or financial standing.

Annual review by the board of directors

The board's annual review of risk areas and the internal control system should cover all the matters included in reports to the board during the course of the year, together with any additional information that may be necessary to ensure that the board has taken into account all matters related to the company's internal control.

The review should pay attention to:

- changes relative to previous years' reports in respect of the nature and extent of material risks and the company's ability to cope with changes in its business and external changes
- the extent and quality of management's routine monitoring of risks and the internal control system and, where relevant, the work of the internal audit function

- the extent and frequency of management's reporting to the board on the results of such monitoring, and whether this reporting makes it possible for the board to carry out an overall evaluation of the internal control situation in the company and how risks are being managed
- instances of material shortcomings or weaknesses in internal control that come to light during the course of the year which have had, could have had or may have had a significant effect on the company's financial results or financial standing: and
- how well the company's external reporting process functions.

Reporting by the board of directors

The board's account in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting should include sufficient and properly structured information to make it possible for shareholders to understand how the company's internal control system is organised. The account should address the main areas of internal control related to financial reporting. This includes the control environment, risk evaluation, control activities, information and communication and follow-up.

If the company uses an established framework for internal control this should be disclosed. Examples of this include the framework for risk management and internal control published by the Committee of Sponsoring Organizations of the Treadway Commission.

11. Remuneration of the board of directors

The remuneration of the board of directors should reflect the board's responsibility, expertise, time commitment and the complexity of the company's activities.

The remuneration of the board of directors should not be linked to the company's performance. The company should not grant share options to members of its board.

Members of the board of directors 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.

The annual report should provide information on all remuneration paid to each member of the board of directors. Any remuneration in addition to normal directors' fees should be specifically identified.

Commentary

The general meeting approves the remuneration paid to members of the board of directors. Members of the board should be encouraged to own

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Remuneration of the members of the board of directors is decided by the general meeting (or the corporate assembly where appropriate), cf. Asal. § 6-10.

Members of the board of directors must not receive any remuneration from parties other than the company in connection with the performance of juridical acts for the company, cf. Asal. § 6-17. Information on the remuneration of each member of the board must be provided in the notes to the annual accounts, cf. Regnskapsloven § 7-31b and § 7-32, as well as in any prospectus produced in respect of an offer to subscribe for or purchase negotiable securities or for admission to listing of negotiable securities on a regulated market in Norway, cf. Securities Trading Regulation, § 7-13, equivalent to Commission Regulation (EU) No. 809/2004 Annex 1, Items 15 and 17.2.

shares in the company, cf. Section 8. Consideration should be given in this respect to arranging for members to invest part of their remuneration in shares in the company at market price.

Members of the board of directors should not participate in any incentive or share option programs that might be made available for the members of the executive management and other employees since this may have the effect of weakening the board's independence.

The remuneration paid to the chairman of the board of directors should be determined separately from that of the other members. Consideration should be given to paying additional remuneration to members of the board who are appointed to board committees.

The stipulation that members of the board of directors should not undertake additional assignments for the company is based on the need for members of the board to be independent of the company's executive management.

The annual report must provide details of all elements of the remuneration and benefits of each member of the board of directors, cf. the information requirements in the Accounting Act.

12. Remuneration of the executive management

The board of directors is required by law to establish guidelines for the remuneration of the members of the executive management. These guidelines are communicated to the annual general meeting.

The guidelines for the remuneration of the executive management should set out the main principles applied in determining the salary and other remuneration of the executive management. The guidelines should help to ensure convergence of the financial interests of the executive management and the shareholders.

Performance-related remuneration of the executive management in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should incentivise performance and be based on quantifiable factors over which the employee in question can have influence.

Commentary

Guidelines

The Public Companies Act includes rules on a statement in respect of executive management remuneration that is to be prepared by the board of directors and considered by the general meeting.

Performance-related remuneration

Performance-related remuneration should not be such as might encourage a short-term approach that could be damaging to the company's long-term interests. Consideration should be given to setting an absolute limit on performance-related remuneration.

Where a company's earnings or share price are heavily influenced by external forces, the board of directors should consider using other forms of incentive arrangement where the incentive can be linked to quantifiable targets over which the executive management has a greater degree of influence.

Great care should be taken when awarding options or similar benefits to members of the executive management.

Any share option schemes should be combined with direct ownership of the underlying shares in order to make the interests of members of management more symmetrical with those of the company's other shareholders. In order to reduce the risk of an unrepresentative financial result, the dates of issue and exercise of options should be spaced out over time, and any shares acquired through the exercise of options should be subject to a minimum period of ownership.

Reporting

The company's report on corporate governance, cf. Section 1 of the Code of Practice, should provide an account of all aspects of the remuneration of the chief executive and individual members of the executive management, cf. the requirements set out in the Public Companies Act and the Accounting Act. Alternatively, the corporate governance report may make a clear reference to the sections of the accounts where the statement on executive remuneration and information on such remuneration is provided.

The chief executive is appointed by the board of directors and the board of directors determines his or her remuneration (unless the articles of association delegate this authority to some other corporate body), cf. Asal. § 6-2.

The board shall (unless the articles of association delegate this responsibility to some other corporate body) produce a statement on how the salary and other remuneration etc. of the company's executive management for the current financial year is determined, cf. Asal. § 6-16a. The statement shall also provide an account of the company's policy on the remuneration on the executive management applied in the previous financial year. The statement shall be considered by the company's annual general meeting, cf. Asal. § 5-6. If the company has a corporate assembly, it may make a statement on the board's statement, cf. Asal. § 6-37. The board of directors shall determine the salary and other remuneration of the executive management at a meeting of the board, cf. Asal. § 6-19.

The guidelines for arrangements in respect of granting shares, subscription rights, options and other forms of remuneration linked to shares or the performance of the company's share price or the share price of other companies in the same group shall be binding on the board of directors unless the articles of association provide otherwise. In other respects, the guidelines are advisory, but the Company's articles of association may stipulate that they shall be binding. If the board enters into an agreement that deviates from the guidelines, the reason for such deviation shall be stated in the board minutes.

The remuneration and loans to/security granted in favour of each member of the executive management must be agreed by the board of directors at a meeting of the board, cf. Asal. § 6-19, and must be reported in the notes to the annual accounts, cf. Accounting Act (Regnskapsloven) § 7-31 and §7-32, and also in any prospectus produced for an invitation to subscription or purchase or for admission to listing of negotiable securities on a Norwegian regulated market, cf. Securities Trading Regulations, § 7-13, equivalent to Commission Regulation (EU) No. 809/2004 Annex 1, Items 15, and 17.2.

13. Information and communications

The board of directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The company should publish an overview each year of the dates for major events such as its annual general meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.

All information distributed to the company's shareholders should be published on the company's web site at the same time as it is sent to shareholders.

The board of directors should establish guidelines for the company's contact with shareholders other than through general meetings.

Commentary

Guidelines for reporting financial and other information

The board of directors' guidelines for reporting financial and other information to the securities market must be defined within the framework established by securities and accounting legislation and the rules and regulations of the stock exchange. The company's ability to provide information to individual participants, including investment analysts, will be restricted both by the regulatory framework, including the rules on good stock exchange practice, and by the general requirement for equal treatment.

The guidelines for the company's reporting of information must ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner. A regular flow of information from the company will help shareholders and other investors to make informed decisions on purchases and sales of the company's shares based on equal access to information. The company should provide information on its major value drivers and risk factors.

When publishing annual and interim reports the company should hold public presentations that are simultaneously broadcast over the internet.

The board of directors should have a policy on who is entitled to speak on behalf of the company on various subjects. The company should have a contingency plan for information management in response to events of a particular character or of interest to the media.

Information on the company should be available to shareholders in both Norwegian and English where this is appropriate in view of the composition of the company's shareholders.

Dialogue with shareholders

In addition to the dialogue with the company's owners in the form of general meetings, the board of directors should make suitable arrangements for shareholders to communicate with the company at other times. This will increase the board's understanding of which matters affecting the company from time to time are of particular concern to shareholders. The guidelines should make clear to what extent the board has delegated this task to the chairman of the board, the chief executive or any other member of the executive management.

See Securities Trading Act Chapter 5, subchapters I and II on the content of the information requirement. The company must publish information in an efficient and non-discriminatory manner, cf. Vphl. § 5-12. Sections 5.3 and 5.4 of the `Continuing obligations of stock exchange listed companies (Continuing obligations)´ stipulate that the company must send a copy of the information it publishes to the stock exchange. The Norwegian Society of Financial Analysts has issued recommended guidelines for additional information on value creation, dated November 2002.

Persons who are privy to inside information must not pass such information to unauthorised parties, cf. Vphl. § 3-4. Further provisions are included in Vphl. Chapter 3 on the management of such inside information. The company must manage the information it releases within the framework imposed by the Securities Trading Act, including § 5-14, and by the general principle of equal treatment, cf. inter alia Asal. § 4-1.

Pursuant to `Continuing obligations of stock exchange listed companies (Continuing obligations)´, the company must, prior to the close of the current year, announce its planned timetable for the publication of interim reports in the subsequent year.

14. Take-overs

The board of directors should establish guiding principles for how it will act in the event of a take-over bid.

During the course of a take-over process, the board of directors and management of both the party making the offer and the target company have an independent responsibility to help ensure that shareholders in the target company are treated equally, and that the target company's business activities are not disrupted unnecessarily. The board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The board of directors should not seek to hinder or obstruct take-over bids for the company's activities or shares unless there are particular reasons for this.

In the event of a take-over bid for the company's shares, the company's board of directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for a company's shares, the company's board of directors should issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it should explain the background for not making such a recommendation. The board's statement on a bid should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should consider whether to arrange a valuation from an independent expert. If any member of the board or executive management, or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in the bid, the board should arrange an independent valuation in any case. This shall also apply if the bidder is a major shareholder. Any such valuation should be either appended to the board's statement, be reproduced in the statement or be referred to in the statement.

Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

Commentary

Fundamental considerations and responsibilities

The stock market plays an important commercial role for society as a whole, and so helps to ensure the efficient allocation of society's resources. Corporate take-overs contribute to improving the efficiency of price quotation for shares, and can serve to impose a discipline on corporate management. However, the bidding process and corporate take-overs must be carried out in a manner that maintains respect for the stock market, and that does not unnecessarily disrupt the business activities of the target company.

A take-over bid is a contractually binding action that has major consequences for the employees, board of directors and shareholders of both the bidder and the target company. All the parties involved must therefore conduct themselves in such a manner as to maintain public confidence in the stock market. For the target company, it is therefore important that the board has previously thought through some of the guiding principles as to how it will behave in the event of receiving a bid, for example whether it will seek to encourage competing bids and how it will ensure equal treatment of the company's shareholders. There is, however, no requirement for a company to disclose the stance it has taken on these principles.

A bid must only be made when the bidder has carried out sufficient preparations to demonstrate its ability to carry through the bid, including access to sufficient financing for the terms of the bid.

Relationship between this section of the Code of Practice and legislation[5]

The Securities Trading Act only regulates situations where a mandatory bid is made, or where a voluntary bid will cause the bidder's shareholding to pass the threshold for a mandatory bid if it is accepted by the parties to whom it is made. The Code of Practice also applies to situations where the bidder already has a shareholding in excess of the threshold for a mandatory bid, and it then makes an offer to buy the shares of all remaining shareholders. It is accordingly the case that a number of the provisions of the Securities Trading Act are repeated in this Code of Practice.

The aspects of this section of the Code of Practice that are addressed to a party making a take-over bid also supplement the provisions of the Securities Trading Act in that they apply to offers not covered by the Act. The requirement that the board of directors should not seek to hinder or obstruct any take-over bid unless there are particular reasons for this also supplements the provisions of the legislation in that it applies to bids not regulated by the Act and also applies to the situation before a bid is made.

Take-over situations are not frequent occurrences for the majority of companies. It may therefore be difficult to provide a precise statement pursuant to the first item of this section. In this particular respect, it should therefore be permissible to provide a somewhat less detailed statement.

Equal treatment and openness

It is a fundamental principle of the Code of Practice that all shareholders in the target company should be treated equally. Any bid should therefore be made to all shareholders in the target company, and on equally attractive terms.[6]

Openness in respect of take-over situations will help to ensure equal treatment of all shareholders.

The board of directors and the executive management are expected to refrain from implementing any measures intended to protect their personal interests at the expense of the interests of shareholders. The Code of Practice supplements the provisions in the Securities Trading Act on the limitation of the company's freedom of action once it is aware that an offer is to be made.[7]

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[5] Vphl. Chapter 6 sets out the rules for mandatory and voluntary offers. Any party that through acquisition becomes the owner of shares representing more than 1/3 of the voting rights in a Norwegian company whose shares are quoted on a Norwegian regulated market is required to either make an offer to purchase the remaining shares in the company (duty to make a mandatory offer), or to reduce its shareholding to below this threshold. This also applies when the number of voting rights held passes 40% and 50%, (repeated duty to make a mandatory offer). Such a party must immediately notify the regulated market and the company when it enters into an agreement to acquire shares that will trigger the duty to make a mandatory offer. The offer price must be at least as high as the highest price the party making the offer has paid or agreed during the last six months prior to the duty to make a mandatory offer being triggered, cf. Vphl. § 6-10. The offer must also be unconditional, with settlement in cash, and the period for acceptance must be between 4 and 6 weeks.

A voluntary offer becomes subject to statutory regulation if the offer will cause the thres hold for a mandatory offer to be exceeded if the offer is accepted by the parties to whom it is available, cf. Vphl. § 6-19.

The fact that in this respect the Code of Practice is addressed to all the parties in the process is not intended to reduce the particular responsibility of the target company to ensure the equal treatment of its shareholders and to fulfil its duty of disclosure in a take-over process.[8] For the target company, a take-over process gives rise to a particular duty of care to disclose information as required by Chapter 5 of the Securities Trading Act. The company must strive to ensure that no inside information about the company remains unpublished. If the target company has planned in accordance with its financial calendar to publish an interim report after an offer is expected to be made, the company should use its best endeavours to publish the report before the expiry of the acceptance period for the offer.[9] The bidder should also seek to set the acceptance deadline so that shareholders can take the interim report into account when considering whether to accept the bid.

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[6] In the case of both mandatory and voluntary offers, there are statutory requirements on the equal treatment of shareholders and on the information to be provided in the offer document, cf. Vphl. § 6-10, final paragraph and § 6-13. Asal. § 6-28 stipulates that neither the board of directors nor any other parties who represent the company may take any action which may confer on certain shareholders or other parties an unfair advantage at the expense of other shareholders or the company. This restriction also applies to the general meeting by virtue of Asal. § 5-21. The principle of equal treatment is also a requirement of Vphl. § 5-14.

[7] In the case of an offer regulated by Vphl. Chapter 6, neither the board of directors nor the management of the target company may pass resolutions in respect of any matters outside the company's normal day-to-day business operations in respect of the issue of shares, merger, purchase or sale of significant business areas or the purchase or sale of the company's own shares, cf. Vphl. § 6-17. The restrictions in the Securities Trading Act do not apply if the general meeting has granted mandates for the board to make such decisions in anticipation of a take-over situation.

[8] Vphl § 5-2 requires that a company shall on its own initiative promptly publish inside information which directly concerns the company. Vphl. § 5-3 permits a company to delay the publication of such information on particular terms in order not to harm its own legitimate business interests, subject to such delay not misleading the public and the information being kept confidential.

[9] Section 4.5 of the Oslo Børs `Continuing obligations of stock exchange listed companies (Continuing obligations)´ stipulates that listed companies must publish the planned timetable for publishing interim reports.

This means that the party making the bid should, at a minimum, provide the information mentioned in Section 6-13 of the Securities Trading Act whether or not the offer falls within the scope of these provisions. In addition, the bidder should put together information on the target company that is of significance for shareholders' valuation of the bid, based on publicly available annual an interim reports and other publicly available information.

Evaluation of a bid [10]

Once a company has received an offer, the board of directors is required in the situations stipulated in the Securities Trading Act to provide a statement on the offer prior to the expiry of the offer period. Such a statement should also be provided in the take-over situations covered by the Code of Practice. Shareholders will find it particularly useful if the board uses its insight into the company's future to produce estimates of the discounted current value of the company's expected future earnings and compares this to the bid received. Such an evaluation should be the main item in the board's statement.

The board's statement on a bid should make it clear that the evaluation presented is the unanimous view of the board, and where this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should also consider whether there are any conflicts of interest between minority shareholders and major shareholders. The board's evaluation should be based on generally recognized valuation principles. The statement should also follow the guidelines set out in the Securities Trading Act in all other relevant respects.

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[10] Vphl. § 6-16 stipulates that the company's board of directors must issue a statement on an offer and that the statement shall include information on the board of directors' considered view of the implications of the offer, including what effect the offeror's strategic plans may have for the company's employees and for the location of the company's activities, together with the view expressed by the company's employees, and other matters material to evaluating whether the offer should be accepted by shareholders. The statement must also provide information on the view, if any, expressed on the offer by members of the board of directors and the chief executive in their role as shareholders in the company. If the offer is made by anyone who is a member of the board of the company, or if the offer is made with the agreement of the company's board, the stock exchange shall decide who shall issue the statement. The established practice of Oslo Børs is that the members of the board who are not disqualified by conflict of interest, even if they do not represent a quorum for decisions by the board, may issue such a statement. In the absence of such persons, Oslo Børs will require that the statement be issued by an independent expert.

When considering whether to obtain a valuation from an independent expert, consideration should be given inter alia to whether the composition of the board is in accordance with Section 8 of this Code of Practice, and to whether the board's recommendation is unanimous.

In a situation where a competing bid is made and the bidder has no connection to any members of the board of directors or executive management or a main shareholder, the board will normally not need to seek an independent valuation. An independent competing bid will also normally provide sufficient basis for the board's evaluation in situations where members of the board of directors or executive management or a main shareholder do have a particular interest.

An independent expert is understood to mean an individual or company that has no personal interest in the bid such as a results-based fee payable by the bidder, the target company or any major shareholder. If such an independent valuation is not included in full in the board's statement or appended thereto, it must be referred to in the statement in such a manner that will not mislead shareholders.

If any member of the executive management or board of directors of the target company, or a major shareholder, participates in a bid for the company, an account shall be provided of the role the person or persons in question are playing in the bid.

Disposal of a company's activities

The question of whether a resolution to dispose of a company's activities should be decided by a general meeting of the company depends on how the company's business is defined in its articles of association. However, even if the articles of association do not require a decision by the general meeting, see also Section 2 of the Code of Practice, such a decision should in any case be made by the general meeting. This should also apply to any significant disposal that may be said to change the character of the company.

15. Auditor

The auditor should submit the main features of the plan for the audit of the company to the board of directors annually.

The auditor should participate in meetings of the board of directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor should at least once a year present to the board of directors a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

The board of directors should hold a meeting with the auditor at least once a year at which neither the chief executive nor any other member of the executive management is present.

The board of directors should establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit. The board should receive annual written confirmation from the auditor that the auditor continues to satisfy the requirements for independence. In addition, the auditor should provide the board with a summary of all services in addition to audit work that have been undertaken for the company.

The board of directors must report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

Commentary

The requirements for an annual audit plan and for the auditor to participate in board meetings are intended to give the board of directors better insight into the work of the auditor and to represent an important supplement to the auditor's necessary routine contact with the company's executive management.

The knowledge and experience of the auditor is of particular value to the board of directors when it considers the company's annual accounts. The annual accounts are the responsibility of the board and the chief executive, and making active use of the auditor when considering the accounts will improve the basis for the board's decision.

In view of the auditor's independence of the company's executive management, the board of directors should hold at least one meeting a year with the auditor at which the company's management is not present. For this purpose, the board must resolve to exclude the chief executive from the meeting in accordance with § 6-19 of the Public Companies Act.

The auditor is elected by the general meeting, cf. Asal. § 7-1. The auditor elected must serve until another auditor has been elected, cf. Asal. § 7-2. The auditor must attend the general meeting if the business which is to be transacted is of such a nature that his or her attendance must be regarded as necessary, cf. Asal. § 7-5. The auditor is, in any case, entitled to participate in the general meeting.

The Auditing and Auditors Act (Revisorloven), Chapter 4, sets out requirements for the independence and objectivity of the auditor.

Auditors are required to identify any errors or shortcomings in respect of the company's accounting and the management of its assets by means of an itemised letter addressed to the company's management (in the case of a public limited company this will normally be the board of directors), cf. Revisorloven § 5-4.

The Financial Supervisory Authority of Norway (Kredittilsynet) has issued guidelines for auditors' provision of advisory services to audit clients, cf. Kredittilsynet Circular No. 23/2003.

The remuneration paid to the auditor must be approved by the general meeting, cf. Asal. § 7-1. Regnskapsloven § 7-31a requires that the notes to the annual accounts provide information on the remuneration paid to the auditor and a breakdown of this remuneration between the audit fee and fees for other services.

The requirement for the board of directors to issue guidelines in respect of the company's ability to use the auditor for other services is intended to contribute to greater awareness of the auditor's independence of the company's executive management. The Auditing and Auditors Act includes more detailed provisions on the independence of the auditor.

The Accounting Act requires that the notes to the annual accounts provide information on the remuneration paid to the auditor and the breakdown of this remuneration between audit and other services. The Code of Practice does not consider it sufficient to provide these figures in the notes, and requires in addition that the general meeting should be informed of what services other than the audit have been provided by the auditor.

The Public Companies Act stipulates that the auditor must attend the general meeting if the business which is to be transacted is of such a nature that his or her attendance must be considered necessary. The auditor is, in any case, entitled to participate in the general meeting. The Code of Practice expects the board of directors to make arrangements for the auditor to participate in all general meetings.

The Code of Practice is published by the Norwegian Corporate Governance Board (NCGB).
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