



CORPORATE GOVERNANCE

ANNUAL REPORT 2021

CORPORATE GOVERNANCE

 An open and solid management structure instils confidence and lays the foundation so that AF Gruppen can achieve its goals and ensure long-term value creation for investors, employees, customers and society at large.

Supplemented by AF Gruppen's values and culture, the principles for risk management are the cornerstones of corporate governance.

1. STATEMENT OF CORPORATE GOVERNANCE

Good corporate governance is the responsibility of the Board of Directors. The Board of Directors reviews AF Gruppen's principles and code of practice for corporate management. A continuous effort is made to improve both the overall decision-making processes and the day-to-day management of the Group. A statement has been prepared in accordance with the Norwegian Code of Practice of 14 October 2021, cf. www.nues.no. In the following, an explanation is given for how the 15 sections in the Code of Practice are followed up within AF Gruppen.

There are no significant deviations between the Code of Practice and how AF Gruppen complies with the code. Two deviations under Section 6 on general meetings, one deviation under Section 7 on the nomination committee and one deviation under Section 12 on the remuneration of executive personnel have been justified and disclosed.

Deviation from the Code of Practice: None.

2. ACTIVITIES

The Articles of Association state that the object of the Group is to engage in contracting and industrial activities, as well as any activities related thereto. This also includes participation in other undertakings.. AF Gruppen has project-based operations in the business areas of Civil Engineering, Construction, Betonmast, Property, Energy & Environment, Sweden and Offshore. The business is built on a sustainable vision: Clearing away the past and building for the future. Our head office is located in Oslo, and more than 74 per cent of our revenues in 2021 came from operations in Norway, which is the Group's principal market.

AF Gruppen is a values-based company with a firmly anchored set of core values:

- Reliability
- Freedom to exercise entrepreneurship and discipline in accordance with goals and requirements
- Thoroughness and hard work

- Persistence in achieving profitable growth
- Management through presence and involvement

All our employees are expected to identify and comply with our core values. With the support of the Board of Directors, a code of conduct is communicated to all our employees and used actively in day-to-day operations. The publications, "Purpose, Goals and Values" and the "Code of Conduct" are available on AF Gruppen's website www.afgruppen.com. All companies in the Group have ethical guidelines that are consistent with AF Gruppen's values and code of conduct.

STRATEGIES, GOALS AND RISK PROFILE

The Board of Directors follows a four-year cycle for its strategy work. In 2020, a new strategy was developed for the 2021-2024 period. The strategy is based on the Board's and management's assessment of the company's risk profile, and continues its ambitions from the past on safety, profitability and growth. The goal for 2024 is revenues of NOK 40 billion, an operating margin of 7 per cent, a 20 per cent return on capital employed and zero work-related absences and serious personal injuries. For the first time, goals related to climate and the environment were also set: by 2030, AF Gruppen will halve relative greenhouse gas emissions and halve unsorted waste and contaminated masses that go to combustion or landfill per service type relative to revenue. Four initiatives will be prioritised to achieve these goals: disciplines and management, customers and suppliers, climate and environment and innovation. The strategy is described in more detail in the annual report on page 26.

The Board reviews annually whether the goals and guidelines ensuing from the strategies are clear, adequate, operationally effective and easy to understand for employees and other stakeholders.

The creation of value by AF Gruppen should be both safe, profitable and sustainable. Everything we do should impact society and the environment to the least possible extent, and AF Gruppen seeks to deliver products and services that solve needs and challenges for society. The source separation rate and carbon footprint have been chosen as AF Gruppen's common measurement parameters for the external environment.

AF Gruppen's guidelines for corporate social responsibility cover climate and the environment, social conditions and business management, and are described in more detail on page 36 in the annual report, as well as of www.afgruppen.com.

Deviation from the Code of Practice: None.

3. SHARE CAPITAL AND DIVIDENDS

The financing of AF Gruppen shall be robust in relation to market-related and operational fluctuations and support our dividend and growth strategy. In 2019, new financing facilities were established with DNB and Handelsbanken in the total amount of NOK 3,000 million. The Group had a solid capital structure as of 31 December 2021 with net interest-bearing receivables of NOK 29 million (90 million), equity of NOK 3,572 million (3,494 million) and an equity ratio of 27.3 per cent (27.2 per cent). Net interest-bearing liabilities include liabilities related to leases of NOK 855 million (963 million), of which NOK 665 million (803 million) is recognised in accordance with IFRS 16 Leases. Loan covenants related to AF Gruppen's financing facilities are measured exclusive of the effect of capitalised leases recognised according to IFRS 16. The IFRS 16 adjusted equity ratio was 28.7 per cent (29.0 per cent) as of 31 December 2021. This is in accordance with the Group's goal of having an equity ratio, exclusive the effects of IFRS 16, of at least 20 per cent, and adapted in the opinion of the Board to AF Gruppen's goals, strategy and risk profile.

DIVIDEND

AF Gruppen's dividend policy is to pay a dividend per share of at least 50 per cent of the profit per share for the year. Distribution will take place up to twice yearly, normally after the Annual General Meeting and after presentation of the quarterly report for the 3rd quarter. The dividend that was distributed in the autumn of 2021 was adopted by the Board of Directors in accordance with the time and purpose limited authorisation by the General Meeting.

SHARE CAPITAL INCREASES

The Board's authorisation to increase the share capital is limited to defined purposes and limited in time until the next General Meeting. Each purpose for which authorisation is granted will be considered as a separate item by the General Meeting. Such authorisation was used in connection with AF Gruppen's employee share programme in the autumn of 2021.

ACQUISITION OF TREASURY SHARES

AF Gruppen has authorisation from the General Meeting to buy and sell treasury shares. This authorisation is justified by the need to obtain the necessary number of shares to carry out the sale of shares to employees in connection with AF Gruppen's bonus and share programme. This authorisation is valid until the next Annual General Meeting.

Deviation from the Code of Practice: None.

4. EQUAL TREATMENT OF SHAREHOLDERS

AF Gruppen ASA has one class of shares, and all the shares give entitlement to the same rights.

CAPITAL INCREASE

In the event of a capital increase, existing shareholders are to be given priority, unless special circumstances dictate that this can be waived. Such deviation would then be justified in the resolution to increase the capital. The General Meeting has resolved to make an exception to the preferential rights in connection with AF Gruppen's share purchase and option programme in order to stimulate increased share ownership among the employees. The Board of Directors has adopted that invitation to a repair issue of shares shall be considered for major acquisitions with consideration in shares, so that the existing shareholders can maintain their ownership stake in AF Gruppen ASA after the acquisition.

TREASURY SHARE TRANSACTIONS

All treasury share purchases and sales shall be made at the market price and traded on Oslo Børs. This authorisation from the General Meeting provides one exception for the use of market prices for the sale of shares to employees. In connection with AF Gruppen's share purchase and bonus programme, treasury shares are sold at a discount of 20 per cent.

Deviation from the Code of Practice: None.

5. NEGOTIABILITY

The shares of AF Gruppen ASA are listed on Oslo Børs, and there are no restrictions on their negotiability in accordance with the Articles of Association. There are not any restrictions either on the opportunity to own or vote for shares in AF Gruppen ASA.

Deviation from the Code of Practice: None.

6. GENERAL MEETING

The shareholders exercise the highest authority in AF Gruppen through the General Meeting.

PARTICIPATION IN THE GENERAL MEETING

The Board Chair, CEO, CFO, Nomination Committee Chair and auditor shall be present at the General Meetings. Other board members and members of the Corporate Management Team shall attend as required or if they represent shareholder interests.

The Board of Directors shall make provisions so that as many shareholders as possible can exercise their rights by participating in the General Meeting. Shareholders who do not have an opportunity to attend in person may attend by proxy. The registration and proxy forms shall be attached to the notice of the General Meeting.

Shareholders must notify the Group that they will attend no later than two days prior to the General Meeting. Shareholders who do not register by the deadline, may be allowed to participate nevertheless unless there are space or other special considerations preventing their participation.

EXECUTION OF THE GENERAL MEETING

The Board shall ensure that the General Meeting is an effective forum for shareholders and the Board.

Notice of a General Meeting, and the associated agenda papers, will be sent in the mail at least 21 days in advance to all the shareholders to the address registered in the shareholder register of the Norwegian Central Securities Depository. The aim will be to ensure that the agenda papers contain adequate detail so that the shareholders can make a decision on the matters that are to be considered. The agenda papers shall be sent as attachments to the notice and made available at the same time to shareholders on the Group's website. The annual report will only be distributed on paper on request due to environmental considerations.

All notices and minutes from the General Meeting will be disclosed to the stock exchange.

The election of new members to the Board and Nomination Committee will be arranged so that the General Meeting can vote on each candidate. Board members elected by the employees are exempt. The General Meeting is chaired by the Chairman of the Board.

Deviation from the Code of Practice:

AF Gruppen has two deviations from the Code of Practice for this section.

The General Meeting is not chaired by an independent chairperson, but by the Board Chairman. The fact that the General Meeting shall be chaired by the Chairman of the Board is stipulated in the Articles of Association. The need for an independent chairperson has not been considered necessary either based on the items that are

reviewed at the General Meeting and a limited degree of disagreement among the shareholders.

The second deviation from this section is the fact that not all the board members attend the General Meeting. The Board of Directors considers it adequate that the Board Chairman, Chairmen of the Audit Committee and Chairman of the Compensation Chairman are present. Other board members will attend as required.

7. NOMINATION COMMITTEE

The General Meeting elects a Nomination Committee consisting of three to four members, each elected for a term of one year. The Nomination Committee scheme is pursuant to the Articles of Association. The General Meeting determines the remuneration of the Committee.

The duties of the Nomination Committee are as follows:

- Nominate candidates for shareholder-elected board members and alternates, as well as Nomination Committee members
- Propose the remuneration of board members to the General Meeting
- Comment on and, if necessary, make proposals to the General Meeting regarding the Board's size, composition and work methods
- Assess the work of the Board of Directors and prepare an annual report for the General Meeting

The Nomination Committee has contact with shareholders and conducts individual discussions with board members and the Managing Director in the work to propose candidates for the board.

COMPOSITION AND INDEPENDENCE OF THE NOMINATION COMMITTEE

Importance is attached to the Nomination Committee having a composition that reflects the interests of the shareholders as a whole. No senior executive, board member or outgoing board member sits on the Nomination Committee. Members of the Nomination Committee as of 31 March 2022 were Roar Engeland (Chairman), Marianne E. Johnsen, Roy G. Holth and Erik T. Veiby.

Of these Nomination Committee members, only one of the members is independent of the Board of Directors. Roar Engeland is the Board Chairman of OBOS, and through this position has a close business association with board member Arne Baumann. Roy G. Holth has a close business and family association with board member Kristian Holth as well as a close business association with Chair of the Board Pål Egil Rønn. Erik T. Veiby also has a close business association with board member Kristian Holth.

Deviation from the Code of Practice:

AF Gruppen has one deviation from the Code of Practice for this section. The majority of the Nomination Committee is not independent of the Board of Directors.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

CORPORATE ASSEMBLY

The parent company, AF Gruppen ASA, is a holding company without employees and is therefore not subject to the provisions of the Limited Liabilities Company Act that require a Corporate Assembly. The employees and the Group's largest operating company, AF Gruppen Norge AS, have entered into an agreement stating that AF Gruppen Norge AS is not required to have a Corporate Assembly. The employees, however, are represented both on the Board of AF Gruppen Norge AS and the Board of AF Gruppen ASA.

COMPOSITION OF THE BOARD OF DIRECTORS

As of 31 March 2022, AF Gruppen ASA had ten permanent board members. Three of the board members have been elected by the employees. Of the seven board members elected by the general meeting, four are men and three are women. Of the three employee-elected board members, two are men and one is a woman. The board members have a varied background, and the Board of Directors is composed to safeguard the interests of the community of shareholders and the company's need for expertise and capacity. Information regarding the board members' age, education and professional experience is published on the website www.afgruppen.com.

Board members are elected for one year at a time. The Chairman of the Board is elected by the General Meeting.

INDEPENDENCE OF THE BOARD OF DIRECTORS

The Board aims to act as a collegiate body in exercising its duties. The Board of Directors annually assesses its independence, and the following factors are relevant to this assessment:

- Five of the seven board members elected by the general meeting are independent of the company's principal shareholders. Board Member Arne Baumann represents OBOS BBL, which owned 16.3 per cent of the shares in AF Gruppen as of 31 March 2022. Board Member Kristian Holth is the CEO and has significant ownership interests in Constructio AS, which owned 14.1 per cent of the shares in AF Gruppen ASA as of 31 March 2022.

- None of the board members elected by the general meeting are involved in the day-to-day management of the company or have cross-relations with senior executives.
- One of the seven board members elected by the general meeting represents a company with a significant customer relationship to AF Gruppen. This applies to Board Member Arne Baumann, who represents OBOS BBL, which is both a customer and a business partner of AF Gruppen.
- Four of the seven board members elected by the general meeting are not independent of the Nomination Committee. Board Member Kristian Holth has a close business association and family relationship with one of the members of the Nomination Committee, Roy G. Holth. Kristian Holth also has a close business association with Erik T. Veiby. Arne Baumann has a close business association with the Nominating Committee Chairman Roar Engeland. Pål Egil Rønn has a close business association with Roy G. Holth and Erik T. Veiby.

The Board has assessed its independence and finds that it is satisfactory. Processes have been implemented for ongoing control of what other duties the board members have. When new board members are nominated, the Nomination Committee also assesses their independence.

Each individual board member has a duty to alert about any impartiality or conflict of interest issue. The Board of Directors also has a collective responsibility to assess on an ongoing basis whether there are circumstances that objectively speaking are likely to weaken public confidence in the board member's impartiality or may give rise to conflicts of interest.

Board members are encouraged to hold shares in AF Gruppen. Information on the shareholdings of the board members is disclosed in the annual accounts (Note 31 – Share capital and shareholder information).

Deviation from the Code of Practice: None.

9. WORK OF THE BOARD OF DIRECTORS

The Board of Directors has the overall responsibility for the management and organisation of AF Gruppen, as well as the execution of the Group's strategy.

The Board's duties also include supervision of the Group's management and operations, including the establishment of systems for control and risk management. This shall ensure that the Group is managed in accordance with the core values and established guidelines for ethics

BOARD OF DIRECTORS

	Qualification and Compensation Committee	Audit Committee	Elected by	Attendance record
Pål Egil Rønn, styrets leder	Chairman	-	The General Meeting	12/12
Arne Baumann ¹⁾	Member	-	The General Meeting	11/11
Kristian Holth	-	Chairman	The General Meeting	12/12
Hege Bømark	-	Member	The General Meeting	12/12
Saloume Djoudat ²⁾	Member	-	The General Meeting	8/8
Kjetel Rokseth Digre ¹⁾	-	Member	The General Meeting	11/11
Kristina Alvendal	Member	-	The General Meeting	12/12
Borghild Lunde ³⁾	-	-	The General Meeting	4/4
Kenneth Svendsen	-	-	Employees	12/12
Hilde W. Flaen	-	-	Employees	12/12
Arne Sveen	-	-	Employees	12/12

¹⁾ Baumann and Digre have been incapacitated in two respective cases, which have been discussed in a separate board meeting in 2021.

²⁾ Djoudat was elected to the Board of Directors in May 2021.

³⁾ Lunde stepped out of the Board of Directors in May 2021.

and social responsibility. The management of AF Gruppen draws up proposals relating to strategy, long-term goals and budgets. The overall strategy and budget are adopted by the Board of Directors. The Board of Directors recruits the CEO, sets the CEO's remuneration and stipulates the CEO's work instructions. The Board of Directors also adopts the Group's authority matrix.

In addition to the regular items, the Board of Directors considers all potential acquisitions of companies valued at over NOK 25 million, site investments where our share is over NOK 100 million and contract tenders with a contract sum in excess of NOK 600 million. The tenders are considered, inter alia, on the basis of strategic, financial and organisational criteria and important risk factors are highlighted in particular. Contracts with a lower contract sum are also considered by the Board of Directors if the risk situation or other factors so indicate. In 2021, the Board of Directors considered 10 tenders before the tenders were submitted.

The Board continuously assesses the need to use committees. as of 31 March 2022, the Board of Directors has two committees: The Audit Committee and the Qualification and Compensation Committee. These committees present matters to the Board for a final decision. The duties and members of the committees are described below.

Rules of procedure for the Board of Directors
Provisions relating to the board's areas of responsibility and administrative procedures are specified in separate rules of procedure. The Board works according to an

annual plan with established topics and items for the board meetings. The rules of procedure for the Board are reviewed annually or more often as required.

BOARD CHAIRMAN

The Board Chairman is responsible for ensuring that the work of the Board of Directors is performed in an efficient and correct manner in accordance with the current legislation, Articles of Association and the adopted Rules of Procedure for the Board of Directors. Board business is prepared by the CEO and management in consultation with Board Chairman.

In matters of a significant nature, in which the Board Chairman is, or has been, actively involved, a substitute chairman will be appointed. There have been no such matters in 2021.

MEETING STRUCTURE

Eight board meetings are normally held during the year. Extraordinary board meetings are held, if required, to deal with business that cannot wait until the next ordinary board meeting.

The Board has an established annual plan for its work. The annual plan includes a review of risk areas and internal control, as well as the approval of the strategy, interim financial statements, annual financial statements and budget. In addition, the core values, guidelines for ethics and social responsibility, organisational structure and corporate governance principles are reviewed. The Board evaluates the company's management and organisational structure annually.

A total of twelve board meetings were held in 2021.

AUDIT COMMITTEE

The purpose of the Audit Committee is to assist the Board of Directors with management and performance of the Board's supervisory responsibility pursuant to Sections 6–12 and 6–13 of the Public Limited Liability Companies Act.

AF Gruppen's Audit Committee consists of three members elected by the general meeting, all of whom satisfy the requirement of independence pursuant to the Public Limited Liability Companies Act. The Audit Committee consists of Kristian Holth (Chairman), Hege Bømark and Kjetel Digre. The Committee meets when needed, but at least four times a year. The CFO and auditor attend all the meetings. The Committee is elected for one year at a time. The following duties are included in the Audit Committee's mandate:

- Assess the Group's financial and account reporting, including annual tests and assessments related to goodwill and other assets
- Evaluate the auditing, nominate an auditor candidate and explain the auditor's fees broken down by auditing and other services to the Annual General Meeting
- Assess the Group's internal controls, including:
 - › Group's management of risk
 - › Group's internal control functions and authority matrix
 - › Group's liquidity management
 - › Group's ability to assess, improve, execute, and follow up investment decisions
 - › Organisational matters related to financial reporting and control

The Committee had six ordinary meetings in 2021. The Audit Committee prepares an annual report that is presented to the General Meeting.

QUALIFICATION AND COMPENSATION COMMITTEE

The purpose of the Qualification and Compensation Committee is to help ensure thorough and independent consideration of matters related to the remuneration of the CEO and other senior executives, such as salaries, bonuses, options, severance pay, early retirement and pensions.

The Committee had four meetings in 2021. The Qualification and Compensation Committee prepares a statement each year on the determination of salary and other remuneration to senior executives and from 2022 the Committee has also prepared a specific salary report on remuneration to senior executives. The proposal will be presented to the general meeting.

FINANCIAL REPORTING

The board receives interim reports on the Group's economic and financial status. The company's management submits and reports on the interim and annual financial

statements. The company follows the deadlines from Oslo Børs for interim reporting.

BOARD OF DIRECTORS' SELF-EVALUATION

The Board conducts an annual evaluation of its work and methods, which provides a basis for changes and measures. In addition, the expertise of the Board of Directors is evaluated. The evaluation by the Board is reported to the Nomination Committee. The Board also performs a corresponding evaluation of the CEO.

INSTRUCTIONS FOR THE CEO

The Board has prepared an authority matrix that describes and clarifies what authority the CEO and management have and what matters have to be dealt with by the Board. The Board is continuously informed about the Group's financial position, activities and asset management. As part of the accounting treatment, the CEO and CFO submit a declaration to the auditor stating that the annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and that all the information is consistent with the company's actual situation and that no material information has been omitted from the accounts.

AGREEMENTS WITH ASSOCIATED PARTIES

To safeguard its reputation, AF Gruppen supports openness and caution in relation to agreements where there are circumstances that can be perceived as an unfortunate close involvement, or close relationship, between the company and an associated party. This is stated in AF Gruppen's code of conduct. A board member does not participate in the consideration of board business when it involves an associated party that is closely related to the board member. The rules of procedure for the board specify that the board must assess the need for independent valuation in such cases. Each individual board member has a duty to alert about any impartiality or conflict of interest issue. The Board of Directors also has a collective responsibility to assess on an ongoing basis whether there are circumstances that objectively speaking are likely to weaken public confidence in the board member's impartiality or may give rise to conflicts of interest.

Deviation from the Code of Practice: None.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring that AF Gruppen has sound internal control and appropriate systems for

risk management. Good systematic risk management is a strategic tool that improves competitiveness and increases the creation of value. Internal control should contribute to ensuring efficient operations and responsible management of significant risks to achieve the Group's commercial goals.

The Board receives a quarterly report on the management's assessment of the most significant risk factors affecting AF Gruppen and how they are being managed. The Board also conducts an annual review of the Group's risk areas and internal control systems, as well as the core values and guidelines for ethics and social responsibility.

In 2021, the Board of Directors took part in AF Gruppen's analysis of climate risk, see page 117 in the Board of Directors' report for more information. The assessment of how climate-related threats and opportunities can affect AF Gruppen's operations and financial position in the short, medium and long term follows AF Gruppen's methodology for other types of risk. Follow-up of implemented measures is reported to the Board in connection with other reporting.

RISK MANAGEMENT

Risk management is good management in practice. AF Gruppen has uniform systems for risk management and a culture in which everyone has an active attitude to risk. AF Gruppen seeks risk that can be influenced and looks for both opportunities and threats when risk is analysed.

Strategic risk is identified and managed by the Corporate Management Team with support from the Board. Operational risk is managed in the projects with support in the Group's strategy, objectives and systems. A separate unit in the Group helps the business units and projects identify and systematise risk. Risk analyses are carried out in all tendering processes, for projects in progress and for the evaluation of uncertainty in all project-based activities. An overview of the risk elements as early as the tendering phase increases our ability to reduce overall risk and price the tender properly. This also forms the basis for further analysis, follow-up and control of risk throughout the project's life cycle. Measures have been implemented on a continuous basis to reduce negative risks and take advantage of positive risks.

All project risks are assessed in connection with quarterly reports. Each business unit undertakes an overall risk review of the entire project portfolio. A broadly composed group analyses the projects and arrives at a prioritised list of uncertainties. The Group consists of representatives from the Corporate Management Team, management of the business unit and a facilitator from AF Gruppen's own risk unit. The risk is quantified and recognised in the financial reporting for each business unit throughout the year. The quarterly risk review concludes with a

summary by the Corporate Management Team, and the most important parts of the presentation are presented to the Board.

Risk management at AF Gruppen is described in greater detail on page 20 of the annual report.

INTERNAL CONTROL

Internal control is a continuous process that is performed in all parts of the organisation. AF Gruppen's internal control is designed to provide reasonable assurance of:

- Targeted, cost-effective operations
- Reliable external financial reporting
- Compliance with the current laws and regulations

The financial internal control is based on an organisational distinction between execution, control and assurance. AF Gruppen has extensive written job descriptions at all levels of the organisation.

The heads of the business units, together with the financial managers, are responsible for ongoing financial and operational reporting to the Group. A controller function has been established at the group level and the main task of this function is to control and verify reporting from the business units. Deviations are reported directly to the Corporate Management Team. Financial reporting from business units is reviewed by the Corporate Management Team at a separate meeting in conjunction with each interim reporting period.

The Audit Committee prepares an annual report that describes and assesses internal control at AF Gruppen.

NOTIFICATION OF CENSURABLE CONDITIONS

Procedures and routines related to the notification of censurable conditions at AF have been prepared, including the violation of laws and ethical guidelines, and an electronic whistleblowing portal has been established at <https://afgruppen.com/social-responsibility/hse/Notification-of-contentious-issues/>. The whistleblowing system applies both internally and externally, and a special whistleblowing committee has been established to follow this up.

Deviation from the Code of Practice: None.

11. REMUNERATION TO THE BOARD OF DIRECTORS

Remuneration of board members is adopted annually by the General Meeting based on a recommendation from the Nomination Committee. The remuneration of the Board of Directors shall reflect the Board's responsibility, expertise and time spent, and the complexity of the operations.

The remuneration of Directors is not performance related. Options are not issued to shareholder-elected board members. The employee-elected board members also do not have other salary benefits in addition to the fees paid, such as occupational pensions or options, associated with their role as board members.

The Board must approve any remuneration other than directors' fees and Compensation Committee fees paid by the Group to board members. Note 32 to the consolidated financial statements shows the remuneration of board members and executive personnel in the Group.

Deviation from the Code of Practice: None.

12. SALARY AND OTHER REMUNERATION OF SENIOR EXECUTIVES

The Compensation Committee determines, in cooperation with the Board, guidelines for executive personnel remuneration. The guidelines are clear and understandable, and prepared so that they contribute to converging interests between shareholders and senior executives. A statement on the determination of salary and other remuneration to senior executives is prepared each year, and with effect from this year the Board of Directors has also prepared a special pay report on remuneration to senior executives. Both reports will be presented to the General Meeting and are available on www.afgruppen.com.

The CEO's salary is set annually by the Board. The Board of Directors establishes guidelines for the remuneration of executive personnel in consultation with the CEO.

REWARD SYSTEM

The reward system for executive personnel consists of a base salary, bonus and the possibility of share-based pay and pension. AF Gruppen does not have any severance pay schemes. The reward system essentially makes provisions so that as many employees as possible at all levels of the organisation can own shares. Through a lock-in period for share purchases and an option programme over a period of several years, employees are influenced to have a long-term perspective of ownership and employment. Bonuses to executive personnel are based on the EVA model. The essence of this model is the measurement of results achieved against the requirement rate of return on capital employed. This corresponds well with the interests of the shareholders. The reward system is described in greater detail in Note 7 – Payroll costs and Note 32 – Remuneration of executive personnel in the consolidated annual financial statements.

Deviation from the Code of Practice:

AF Gruppen has one deviation from the Code of Practice for this section. There is no ceiling for performance-related remuneration for employees. This has been adopted by the Board of Directors with the aim that employees, in the same manner as the owners, shall have an opportunity to share in the creation of value without limitation.

13. INFORMATION AND COMMUNICATION

The Board of Directors has established guidelines for AF Gruppen's reporting of financial and other information. The guidelines are based on transparency and the principle of equal treatment of shareholders. Relevant, comprehensive and updated information creates interest and confidence – which is a prerequisite for the liquidity of the shares.

FINANCIAL INFORMATION

The Board of Directors shall ensure that the interim reports and annual report from AF Gruppen provide a correct and complete picture of the Group's financial and commercial position, as well as whether the company's operational and strategic goals are achieved.

AF Gruppen's quarterly report presentations are open to all interested parties and are broadcast live over the Internet. The financial calendar and financial information are published both on the websites of the Oslo Stock Exchange and AF Gruppen.

INVESTOR RELATIONS

AF Gruppen aims to publish significant information of importance to the shareholders' and equity market's assessment of the Group, its operations and results, without undue delay. Publication on the websites of Oslo Børs and AF Gruppen ensure that everyone has equal access to the information. The CEO and CFO are responsible for communication with the shareholders. During the period prior to the presentation of results extra caution is exercised to ensure information symmetry in the market. AF Gruppen follows the Oslo Stock Exchange's recommendation of 1 March 2021 for reporting IR information.

Deviation from the Code of Practice: None.

14. COMPANY TAKEOVER

The Board of Directors has adopted guidelines for how the Board and management shall act in the event of a potential takeover offer. The guidelines shall ensure equal treatment of the shareholders and potential offers shall be facilitated as a rule.

EQUAL TREATMENT AND TRANSPARENCY

In talks with the bidder and in other actions, the Board and management shall seek to safeguard the common interests of AF Gruppen and the shareholders as a whole. The Board and management both have an independent responsibility to ensure that the shareholders are treated equally and that the operations are not unnecessarily interrupted. The Board of Directors has a special responsibility for ensuring that the shareholders have the information and time required so that they can take a stand on the offer.

EVALUATION OF OFFERS

If a takeover offer is made, the Board of Directors will obtain an valuation and prepare a recommendation to the shareholders for whether they should accept the offer or not. Both the financial advisor and any other advisors involved in evaluating an offer that has been made or announced shall be independent. The Board of Directors shall not attempt to prevent or place obstacles in the way of submitting an offer that may be in the interests of the shareholders, and it shall not use any authorisation to increase the share capital to prevent an offer.

Deviation from the Code of Practice: None.

15. AUDITOR

ELECTION OF AN AUDITOR

The Group's auditor is elected by the General Meeting. The Board's Audit Committee is consulted when an auditor is to be elected, and the Audit Committee's statement will be attached to the recommendation to the General Meeting. To ensure the auditor's independence and competitive auditor fees, the Audit Committee has decided that auditing should be put out to tender every 5–7 years. PwC (PricewaterhouseCoopers AS) has been AF Gruppen's auditor since 2017.

BOARD'S RELATIONSHIP TO THE AUDITOR

The auditor's primary duty is to perform the auditing mandated by law and professional standards with the accuracy, competence and integrity prescribed by law and professional standards. Separate rules of procedure have been adopted for the Board's relationship to the auditor, including guidelines for the company's access to use the auditor for services other than auditing. The required independence of the auditor indicates that AF Gruppen should minimise its use of the elected external auditor for services other than statutory financial auditing and assurance engagements. If there is a lack of capacity or

expertise within the organisation, the auditor can also be used for tax consulting and audit-related tasks, such as technical assistance with tax returns and the annual financial statements. See Note 8 – Other operating expenses in the consolidated annual financial statements for further information on the auditor fees.

The auditor shall meet with the Board of Directors at least once a year without the management being present. The auditor shall present the Board with an annual written confirmation that the requirement of independence has been satisfied. The auditor attends the meeting of the Board at which the annual financial statements are scrutinised.

The auditor attends the meetings of the Audit Committee. The auditor shall annually present the main elements of its plan for performing the auditing work and the auditor's review of the Group's internal control systems, including the weaknesses identified and suggested improvements. The auditor also reviews any material changes to AF Gruppen's accounting policies, evaluations of significant accounting estimates and any matters where there may have been disagreement between the auditor and the management.

The Board of Directors will brief the General Meeting on the auditor's fees broken down into auditing and other services.

MEETINGS WITH THE AUDITOR IN 2021

Managing partner Thomas Whyte Gaardsø from AF Gruppen's auditor PwC attended one board meeting in 2021. The auditor also attended the Annual General Meeting in 2021. The auditor attended all meetings held by the Audit Committee in 2021.

Deviation from the Code of Practice: None.