



# Corporate Governance report

Scatec ASA

Adopted by the Board of Directors 18 March 2021

Improving our future

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

The Company will comply with the Norwegian Code of Practice for Corporate Governance (the “**Corporate Governance Code**”), last revised on 17 October 2018, which is available at the Norwegian Corporate Governance Committee’s web site [www.nues.no](http://www.nues.no). The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board of Directors and Executive Management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

The Company is subject to reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Børs’ “Continuing obligations of stock exchange listed companies” section 7.

The Board of Directors’ report on the Company’s corporate governance will be published on the Company’s website at the same time as the annual report and shall include an explanation of any deviations from the Corporate Governance Code. The corporate governance framework of the Company is subject to annual reviews and discussions by the Board of Directors.

## 1. Implementation and reporting on corporate governance

The Board of Directors first adopted the Company’s corporate governance guidelines on 19 August 2014, including rules of procedure for the Board of Directors, instructions for the Audit Committee, instructions for the Organisation and Remuneration Committee, insider manuals, manual on disclosure of information, ethical guidelines and guidelines for corporate social responsibility. In fourth quarter 2020, the Company established an ESG Committee and instructions for the ESG Committee was adopted in March 2021.

On 17 October 2018, the Norwegian Corporate Governance Board issued the revised Corporate Governance Code. Pursuant to the revised Corporate Governance Code, the Board of Directors did a full review and revised this Corporate Governance policy in 2019. In addition, the policy has been reviewed and revised also in 2020 and this year to take into account relevant changes for the Company since the previous version.

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

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

## 2. Business

The Company is a leading renewable power producer, delivering affordable and clean energy worldwide with 3.3 GW in operation from first half of 2021. As a long- term player, the *Company and its subsidiaries* develop, finance, build, own and operates solar, wind and hydro power plants and storage solutions.

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

*"The company's business is establishment and operation of business within renewable energy, hereunder investment in companies operating such business."*

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

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

## 3. Equity and dividends

### Equity

At 31 December 2020, the Company's consolidated equity was NOK 9,467 million, which is equivalent to 36% of total assets. The Board of Directors considers this equity level to be satisfactory. The Company's capital structure is continuously considered in light of its objectives, strategy and risk profile. For further description of financial risks, please see the Company's annual report.

### Dividend policy

All shares in the Company have equal rights to dividends. The Company's objective is to pay shareholders consistent and growing cash dividends.

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

### Capital increases and issuance of shares

The Board is currently, and until the General Meeting of 2021, but in no event later than 30 June 2021, authorised by the General Meeting to resolve an increase in the Company's share capital, in one or more rounds, by a total of NOK 416,589, through two separate authorisations:

- i. One authorisation which allows for increase in the share capital by a total of up to NOK 395,839 (equivalent to up to 10% of the share capital). This authorisation was granted by an Extraordinary General Meeting held 12 November 2020 and may be used for necessary strengthening of the Company's equity and issuing of shares as consideration shares in the acquisition of businesses within the Company's purpose.
- ii. A second authorisation which allows for increase in the share capital by a total of up to NOK 20,750. This authorisation was granted by the Annual General Meeting 28 April 2020 and may be used for issuing of shares in connection with the Company's incentive schemes.

The authorisations to increase the share capital are in line with the Company's Corporate Governance policy.

As per the date of this document, the authorisation mentioned in i) above has not been used. However, the Board approved a share capital increase with a nominal value of NOK 300,000 on 18 May 2020, using an authorisation granted by the Annual General Meeting held 28 April 2020. Further, the Board approved a share capital increase with a nominal value of NOK 516,311.95 on 20 October 2020, of which NOK 344,207 was issued by an authorisation granted to the Board by an Extraordinary General Meeting held 25 June 2020, and the remainder was presented for approval by an Extraordinary General Meeting held 12 November 2020.

The authorisation mentioned in ii) above was partly used on 3 February 2021, when the Board approved a capital increase of NOK 13,208.775 in connection with the annual exercise window for the share option program for leading employees. Hence, a capital increase of NOK 7,541.225 remains under this authorisation.

#### **Trading in own shares**

The Board is currently, and until the Annual General Meeting of 2021, but in no event later than 30 June 2021, authorised by the General Meeting to, in one or more rounds, acquire shares with a total nominal value of up to NOK 649,164, through three separate authorisations:

- i. One authorisation which allows for purchase of shares with a nominal value of up to NOK 314,207. Shares acquired pursuant to this authorisation shall be used as consideration shares with regards to acquisition of businesses.
- ii. A second authorisation which allows for purchase of shares with a nominal value of up to NOK 314,207. Shares acquired pursuant to this authorisation shall be used for investment purposes or for consequent sale or deletion of the shares.
- iii. A third authorisation which allows for purchase of shares with a nominal value of up to 20,750. Shares acquired pursuant to this authorisation shall be utilised for incentive schemes.

The authorisations to acquire own share are in line with the Company's Corporate Governance policy. None of the authorisations have been used as of the date this document was adopted.

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

#### **Pre-emption rights to subscribe**

According to the Norwegian Public Limited Liability Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may however be set aside, either by the General Meeting or by the Board of Directors if the General Meeting has granted a Board authorisation which allows for this. Any resolution proposed by the Board to set aside pre-emption rights will be in the common interests of the Company and the shareholders, and the basis for such deviation will be publicly disclosed through a stock exchange notice from the Company.

#### **Trading in own shares**

In the event of a future share buy-back programme, the Board of Directors shall ensure that all transactions pursuant to such programme will be carried out either through the trading system at Oslo Børs or at prevailing prices at Oslo Børs. In the event of such programme, the Board of Directors will take the Company's and shareholders' interests into consideration and maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

### **Transactions with close associates**

The Board of Directors shall ensure that any non-immaterial transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties are entered into on arms-length terms. For any such transactions which do not require approval by the General Meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board of Directors shall assess whether a fairness opinion from an independent third party should be obtained. Any such transactions shall be described in the Company's financial statements.

### **Guidelines for directors and Executive Management**

The Board of Directors has adopted rules of procedures for the Board of Directors which inter alia includes guidelines for notification by members of the Board of Directors and Executive Management if they have any material direct or indirect interest in any transaction entered into by the Company.

## **5. Shares and negotiability**

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

## **6. General meetings**

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

### **Notification**

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

### **Participation and execution**

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

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

To the extent deemed appropriate or necessary, the Board of Directors will seek to arrange for the General Meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

It is the intention of the Company that the Chairman of the Board, the Board members and the Chairman of the Nomination Committee shall be present at General Meetings. The auditor will attend the ordinary General Meeting and any extraordinary General Meetings to the extent required by the agenda items or other relevant circumstances.

External legal counsel will normally be chairing the General Meetings.

## 7. Nomination Committee

The Nomination Committee is governed by the Articles of Association section 8. In addition, the Company's General Meeting adopted instructions for the Nomination Committee on 13 August 2014, which was updated at the Annual General Meeting in 2019. The Nomination Committee shall consist of two to three members who shall be shareholders or shareholder representatives, however the Board of Directors will propose that the Annual General Meeting in 2021 amend this so that the Nomination Committee shall consist of two to four members who shall be shareholders or shareholder representatives. The members shall be elected by the General Meeting for a term of one or two years, and can be re-elected. The Nomination Committee shall give its recommendation to the General Meeting on election of and compensation to members of the Board of Directors, in addition to election of members of the Nomination Committee. The basis for the proposal(s) for each candidate shall be disclosed.

The current members of the Nomination Committee are:

- Alf Inge Gjerde (Chairman)
- Kristine Ryssdal
- Svein Høgset

Their profiles are available at [www.scatec.com/investor](http://www.scatec.com/investor).

The deadline for shareholders to propose candidates for election, is communicated to the Company's shareholders at [www.scatec.com/investor](http://www.scatec.com/investor).

## 8. Board of Directors: composition and independence

Pursuant to the Articles of Association section 7, the Company's Board of Directors shall consist of three to seven members. The Board of Directors currently consists of the following five members: John Andersen Jr. (Chairman), Jan Skogseth, Gisele Marchand, John Giverholt and Maria Moræus Hanssen. The Chairman of the Board has been elected by the General Meeting. The term of office for members of the Board of Directors is two years at a time.

All members of the Board are considered independent of the Company's Executive Management and material business contacts. Furthermore, Maria Moræus Hanssen, Gisele Marchand, Johan Giverholt and Jan Skogseth are all considered independent of the Company's main shareholders. The Board of Directors does not include executive personnel.

The Company's annual report provides information to illustrate the expertise of the members of the Board of Directors and their record of attendance at Board meetings, as well as identify which members are considered to be independent.

## 9. The work of the Board of Directors

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

The Board of Directors is responsible for the over-all management of the Company and shall supervise the Company's day-to-day management and the Company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board of Directors. In addition, the Board of Directors has adopted supplementary rules of procedures, which provides further regulation on inter alia the duties of the Board of Directors and the Chief Executive Officer, the division of work between the Board of Directors and the Chief executive Officer, the annual plan for the Board of Directors, notices of Board proceedings, administrative procedures, minutes, Board committees, transactions between the Company and the shareholders and confidentiality.

The Board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Chief Executive Officer shall at least once a month, by attendance or in writing, inform the Board of Directors about the Company's activities, position and profit trend.

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

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

The Board of Directors shall evaluate its performance and expertise annually and make the evaluation available to the Nomination Committee.

### **The Audit Committee**

The Company's Audit Committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the Board of Directors. The members of the Audit Committee are appointed by and among the members of the Board of Directors. A majority of the members shall be independent of the Company's Executive Management, and at least one member shall have qualifications within accounting or auditing. Board members who are also members of the Executive Management cannot be members of the Audit Committee. In 2021, the Committee's mandate has been updated to reflect the new Norwegian Auditors' Act. The principal tasks of the Audit Committee are to:

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

### **The Organisation and Remuneration Committee**

The Company's Organisation and Remuneration Committee is governed by a separate instruction adopted by the Board of Directors. The instruction was updated in 2021. The members of the Organisation and Remuneration Committee are appointed by and among the members of the Board of Directors and shall be independent of the Company's Executive Management. The principal tasks of the Organisation and Remuneration Committee are to prepare:

- Guidelines for remuneration of Executive Management in accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a
- Other matters relating to remuneration and other material employment issues in respect of the Executive Management
- Key performance indicators for organisation/ HR in cooperation with the CEO and the EVP People & Organisation, and based on these indicators review the performance on a regular basis.

## The ESG Committee

Scatec has established an ESG Committee consisting of representatives from the administration, and three Board members, elected for a period of two years, or until they resign their position as a member of the Committee. The purpose of the ESG Committee is to guide and support the Company's work and commitment towards Environmental, Social and Governance matters.

Key responsibilities of the Committee include:

- Discuss and advise on the Company's ESG strategy, policies and performance
- Review and monitor annual ESG targets and results
- Review and discuss key ESG strategic decisions and directions
- Discuss current and future ESG risks, regulations and trends relevant to the Company

## 10. Risk management and internal control

### The Board of Directors and internal control

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

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

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

### The financial reporting process

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

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

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

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

### **The Board of Directors' annual review**

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

### **The Board of Directors' reporting routines**

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

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

## **11. Remuneration of the Board of Directors**

The remuneration of the Board of Directors shall be decided by the Company's General Meeting, and should reflect the Board of Directors' responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration should not be linked to the Company's performance.

The Nomination Committee shall give a recommendation as to the size of the remuneration to the Board of Directors. Pursuant to the instructions for the Nomination Committee, the recommendation should normally be published on the Company's website at least 21 days prior to the General Meeting that will decide on the remuneration.

The Company has not granted share options to Board members.

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

Members of the Board 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 of Directors.

## **12. Remuneration of the Executive Management**

The Board of Directors will in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to key management personnel. The guidelines shall include the main principles applied in determining the salary and other remuneration of the Executive Management and shall ensure convergence of the financial interests of the Executive Management and the shareholders. The guidelines will be published together with the notice of Annual General Meeting.

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

More detailed information about the individual remuneration of the chief executive and other executive personnel is provided in the Company's annual report.

## 13. Information and communications

### General

The Board of Directors has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures. The Board of Directors will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company publishes an annual financial calendar, providing an overview of important events such as the Annual General Meeting and publication of financial reports.

### Information to shareholders

The Company shall have procedures for establishing discussions with important shareholders to enable the board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All stock exchange announcements, financial reports and presentations, other public presentations and press releases are made available on the company's website [www.scatec.com](http://www.scatec.com) together with other relevant information. All information distributed to the Company's shareholders will be published on the Company's website at the same time as it is sent to shareholders. Scatec holds open presentations in connection with the financial reporting, and these presentations are broadcasted live via webcast.

## 14. Take-overs

In the event the Company becomes the subject of a take-over offer, the Board of Directors shall seek to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board of Directors shall also seek to ensure that the shareholders have sufficient information and time to assess the offer.

There are no defence mechanisms against take-over bids in the Company's Articles of Association, nor have other measures been implemented to specifically hinder or obstruct the launch of take-over bids for the shares in the Company. The Board of Directors has not established written guiding principles for how it will act in the event of a take-over bid, as such situations are normally characterised by concrete and one-off situations which make a guideline challenging to prepare.

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

## 15. Auditor

The Company's external auditor is EY AS.

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

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

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

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



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