

Corporate Governance report 2017

Techstep ASA's principles for good corporate governance establish the foundation for long-term value creation to the benefit of the owners, employees, other stakeholders and society, at large.

The principles should contribute to instilling trust and confidence in the company, render decision-making more effective, and improve communication between the management, the Board of Directors and the company's shareholders.

The principles cannot replace the ongoing work to promote a healthy corporate culture throughout the company, but should be considered in this context. Trust and confidence in Techstep is based on the existence of respect, responsibility and equality, both internally and externally.

Implementation and reporting on corporate governance

Listed on the Oslo Stock Exchange, Techstep is a Norwegian public limited company, which bases its corporate governance structure on Norwegian legislation and recommended guidelines.

The company observes the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board, most recently revised on 30 October 2014, and referred to in this document as "the Code of Practice". The Code of Practice is available on the website www.nues.no. Application of the Code of Practice is based on the "comply or explain" principle, which stipulates that any deviations from the code, should be explained.

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors. This chapter discusses Techstep's main corporate governance policies and practices and how Techstep has complied with the Code of Practice in the preceding year.

In the company's own assessment, Techstep did not deviate from any sections of the Code of Practice at year-end 2017/2018.

Corporate values, Code of Conduct and corporate social responsibility

During 2017, the Board of Directors and management of Techstep revised the company's procedures, guidelines and routines related to corporate governance. This included a clarification of ethical values and preparation of a Code of Conduct and policy for corporate social responsibility. These documents were adopted by the Board in the beginning of 2018, and will be implemented throughout the organisation during first half of 2018.

Business

Techstep is positioning to become a leading Nordic enabler of the digital workplace. The company's operations comply with the business objective set forth in its articles of association, section 3:

"The company's purpose is to engage in business operations within information and communication technology, and to develop and provide solutions and software related to the mobility, digitalisation and consultancy business and everything that belongs thereto, including owning shares and other securities in other companies."

The company has set clear goals and strategies which are further described in the annual report for 2017.

Equity and dividends

Techstep's total equity at 31 December 2017 was NOK 450.1 million, which corresponds to an equity ratio of 58.8 %. The Board of Directors considers the equity ratio to be satisfactory and in accordance with Techstep's risk profile, thus enabling the company to pursue its goals and strategy.

Techstep has not established a dividend policy, beyond a consensus that the company's goals and strategy are to increase shareholder value and contribute to an attractive market for the company's shares. Techstep has not paid dividends to date, and does not expect to pay a dividend in the coming years. Techstep's intention is to retain future earnings, if any, to finance operations and expand the business. Any future decision to pay a dividend will depend on the company's financial position, operating profit and capital requirements.

Board mandates

At an extraordinary general meeting on 28 February 2017 and the annual general meeting on 27 April 2017, three authorisations were granted to the Board of Directors:

- Authorisation to increase the share capital by up to NOK 35 million, by issuing up to 35 million shares with a par value of NOK 1 per share. The authorisation covers both cash and non-cash considerations, including mergers. The par value and number of shares have been adjusted in connection with acquisitions made during the year. As of 31 December 2017, the remaining number of unused shares is 27,949,640.
- Authorisation to acquire treasury shares, limited to 10% of the share capital at the time of the authorisation. As of 31 December 2017, the authorisation has not been used.
- Authorisation to increase the company's share capital by a maximum of NOK 13.5 million, by issuing a maximum of 13.5 million shares in Techstep, with a par value of NOK 1 per share, in connection with the company's incentive plan for its employees and directors. As of 31 December 2017, a total of 8 million share options have been granted to key Techstep ASA employees under the existing authorisation.

All three authorisations are valid until Techstep's annual general meeting in 2018, and no later than 30 June 2018. There was a separate vote on each of the three authorisations. For supplementary information about the authorisations, reference is made to the minutes of the general meetings held on 28 February and 27 April 2017, respectively. These are available from www.techstepasa.no and www.newsweb.no.

Equal treatment of shareholders and transactions with related parties

Techstep ASA has one class of shares. All shares enjoy equal rights in the company, and the company's articles of association contain no restrictions on exercising voting rights. Treasury shares will be traded on the stock exchange or in accordance with guidelines from the Oslo Stock Exchange.

In the event of a capital increase based on authorisation from the general meeting, where the pre-emptive rights of shareholders are set aside, grounds will be provided in the stock exchange notice in which the capital increase is announced.

In 2017, to finance acquisitions and consolidate the company's growth capital, Techstep completed a private placement, where the pre-emptive rights of the shareholders were set aside. In addition, consideration shares were issued as settlement for the acquisitions of shares in Teki Solutions AS, Mytos AS, Apro Tele & Data AS, InfraAdvice Sweden AB, BKE Telecom AB and Connected 365 AB. For details, see stock exchange releases from 2017.

Techstep treats transactions with shareholders, board members, employees and other related parties with due care. To ensure that these transactions and situations are handled in the best possible manner, the Board of Directors urges transparency and the application of good judgment in any transaction where both the company and a board member or a party related to a board member may have interests.

For significant transactions with closely related parties, the company will use valuations and statements from an independent third party, if the transaction is not to be considered by the general meeting. In 2017, Techstep entered into two agreements with companies controlled by two of the company's board members. The agreements were entered into on market terms. For further information, refer to Note 21 "Related parties transactions" in the annual report for 2017.

Freely negotiable shares

The company's shares are freely negotiable on the Oslo Stock Exchange, and the company's articles of association do not place any restrictions on the negotiability of shares. Moreover, there are no restrictions on the purchase or sale of shares of stock by board members and persons in the company management, provided that the rules regarding insider trading are observed.

General meetings

The general meeting is the company's highest decision-making body. The general meeting is open to all shareholders, and Techstep encourages shareholders to participate and exercise their rights at the company's general meetings. In order to vote, the shareholder must be registered with the Norwegian Central Securities Depository (VPS) at the time of the general meeting.

Notices of general meetings shall be sent no later than 21 days prior to the date of the general meeting. According to the company's articles of association, there is no requirement to send documents up for consideration by the general meeting directly to the shareholders as long as the documents have been made available on the company's website. The same applies to documents that by law are required to be included in or attached to the notice of the general meeting. A shareholder may nonetheless request that relevant documents concerning business to be transacted at the general meeting be sent to him or her. The registration deadline will be set as close to the meeting as possible, and all the necessary registration information will be provided in the notice.

Shareholders who are unable to attend may vote by proxy. Whenever possible, the company will prepare a proxy form that permits separate votes for each item up for consideration by the general meeting.

The Chairman of the Board normally chairs the general meeting. In the event of disagreements about individual items, where the Chairman belongs to one of the factions or is for other reasons not regarded as impartial, another chairperson will be appointed to ensure impartial treatment of the items up for consideration at the meeting.

Minutes from the general meeting will be published in accordance with the stock exchange's rules and regulations, including the Oslo Stock Exchange's ongoing obligations to stock exchange listed companies.

In 2017, Techstep held its annual general meeting on 27 April, and one extraordinary general meeting was held on 28 February.

Nomination committee

Techstep's nomination committee consists of two members, elected pursuant to section 6 of the company's articles of association.

The duties of the nomination committee include nominating candidates for the Board of Directors and the nomination committee, as well as proposing the Board's remuneration. Grounds for nominations by the nomination committee shall be provided when nominees are presented to the general meeting. All shareholders are entitled to nominate candidates to the Board, and information about whom to contact to propose candidates can be found on the company's website, www.techstepasa.no.

The objectives, responsibilities and functions of the committee are further described in the "Instructions for the nomination committee", which will be presented to the general assembly at the annual general meeting in 2018 and will be submitted with the notice documents.

The current nomination committee was elected at the extraordinary general meeting on 4 November 2016, and consists of two members, Harald Arnet (Chair) and Ketil Skorstad, who were both elected for a period of two years. Both members are considered independent of the Board of Directors and the executive management. Remuneration of the members of the nomination committee is determined by the general meeting, based on the Board of Director's proposal.

Board of Directors, composition and independence

In accordance with article 5 of the articles of association, the company's Board of Directors shall consist of 3 - 7 members, elected by the general meeting. The Chairman of the Board is elected by the general meeting. As of 31 December 2017, the company's Board of Directors consists of five members, two of whom are women: Einar J. Greve (Chairman), Ingrid Leisner, Kristian Lundkvist, Stein Erik Moe and Camilla Magnus. All board members were elected at the annual general meeting on 27 April 2017. The term of office is two years, and the members may be re-elected.

The composition of the Board of Directors is based on broad representation of the company's shareholders, as well as the company's need for competence, capacity and balanced decisions. A summary of the competence and background of each individual board members is available on the company's website, www.techstepasa.no.

All board members are regarded as independent in relation to the company's day-to-day management, and in relation to important business associates. Four of the board members are regarded as independent of the company's principal shareholders: Einar J. Greve, Stein Erik Moe, Ingrid Leisner and Camilla Magnus. A summary of the shares of stock held in the company by each board member is available in Note 26 to the annual report for 2017.

The work of the Board of Directors

The Board of Directors has the ultimate responsibility for overseeing and supervising the company's management and operations. The work of the Board is based on the rules of procedure for the Board of Directors, adopted on 24 November 2016, which describe the responsibilities, duties and administrative procedures of the Board of Directors, and regulate the distribution of duties between the Chairman and CEO. The rules of procedure also regulate work related to the board committees, including the audit committee and the compensation committee.

The Board of Directors is responsible for determining the company's overall goals and strategic direction, principles, risk management, and financial reporting. The Board of Directors is also responsible for ensuring that the company has competent management with a clear internal distribution of responsibilities, as well as for making an ongoing evaluation of the performance of the CEO. Rules of procedure for the CEO, clarifying duties, authorities and responsibilities, have also been prepared.

The Board of Directors meets as often as necessary to fulfil its duties, and at least seven times each financial year. The Board of Directors held 18 board meetings in 2017, and the meeting attendance was 95%

The Board of Directors undertakes an annual evaluation of its work and competence, which is reported to the nomination committee.

Board committees

The Board of Directors has appointed an audit committee, which main duties are to assess the company's financial reporting and systems for internal control, follow up and evaluate the auditor, ensure that the auditor is independent, and assist the nomination committee with a proposal for the election and remuneration of the auditor. As of 31 December 2017, the audit committee consisted of two board members, Ingrid Leisner and Camilla Magnus, both of whom are regarded as independent of the company.

The Board of Directors has also appointed a compensation committee, which is to assist the Board of Directors with tasks related to the evaluation and determination of remuneration for the CEO, as well as the formulation of a policy for the remuneration of executive personnel. As of 31 December 2017, the compensation committee consisted of two board members, the Chairman Einar J. Greve and Kristian Lundkvist.

Risk management and internal control

The Board of Directors of Techstep is responsible for ensuring that the company has good risk management and internal control in accordance with the regulations that apply to its business activities.

The company's systems and procedures connected to risk management and internal control shall ensure efficient operations, timely and correct financial reporting, and compliance with the laws and regulations to which the company is subject. Specific goals for the company's internal control are prepared, and revised annually by Techstep's corporate management. In addition, the audit committee has an annual meeting with the auditor, during which the company's internal control routines are reviewed and evaluated.

Techstep's accounts are prepared in accordance with the international accounting standard IFRS, which aims to provide a true and fair overview of the company's assets, financial obligations, financial position and operating profit. The Board of Directors receives monthly reports from the management on developments and results related to strategy, finance, KPIs, risk management, projects, challenges and plans for upcoming periods. In addition, quarterly reports are prepared in accordance with the listing requirements of the Oslo Stock Exchange, and they are reviewed by the audit committee prior to the respective board meetings and subsequent publication.

The board has adopted an insider manual with ancillary documents. The insider manual is intended to ensure that, e.g. trading in the company's shares by board members, executives and/or employees, including close relations to the aforementioned, is conducted in accordance with applicable laws and regulations.

During 2017, Techstep's Board of Directors and management have revised the guidelines, procedures and routines for corporate governance, in alignment with the new Group structure. As part of this process, the company's insider manual with supplementary documents was updated, including policies and routines for retrieving and disclosing information related to Group operations. Furthermore, the company has prepared a code of conduct and policy for corporate social responsibility, which will be implemented in the organisation during the first half of 2018.

For information related to the company's identified risk and risk management, reference is made to the Board of Directors' Report and Note 18 to the accounts in the annual report for 2017.

Remuneration of the Board of Directors

Remuneration of board members is stipulated annually by the annual general meeting based on the nomination committee's recommendation. The remuneration reflects the Board of Directors' responsibilities, competence, time involved, and the complexity of the business.

The remuneration of the Board of Directors is not performance-based and does not contain option elements. Members of the audit committee is compensated separately. The company does not provide loans to board members. Detailed information about the remuneration of the Board of Directors can be found in Note 26 to the accounts in the annual report for 2017.

Remuneration of executive personnel

The main principle of Techstep's executive remuneration policy is that the remuneration should be competitive and provide motivation in order to attract and retain individuals with the required competence. The executive remuneration consists of a fixed salary and a variable part, linked to the company's and the individual's achievement. Performance-related remuneration is subject to an

absolute limit of 50% of the fixed salary. In 2017, the Board of Directors approved an additional share option programme for executive management. The program is linked to value creation to the benefit of shareholders over time.

The executive remuneration guidelines are described in Note 26 to the financial accounts in the 2017 annual report. The guidelines have been presented to, and were adopted by, the general meeting.

Information and communications

Techstep seeks to adhere to the Oslo Stock Exchange's IR recommendation, last revised 1 March 2017. The company prioritises communication with shareholders, investors and analysts in order to build trust and credibility, and support access to capital and a fair valuation of the company's shares. The Board of Directors seeks to provide accurate, clear, relevant and up-to-date information to the market, while ensuring equal treatment. All information is primarily provided in English, and is distributed to the company's shareholders through the Oslo Stock Exchange and www.newsweb.no, and the company's website www.techstepasa.no.

The CEO and the Chairman are responsible for investor and shareholder relations. The CEO shall focus on the day-to-day communication with investors and shareholders, while the Chairman shall focus on the shareholders' expectations related to the company's strategic direction and risk preparedness, as well as issues that require resolution by the general meeting. In 2017, the Board revised and adopted updated instructions pertaining to handling of inside information and disclosure of information, where the company's disclosure obligations and procedures are explained.

Techstep provides interim reports in accordance with the Oslo Stock Exchange's recommendation. The interim results are published within 60 days after the end of the quarter. The complete annual financial statements, including the Board of Directors' Report, are made available no later than three weeks prior to the annual general meeting, and no later than the end of April every year.

Techstep gives presentations in connection with the company's interim reports. The presentations are open to the public and provide an overview of the operational and financial developments for the preceding quarter, in addition to an overview of the market outlook and the company's prospects. The presentations are made available on the company's website, www.techstepasa.no.

Before year end, Techstep publishes a financial calendar for the upcoming year, with the dates for the publication of the company's interim results, as well as the date of the annual general meeting. The calendar is made available on the company's website, www.techstepasa.no, and on the Oslo Stock Exchange's news channel, www.newsweb.no.

Takeovers

The company's articles of association contain no defence mechanisms against take-over bids, nor have other measures been implemented to specifically hinder acquisitions of shares in the company.

In the event of a takeover process, the Board of Directors and the executive management will ensure that the company's shareholders are treated equally, and that the company's activities are not unnecessarily interrupted. The Board of Directors has a special responsibility to ensure that the shareholders have sufficient information and time to assess the offer.

In addition to complying with relevant legislation and regulations, the Board of Directors will seek to comply with the recommendations in the Code of Practice if the situation so permits. The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. The main principles include that the Board shall not hinder or obstruct any takeover bid; give shareholders or others unreasonable advantages, or protect their personal interests, at the expense of others; and protect the shareholders' values and interests.

If deemed necessary, the Board will also ensure a valuation from an independent third-party. On this basis, the Board of Directors will make a recommendation as to whether the shareholders should accept the bid.

Auditor

The company's auditor, BDO AS, was appointed by the annual general meeting, and is regarded as independent in relation to Techstep ASA. The Board of Directors receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The auditor prepares an annual plan for the implementation of the audit, which is made known to the audit committee and the Board of Directors. The Board of Directors meets with the auditor annually, in conjunction with the approval of the annual report. This meeting includes an opportunity for a review with the auditor, without the presence of the company's day-to-day management.

In 2017, separate guidelines were prepared for use of the auditor for services other than auditing. As a guiding principle, the company's auditor cannot be contracted if the service rendered can be considered to compromise auditor's independence in the eyes of an outside party.

The Board of Directors discloses the amount of remuneration to be paid to the auditor, distributed between auditing and other services, to the annual general meeting, which makes the final decision to approve the auditor's remuneration. The auditor is present at the annual general meeting.