The Norwegian Code of Practice for

CORPORATE GOVERNANCE

www.ncgb.no

28 November 2006

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issued by the

Norwegian Corporate Governance Board (NCGB)

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This is an English version of the original document "Norsk anbefaling – Eierstyring og selskapsledelse (Corporate Governance)", prepared in Norwegian and dated 28 November 2006.

The Norwegian Corporate Governance Board (NCGB)

The Norwegian Code of Practice for Corporate Governance (the “Code of Practice”) is issued by the Norwegian Corporate Government 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 8 December 2005. Comments on the changes made in this version can be found in the section “Changes since the last version” on page 9.

Professor Tore Bråthen of the BI Norwegian School Management has 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, Senior Advisor
Norwegian Institute of Public Accountants	Per Hanstad, Chief Executive Officer
Institutional Investor Forum [1]	Arild Orgland, Chief Executive Officer
Norwegian Financial Services Association	Stein Sjølie, Director Financial and Legal Department
The Norwegian Society of Financial Analysts	Ludvik Sandnes, Managing Director, BDO Noraudit
Norwegian Association of Private Pension Funds	Håkon Persen Søderstrøm, Chairman of the Board
Confederation of Norwegian Enterprise [2]	Ingebjørg Harto, Legal Director
Oslo Børs	Atle Degré, Vice President, Legal Affairs
Norwegian Mutual Fund Association	Lasse Ruud, Managing Director

The Board is chaired by Lasse Ruud. Linn Cathrin Slettedal, Oslo Børs, and Henning Alme Siebeke, Norwegian Institute of Public Accountants, provided secretariat services for the Board in 2006.

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[1] The members of the Institutional Investor Forum are ABN AMRO Kapitalforvaltning, DnB NOR Kapitalforvaltning, Folketrygdfondet, KLP, Nordea Fondene, Odin Forvaltning, Sparebank 1 Gruppen, 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 listed companies 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.

The Code of Practice is intended to 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 the Norwegian stock exchange. 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.[3]

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.

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[3] The Code of Practice also applies to foreign companies with a primary listing on a Norwegian stock exchange or authorised marketplace provided that the provisions of the code do not conflict with the legislation of the company's national jurisdiction. It is assumed that foreign companies with a secondary listing on a Norwegian stock exchange or authorised marketplace will adhere to the guidelines for corporate governance that apply to the stock exchange or authorised marketplace on which the company maintains its primary listing. Such companies should in any case provide information in the annual report on the guidelines that apply. If there are no such guidelines, or if the company does not follow its national guidelines, this Code of Practice will apply provided that it does not conflict with the legislation of the company's national jurisdiction.

- 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.

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

Norwegian 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 must publish an annual statement on the company's principles for corporate governance in accordance with the Norwegian Code of Practice for Corporate Governance or the equivalent code for companies with a primary listing on a foreign exchange, cf. 'Rules for companies with listed shares and primary capital certificates (continuing obligations)', Section 7. The rules also require that companies must account in particular for any deviation from the Norwegian Code of Practice for Corporate Governance and the reason for such deviation.

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 report in accordance with this Code of Practice dated 28 November 2006 with effect at the latest from the 2007 annual report.

Companies that do not report in accordance with this latest version of the Code of Practice in their annual reports for 2006 must report in accordance with the version of the Code of Practice issued on 8 December 2005.

Structure and form of the Code of Practice

Companies must adhere to the requirements set out in bold type in the text boxes, or alternatively explain why they do not fulfil the requirements.

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 28 November 2006. Any changes to legislation and regulations after this date may affect the use of this Code of Practice by companies. It is expected that changes to the Public Limited Liability Companies Act will come into force in 2007, including new rules on approval by the general meeting of executive management remuneration. In addition, changes in legislation are expected in respect of take-over bids and certain aspects of the rules on financial reporting by listed companies etc.

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 adherence to the Code as a consequence of the requirement imposed by Oslo Børs for listed companies to issue a statement in this respect in their annual reports.

Changes since the last version of the Code of Practice

New Section 10: Risk management and internal control

The section of the Code of Practice on risk management and internal control is a new addition.

Risk management and internal control by companies is an area that is attracting increasing interest, both in Norway and internationally. Risk management creates an awareness of the risks to which a company is exposed, and makes companies better able to manage risks in an effective manner. Good internal control contributes to promoting satisfactory operations, reliable financial reporting and adherence to legislation and regulations. The members of the board of directors are officers elected by the shareholders, and should therefore take an active interest in risk management and internal control. NCGB has therefore decided that it is appropriate that the Norwegian Code of Practice on Corporate Governance, which is primarily directed at boards of directors, should include a section on risk management and internal control.

The section of the Code of Practice on risk management and internal control takes into account the requirements that will be incorporated into Norwegian legislation as a result of EU Directive 2006/46/EF on changes to the directives on annual accounts and consolidated accounts. The deadline for implementing this directive is 29 June 2008. The Directive includes a requirement that the board of directors of a listed company must issue a statement on corporate governance in the annual report. As part of this statement, the board must report on the main features of the company's internal control and risk management systems in respect of the financial reporting process.

In its work on the new section, NCGB considered the regulations and recommendations in corporate governance codes of practice in other countries in respect of internal controls and risk management. In a number of countries, the code of practice on corporate governance stipulates that the board of directors should produce an annual statement on the company's internal control and risk management systems.

The overall objective of the provisions now included on risk management and internal control is to create suitable conditions for companies to manage (not eliminate) exposure to risks in connection with their business activities and to help ensure good quality financial reporting.

Changes to Section 13: Take-overs

The section of the Code of Practice in respect of take-overs has been expanded. This section relates to situations that, for most companies, will only occur infrequently, but take-overs can involve very significant values for both the target company and the bidder. It is therefore of considerable importance for society as a whole that corporate take-overs take place in an orderly fashion, and this is also important for general public confidence in the stock market.

The section of the Code of Practice now extends certain of the main principles on equal treatment of shareholders and the provision of information to apply not only to the target company of a take-over bid but also to other participants in the take-over process. The Code of Practice supplements the provisions of the Securities Trading Act on mandatory and voluntary offers, and also applies to corporate take-overs that are not covered by the Act. In preparing the amendments to this section of the Code of Practice, the Board has taken into account the provisions of the United Kingdom Take-over Code, the Stockholm Stock Exchange rules on public offers and the EU directive on take-overs.

The Code of Practice is intended to help to ensure that a company's shareholders are able to form a view on any possible bid for the company. The Code of Practice stipulates that the board of a target company should not take steps to prevent or obstruct a take-over bid being made unless they have particular reasons for this, and the board should not pass resolutions that are intended to hinder the progress of an offer once it has been made.

A further new feature of the Code of Practice is that where any member or members of the board of a target company are linked to the party making an offer, the board must arrange for a valuation by an independent expert to provide guidance for shareholders. This also applies where the party making a bid is a major shareholder. These provisions are in line with the

Stockholm Stock Exchange rules, whereas the United Kingdom Takeover Code stipulates that independent valuations must always be arranged. The Code of Practice also regulates the content of statements by the board of directors to shareholders.

Changes to Section 7: Nomination committee

The nomination committee is an important corporate body, and NCGB has found it appropriate to expand this section of the Code of Practice.

Additional features of the Code of Practice include making the general meeting responsible for electing the chairperson of the nomination committee and for approving the committee's remuneration.

The Code of Practice now also includes guidance on the composition of the nomination committee, the election of the members of the committee and its work on submitting proposals for candidates to be elected to the board of directors.

Changes to Section 9: The work of the board of directors

Changes have been made to the commentary to provide further clarification in respect of the role of the audit committee in the election of the auditor and the ability of board committees to access resources both from within and outside the company.

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. 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 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.

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 an annual statement on the company's principles for corporate governance in accordance with the Norwegian Code of Practice for Corporate Governance or the equivalent code for companies with a primary listing on a foreign exchange, cf. 'Rules for companies with listed shares and primary capital certificates (continuing obligations)', Section 7. The rules also require that companies must account in particular for any deviation from the Norwegian Code of Practice for Corporate Governance and the reason for such deviation. Companies that apply for listing on Oslo Børs must provide a statement in the application, or as an appendix to the application, on the company's principles for corporate governance in accordance with the Norwegian Code of Practice for Corporate Governance or the equivalent code for companies with a primary listing on a foreign exchange, cf. Rules for admission to listing on Oslo Børs of listed shares and primary capital certificates etc. (listing rules), Section 6.4, Item 30.

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.

A prospectus for a public offer for the subscription or purchase of negotiable securities or admission to listing on a 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. Regulation on information to be included in a prospectus, 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.

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 company's business activities and the scope of the board of directors' authority are restricted to the objectives specified in its articles of association, cf. Asal. § 2-2, (1) item 4.

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 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. 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 must always be approved by means of a specific board mandate, cf. Section 11.

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. 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.

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.

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 also applies to 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 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 Stock Exchange Regulations state 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 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. represent an extension of the provisions of the Public Companies Act in respect of transactions with close associates and transactions between companies within the same group. The Act requires that general meeting approval will normally be required for any agreements to acquire assets, services or benefits from a shareholder in return for consideration paid by the company 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 a state authorised public accountant or registered auditor to include a valuation of the assets etc. involved.

The Code of Practice is more comprehensive than the Public Companies Act in that it applies to all transactions regardless of whether the acquiring party is the company or the shareholder(s) etc. in question. A transaction may be material for the company even if the consideration paid by the company does not exceed 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.

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 and the restrictions in § 5-21 and § 6-28 on a general meeting 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 § 23-8 of the Stock Exchange Regulations (Børsforskriften) that an issuer must not expose holders of its financial instruments to differential treatment that lacks a factual basis in the issuer's and the holders' common interest.

When a company carries out transactions in its own shares it must pay due attention to the rules on duty of disclosure, cf. the Stock Exchange Act (Børsloven) § 5-7, cf. Børsforskriften § 5-2, first paragraph, on the requirement for equal treatment of all shareholders, cf. Børsforskriften § 23-8, on the prohibition of misuse of insider information, cf. Securities Trading Act (Verdipapirhandelloven - "Vphl.") § 2-3 on the prohibition of price manipulation and unreasonable business methods, cf. Vphl. § 2-8 and § 2-9 on notification requirements, cf. Vphl. § 3-1.

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 any agreement on the acquisition of assets, services or contributions from a shareholder (or a shareholder's close associate) in return for consideration from the company which involves more than 1/20th of the share capital must be approved by the general meeting. The board of directors must ensure that an account of the acquisition is prepared pursuant to the rules set out in Asal. § 2-6. 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. A prospectus for shares must include any information of which the company is aware on agreements between shareholders that give the parties involved "control" over the company, cf. Regulation on information to be included in a prospectus § 1, equivalent to Commission Regulation (EU) No. 809/2004, Annex 1, Items 18.3 and 18.4.

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 by issuing a stock exchange announcement, cf. Section 3.4 of 'Rules for companies with stock exchange listed shares and primary capital certificates (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.

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 the Public Companies Act and 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. Børsforskriften § 2-4. If the company has been given a discretionary right to bar a share acquisition or to impose other trading restrictions, such right may only be exercised if there is sufficient cause to bar the acquisition or to impose other trading restrictions 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:

- **sending shareholders the supporting information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, 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**

Commentary

Notice calling the annual general meeting

The Public Companies Act stipulates that at least two weeks' notice must be given to call an annual general meeting. Proposals to change the articles of association must be set out in the notice, but the Act does not stipulate any further supporting information. However, companies should provide sufficiently detailed supporting information on all the matters to be considered at an annual general meeting or extraordinary general meeting in order to allow shareholders to form a view.

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 must attend general meetings. Other members of the board are entitled to attend. The general meeting is the main meeting place for

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A shareholder is entitled to participate 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 participation through a proxy. 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 (2).

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. 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.[2] The articles of 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.

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[2] 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·

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 distributed to shareholders no later than two weeks 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 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. At least half 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 in the absence of any agreement to the contrary. 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.

At least half 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 share holder 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.

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

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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. Employees have the right to elect members of the board of directors pursuant to Asal. § 6-4. At least half the members of the board of directors must 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 Activity Act (Forsikringsvirksomhetsloven) § 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.

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.

In accordance with the 'Rules for admission to listing on Oslo Børs of listed shares and primary capital certificates etc. (listing rules)' all companies that apply for listing on Oslo Børs are expected to have an independent board of directors in accordance with the Norwegian Code of Practice for Corporate Governance. Pursuant to the same circular, all companies that apply for listing on Oslo Børs must include in the application, or as an appendix to the application, an account of the independence of the board of directors. The circular also states that where a company does not follow the Norwegian Code of Practice for Corporate governance in this respect but provides an explanation of its reasons for this, the composition of the board of directors and the reason for not following the Code of Practice may be of significance for whether the company is considered suitable for listing. If Oslo Børs does decide that the company is suitable for listing, the company must publish its statement on the independence of the board or an approved summary of its statement as a stock exchange announcement.

Share ownership by members of the board of directors

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.

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.

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 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 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 committees 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.

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.

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.

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.

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.

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 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 requirements for publication of information in the Accounting Act.

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 their work 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 a public offer to subscribe for or purchase negotiable securities or for admission to listing on a regulated market, cf. Regulation on information to be included in a prospectus, § 1, equivalent to Commission Regulation (EU) No. 809/2004 Annex 1, Items 15, 17.1 and 17.2.

12. Remuneration of the executive management

The board of directors should establish guidelines for the remuneration of the members of the executive management. These guidelines should be communicated to the general meeting for information annually.

The salary and other remuneration of the chief executive should be decided by a convened meeting of the board of directors.

Share option schemes and arrangements to award shares to employees should be approved in advance by the general meeting. Proposals on share option schemes should include details of the allocation criteria, the actual value of the option schemes, the accounting consequences for the company and the potential share dilution.

The annual report should provide information on the guidelines for the remuneration of the members of the executive management. This should also apply to information on all elements of the remuneration of the chief executive and each member of the executive management.

Commentary

Guidelines

The board of directors' guidelines for the remuneration of the members of the executive management should be communicated to the company's shareholders. This information should pay particular attention to any changes made in the last year.

The guidelines should be based on ensuring that the remuneration of the chief executive and other executive management is designed, in terms of both structure and amount, to promote value creation by the company and contribute to shareholders and the executive management sharing a common interest. Remuneration of the members of the executive management should not be of such character or extent as may damage the company's reputation. The definition of the executive management for the purpose of such guidelines is a matter for decision by the individual company.

The disclosure of remuneration guidelines and the actual remuneration paid will give shareholders sufficient information to pose questions and make comments to the board of directors at the general meeting. The information provided should include a breakdown between fixed and variable salary, details of pension arrangements and the terms that will apply in the event of termination of employment.

Performance-related remuneration

Performance-related remuneration in the form of share options, bonus programs, or similar arrangements should be linked to the value created for shareholders or the performance of the company over time. The company should provide information on the conditions that must be satisfied in order for performance-related remuneration to be paid. 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.

Great care should be taken when awarding options or similar benefits to members of the executive management. Establishing share option programs in small companies or issuing options with a long maturity involves considerable uncertainty over the actual value of the options granted. Any share option program should contribute to creating a long-term common interest between the executive management and the company's shareholders.

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.

Disclosure

The annual report should provide details of all elements of the remuneration of the chief executive and each member of the executive management, cf. the requirements for publication of information in the Accounting Act. This means that details must be given of salary, employment benefits, bonus entitlement, option agreements, pension entitlement and any agreements for compensation on termination of employment. The account provided should set out the long-term cost implications for the company of the chief executive's total remuneration package and the total remuneration of other members of the executive management. The discounted current value of pension rights (including the assumptions on which the calculations are based) should be given for the chief executive and the other members of the executive management. If any particular events will trigger changes to pension rights or other benefits, the value of such changed entitlements should be disclosed. The criteria for the payment of any compensation on termination should also be disclosed.

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 of the corporate body), cf. Asal. § 6-2. The remuneration of the chief executive and each member of the executive management must be reported in the notes to the annual accounts, cf. Regnskapsloven § 7-31 and §7-32, and also in any prospectus produced for a public invitation to subscribe for or purchase negotiable securities or for admission to listing on a regulated market, cf. Regulation on information to be included in a prospectus, § 1, equivalent to Commission Regulation (EU) No. 809/2004 Annex 1, Items 15, 17.1 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 will be restricted both by the regulatory framework 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 Børsforskriften Chapter 5, particularly § 5-2 on the content of the information requirement. Oslo Børs Circular No. 4/2003 sets out guidelines for the management of information on companies' future prospects. 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. § 2-4. Further provisions are included on the management of such inside information. The company must manage the information it releases within the framework imposed by the equality principle, cf. inter alia Asal. § 4-1.

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 [3]

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.[4]

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[3] Vphl. Chapter 4 sets out the rules for mandatory and voluntary offers. Any party that through acquisition becomes the owner of shares representing more than 40% of the voting rights in a Norwegian company whose shares are quoted on a Norwegian stock exchange is required to either make an offer to purchase the remaining shares in the company, or to reduce its shareholding to below this threshold (duty to make a mandatory offer). Such a party must issue a stock exchange announcement immediately it passes the threshold. 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. § 4-10, fourth paragraph. 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 threshold for a mandatory offer to be exceeded if the offer is accepted by the parties to whom it is available, cf. Vphl. § 4-18.

NOU 2005:17 proposes a number of changes to the rules on take-over bids that are expected to come into force during 2007. These proposals include: 1) reducing the threshold to 33.3%, 2) a further duty to make a mandatory offer at 50%, 3) a legal requirement for the offer period for a voluntary offer to be between 2 and 10 weeks, 4) restrictions on the board of directors' freedom of action to apply also in the case of a voluntary offer, 5) changes to the requirements for the statement from the board of directors of the target company and 6) a requirement to disclose information annually on potential measures of defence against take-overs. The proposed changes to the legislation will also implement the EU directive on corporate take-overs.

[4] 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. § 4-13 and § 4-10, final paragraph. 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. Similar provisions are also found in Børsforskriften § 23-8.

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 a mandatory offer is to be made.[5]

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.[6] For the target company, a take-over process gives rise to a particular duty of care to disclose information as required by Chapter 2 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.[7] The bidder should

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[5] In the case of a mandatory offer, 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. § 4-17. The Stock Exchange Act § 5-15 also forbids private placements at a time when the company finds itself in a take-over situation where such private placements would be carried out on the basis of a mandate granted to the board of directors. These restrictions in the Securities Trading Act and the Stock Exchange 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.

[6] Børsforskriften § 5-2 requires that a company shall on its own initiative promptly publish inside information which directly concerns the company. Børsforskriften § 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.

[7] Section 5.2 of the Oslo Børs Rules for companies with listed shares and primary capital certificates ('Continuing Obligations') stipulates that listed companies must publish by means of a stock exchange announcement the planned timetable for publishing interim reports.

also seek to set the acceptance deadline so that shareholders can take the interim report into account when considering whether to accept the bid.

This means that the party making the bid should, at a minimum, provide the information mentioned in Section 4-13 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 [8]

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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[8] Vphl. § 4-16 stipulates that the company's board of directors must issue a statement on an offer and that the statement shall include information on the view of 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 objective clause is defined. 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 joint stock 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 Government Board (NCGB).

The following organisations participate in the NCGB:

Norwegian Shareholders Association
Norwegian Institute of Public Accountants
Institutional Investor Forum
Norwegian Financial Services Association
The Norwegian Society of Financial Analysts
Norwegian Association of Private Pension Funds
Confederation of Norwegian Enterprise
Oslo Børs
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