

CARBON  
TRANSITION

# Corporate Governance



# 1 Corporate governance

## CORPORATE GOVERNANCE POLICY

*Adopted by the Board of Directors on 7 April 2022*

### SCOPE AND APPLICABILITY OF THE POLICY

These Corporate Governance Policies (the "**Policies**") have been adopted by the Board of Directors (the "**Board**") of Carbon Transition ASA (the "**Company**") to express the corporate governance principles by which the Company conducts its business. The Policies apply to the Company and its consolidated subsidiaries (together the "**Group**") and will be evaluated by the Board and the Company's executive management (the "**Management**") annually.

The Company is incorporated in Norway in accordance with the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (the "**NPLCA**") and is subject to Norwegian law. Hence, the reporting requirements on corporate governance set forth in Section 3-3b of the Norwegian Accounting Act of 17 June 1998 no. 56 (the "**Norwegian Accounting Act**") and the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board on 14 October 2021, as amended from time to time (the "**NUES Code**"), apply to the Company. As the Company's shares are listed on Euronext Expand Oslo, the Company is also subject to the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**NSTA**") and the continuing obligations of stock exchange listed companies issued by the EURONEXT EXPAND OSLO (the "**Continuing Obligations**"). These Policies are secondary to provisions set out in law, in regulations made pursuant to law, and in the Company's articles of association (the "**Articles of Association**").

These Policies shall apply until the Board decides otherwise.

### MAIN OBJECTIVES FOR THE COMPANY'S CORPORATE GOVERNANCE

The Board shall ensure that the Company has good corporate governance to, inter alia, support achievement of the Company's core objectives on behalf of its shareholders and to create a strong, sustainable company. The Board believes that good corporate governance involves openness and a trustful cooperation between the shareholders, the Board and the Management, employees, customers, suppliers, public authorities and society in general.

The Company endorses the NUES Code. The NUES Code is based on a "comply or explain" principle, which involves that listed companies must comply with the NUES Code or explain why an alternative approach has been chosen. The Company will comply with the NUES Code, and any deviations will be listed below.

The Company deviates from the NUES in two areas. The Company has granted options to the Board of Directors in 2021 and the Chairman of the Board has a consulting agreement with the Company.

The Company's corporate governance policies are based on the following main objectives:

- a. Open, reliable, and relevant communication with the outside world regarding the Company's business and matters related to corporate governance
- b. Equal treatment of the Company's shareholders
- c. Independence between the Board, the Management and the shareholders in order to avoid conflicts of interests
- d. A clear division of work between the Board and the Management and the shareholders
- e. Good control and corporate governance mechanisms in order to achieve predictability and reducing the level of risks for shareholders and stakeholders.

In addition to these Policies, the Company has adopted the following internal manuals:

A Code of Conduct for Business, Ethics and Corporate Social Responsibility Instructions to the Board, and Instructions to the Chief Executive Officer ("**CEO**").

The above-mentioned internal manuals form an integral part of the Company's corporate governance policies. In addition, the Company has adopted a manual for "*Inside Information and Additional Disclosure Routines*".

## **THE BUSINESS OF THE COMPANY**

The operations of the Company shall be in compliance with the business objective as set forth in § 3 of the Articles of Association, which reads as follows:

"The Company's business involves operation of industry, trade and business related to energy, IT and commodities, and sectors of the business directly or indirectly in connection with such, including investments in and acquisition of businesses, securities, and financial instruments and other assets and participation in other businesses directly or indirectly related thereto."

The Board shall define clear objectives, strategies, and risk profiles for the Company's business activities such that the Company creates value for shareholders in a sustainable manner. When carrying out this work, the Board shall take into account financial, social and environmental considerations. The Company shall have Policies for how it integrates the interests of the society at large into the value creation, please refer to the Code of Conduct for Business, Ethics and Corporate Social Responsibility. The Board shall at least on an annual basis evaluate targets, strategies and risk profiles.

## **EQUITY AND DIVIDENDS**

### *Equity*

The Board shall ensure that the Company's capital structure is in line with its goals, strategy and risk profiles, and in accordance with the applicable laws and regulations.

### *Dividends*

The Board proposes any distribution of dividends to the general meeting. The general meeting determines any distribution of dividends in accordance with Section 8-1 and Section 8-2 of the NPLCA. The grounds for any proposal to authorize the Board to approve the distribution of dividend shall be explained. The Board shall establish a clear and predictable dividend policy, which shall be available at the Company's website.

### *Board authorizations*

Any proposed authorizations to the Board to increase the Company's share capital shall be restricted to defined purposes and shall be dealt with as separate agenda items at the general meeting. Board authorizations shall be limited in time to the date of the next annual general meeting, and in any event to 30 June the same year. This also applies to any authorization to the Board for the Company to purchase own shares.

## **EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES**

### *Equal treatment of shareholders*

All shareholders shall be treated on an equal basis, unless there is a just cause for treating them differently in accordance with applicable laws and regulations. In the event of an increase in share capital of the Company through issuance of new shares, a decision to waive the existing shareholders' pre-emptive rights to subscribe for shares shall be justified. If the Board resolves to issue new shares and waive the pre-emptive rights of existing shareholders pursuant to a Board authorization granted by the general meeting, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the shares issue. The reasons for any deviation from equal treatment of all shareholders in capital transactions will be included in the stock exchange announcement made in connection with the transaction.

Any transactions carried out by the Company in the Company's own shares shall be carried out through the EURONEXT EXPAND OSLO and in any case at prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of shareholders. Any transactions in own shares will be evaluated in relation to the rules on the duty of disclosure, as well as in relation to the prohibition against illegal insider

trading and market manipulation, the requirement for equal treatment of all shareholders, and the prohibition of unreasonable business methods.

#### *Transactions with close associates*

Any transactions, agreements or arrangements between the Company and shareholders; a shareholder's parent company; members of the Management or close associates of any such parties, may only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall where relevantly comply with the procedures set out in the NPLCA. The Board shall obtain an independent third-party evaluation, unless the transaction, agreement or arrangement in question is considered to be immaterial or covered by the provisions of section 3-16 of the NPLCA.

### **SHARES AND NEGOTIABILITY**

There shall be no limitation with respect to any party's ability to own, trade or vote for the Company's shares. The Articles of Association contain no restrictions on negotiability of the shares.

### **GENERAL MEETINGS**

#### *Exercise of rights*

The Board shall ensure that the Company's shareholders can participate at general meetings. This shall be facilitated by the following:

- the Board shall ensure that the Company's shareholders can participate in the general meeting
- The proposed resolutions and any supporting documents shall be sufficiently detailed, comprehensive, and specific allowing shareholders to understand and form a view on all matters to be considered
- The deadline for shareholders to give notice of their attendance at the general meeting shall be no later than two business days prior to the date of the general meeting in accordance with the Articles of Association
- Shareholders who cannot attend the meeting in person will be given the opportunity to vote. The Company will design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders
- The Board and the chair of the general meeting shall ensure that the shareholders are able to vote separately on each individual matter, including on each individual candidate nominated for election to the Board and other corporate bodies (if applicable)
- The Chairman shall be present at general meetings, as well as the auditor should be present at general meetings where matters of relevance for such committees/persons are on the agenda, and
- The Board shall make arrangements to ensure that the chair of the general meeting is independent.

### *Participation without being present*

Shareholders who are unable to attend the general meeting shall according to the Company's articles of association shall be given the opportunity to vote in writing and/or vote electronically in a period before the general meeting in accordance with the NPLCA Section 5-8. Furthermore, shareholders who are unable to attend the general meeting in person shall be given the opportunity to vote by proxy. In this respect, the Company shall:

- Provide information in the notice to the general meeting on the procedure for attending by proxy
- Nominate a person who can act as a proxy for shareholders and
- Prepare a proxy form, which shall, insofar as possible, be set up so that it is possible to vote on each individual item on the agenda and candidates that are nominated for election.

### **NOMINATION COMMITTEE**

The Articles of Association of the Company require it to have a Nomination Committee.

The Nomination Committee shall consist of up to 3 members elected by a Shareholders Meeting for a period of up to 2 years at the time, unless the Shareholders Meeting decides a shorter period. The Nomination Committee shall make recommendation and prepare proposals to the Shareholders Meeting for:

- Election of members of the Board of Directors and remuneration of the Directors and any Board Committees
- Election of the Nomination Committee and remuneration of the Nomination committee

The proposals shall be made available no later than 21 days prior to the Shareholders' Meeting.

The Nomination Committee shall meet at least annually with the Board of Directors, the executive management, and the CEO, and shall consult with selected shareholders to ensure that the Nomination Committee have their support.

### **BOARD COMPOSITION AND INDEPENDENCY**

The Board shall be composed in a way that it can (i) attend to the common interests of all shareholders and meet the Company's need for expertise, capacity and diversity and (ii) act independently of special interests. The majority of the shareholder-elected Board members shall be independent of the Management and significant business contacts. At least two of the members of the Board shall be independent of the Company's major shareholder(s).

For the purposes of these Policies, a *major shareholder* shall mean a shareholder who owns or controls more than 10% of the Company's shares or votes, and *independence* shall entail that there are no circumstances or relations that may be

expected to be able to influence an independent assessment of the person in question. The Board shall not include members of the Management.

The Chair of the Board is elected by the general meeting. The term of office for members of the Board shall not be longer than two years at a time. Members of the Board may be re-elected.

The Company's annual report shall provide information regarding the expertise of the members of the Board, as well as information on their history of attendance at board meetings. Further, the annual report shall identify the members of the Board that are considered to be independent. Members of the Board are encouraged to own shares in the Company.

## **THE WORK OF THE BOARD**

### *General*

The Board has implemented instructions for the Board and the Management, focusing on determining a clear allocation of internal responsibilities and duties. The respective objectives, responsibilities and functions of the Board and the CEO shall be in compliance with rules and standards applicable to the Company and are described in the Company's "*Instructions for the Board*" and "*Instructions for the CEO*".

The Board shall ensure that the members of the Board and the members of the Management make the Board aware of any material interests that they may have in matters to be considered by the Board.

The Board's consideration of matters of a material character in which the Chair of the Board is, or has been, personally involved, shall be chaired by another member of the Board to ensure a more independent consideration of the matter in question.

### *Board committees*

The Board has an audit committee (the "**Audit Committee**"), which is a working committee for the Board, preparing matters and acting in an advisory capacity. The duties, tasks and composition of the Audit Committee shall be in compliance with the NCPLA. In particular, the Audit Committee shall act as a preparatory body and support the Board in the exercise of its responsibility relating to financial reporting, auditing, internal controls, compliance with ethical Policy such as Environmental, Social and Governance ("**ESG**") and overall risk management.

The members of the Audit Committee are elected by and amongst the members of the Board for a term of up to two years. The entire Board shall not act as the Company's Audit Committee. At least one member of the Audit Committee should be competent in respect of finance and audit, and the majority of the members should be independent of the Company. The mandate of the Audit Committee is subject to annual revision.

The Company has not appointed a remuneration committee. A remuneration committee has not deemed to be of importance and the Board has, after

consideration, decided to maintain a simple and cost-effective governance structure. The Board will determine the remuneration and compensation scheme of the Company in accordance with applicable law.

The Board shall provide details in the annual report of the Audit Committee and any other board committees, if appointed.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board shall 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 Group's business activities.

The Board shall carry out an annual review of the Group's most important areas of exposure to risk and its internal control measures. The review shall pay particular 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 the 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 the 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 Group and how risks are being managed
- Events of material shortcomings or weaknesses in internal control that come to light during the course of the year which have, could have, or may have had a significant effect on the Group's financial results or financial standing and
- How well the Company's external reporting process functions.

Based on the instructions by the Board, the CEO shall implement internal control measures and propose the same to the Board.

The CEO shall effectuate internal control measures on the basis of the instructions by the Board and report the results to the Board annually in accordance with the Board's annual plan. The report to the Board shall provide a balanced presentation of all material risks and how such risks are handled through the internal control measures of the Company.

The main areas of internal control related to financial reporting shall be described and included in the corporate governance report to be prepared by the Board pursuant to Section 3-3b of the Norwegian Accounting Act and the Continuing Obligations. This account should include sufficient and properly structured information to make it possible for shareholders to understand how the Company's internal control system is organized. The account should address the main areas of internal control related to

financial reporting. This includes the control of environment, risk evaluation, control activities, information and communication and follow-ups.

## **BOARD REMUNERATION**

The remuneration to the members of the Board shall be determined by the annual general meeting each year. The Board's remuneration shall reflect the Board's responsibility, expertise, use of time and the complexity of the Company's business activities. Remuneration shall not be dependent on or linked to the Company's performance.

If any Board member has received remuneration above the standard Board member fee, this shall be specified in the annual report.

## **EXECUTIVES REMUNERATION**

The Company has prepared Policy for determining remuneration to the CEO and other executive members in accordance with Section 6-16a of the NPLCA, which is considered to be clear and easily understandable. The Policy shall, at all times, support prevailing strategy, long-term interests, financial sustainability and values of the Company.

The total remuneration to the CEO and other executive members consists of basic salary (main element), benefits in kind, variable salary, pension, and insurance schemes.

Performance-related remuneration to the executive members in the form of share options, bonus programs or similar shall be linked to value creation for shareholders or the Company's profit over time. Such arrangements, including warrants and share option arrangements, shall incentivize performance and be based on quantifiable factors that the executive member in question may influence. Such performance-related remuneration will ordinarily be subject to an absolute limit.

The Board prepares Policy for the remuneration of executive members. Such Policy shall include the main principles for the Company's remuneration policy and shall contribute to aligning the interests of the shareholders and the executive members. These Policies shall be communicated to the annual general meeting, and it shall be clearly stated which aspects of the Policies that are advisory and which, if any, are binding. The general meeting shall vote separately on each of these aspects of the Policy.

## **INFORMATION AND COMMUNICATIONS**

### *Financial reporting and communication*

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Reporting must fulfil statutory requirements and provide sufficient information to allow the Company's stakeholders to form as accurate

a picture of the business as possible. The Company shall report in accordance with the provisions of the NSTA, as well as the requirements pursuant to the Continuing Obligations.

The Company shall at all times provide its shareholders, the Euronext Expand Oslo and the financial market in general with timely and precise information. Such information will be given in the form of annual reports, quarterly reports, press releases, stock exchange announcements and investor presentations. The Company's report on corporate social responsibility shall be integrated in the annual report. The Board has established Policy for the Company's reporting of financial and other information.

The Company shall each year publish a financial calendar with details of the dates of important events such as the general meeting, publication of interim reports, open presentations, and payment of the dividend.

The Board has adopted routines for, inter alia and the handling of inside information.,

#### *Information to the Company's shareholders*

In addition to the Board's dialogue with the Company's shareholders at general meetings, the Board should make suitable arrangements for shareholders to communicate with the Company at other times in order to facilitate an understanding of which matters affecting the Company from time to time and which are of particular concern to the Company's shareholders. Communications with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in consideration of the principles of transparency and equal treatment of the Company's shareholders.

Information to the Company's shareholders shall be published at the Company's website at the same time as it is sent to the shareholders. The Board has established Policy for the Company's contact with shareholders outside the general meeting.

#### **TAKE-OVERS**

Although it is recommended by the NUES Code, the Board has not established separate Policy on how to respond in the event of a take-over bid, but will comply with the following principles should such event occur:

In the event of a take-over bid, the Board shall ensure that

- a. shareholders in the Company are treated equally
- b. shareholders are given sufficient information and time to form a view of the offer
- c. the Group's business activities are not disrupted unnecessarily
- d. the bid is not hindered or obstructed by the Board unless there are reasons to do and that
- e. in case the bid is made for the Company's shares, no authorizations or resolutions are exercised or made by the Board with the intention to obstruct the take-over bid unless this is approved by the general meeting subsequent to the announcement of the bid.

With respect to any agreements entered into by the Company and a bidder, the following principles shall apply:

- a. An agreement limiting the Company's ability to arrange other bids for the Company's shares shall only be entered into if it is self-evident that such agreement is in the Company and the shareholders' common interest. This shall also apply to any agreement on financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the cost the bidder has incurred in making the bid.
- b. An agreement that is material to the market's evaluation of the bid shall be disclosed no later than at the same time as the announcement that the bid will be made is published.
- c. Any transaction that *de facto* is a disposal of the Company's activities shall be decided by the general meeting.

If an offer is made for the Company's shares, the Board shall issue a statement recommending its shareholders to accept or decline the offer. The Board's statement shall make it clear whether the views expressed are unanimous, and if such is not the case, explain the basis on which specific members of the Board have excluded themselves from the statement. The Board shall ensure that an explained valuation of the offer is prepared by an independent expert, which shall be disclosed no later than at the time of the disclosure of the Board's statement.

## **AUDITOR**

The Board shall ensure that the auditor annually submits the main features of the plan for the audit of the Company to the Audit Committee.

The auditor shall participate in Board meetings dealing with the annual accounts, where it shall

- a. report on any material changes in the Company's accounting principles and key aspects of the audit
- b. comment on any material estimated accounting figures and
- c. report all material matters on which there has been disagreement between the auditor and the Management (if any).

The Board shall establish Policy for the Management regarding the use of the auditor for work not related to the statutory audit review.

The Board shall at least once a year review the Company's internal control procedures with the auditor, including identified weaknesses by the auditor and proposals for improvements.