
Corporate governance report 2019

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 help instil trust and confidence in the company, render decision-making more effective, and improve communication between management, the Board of Directors and the company's shareholders.

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

Implementation and reporting on corporate governance

Techstep is a Norwegian public limited company listed on the Oslo Stock Exchange and 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, which was most recently revised on 17 October 2018, 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.

By the company's own assessment, Techstep did not have any deviations from the Code of Practice in 2019.

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

Business

Techstep is positioning itself to become a leading Nordic provider 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 Board of Directors has defined clear goals, strategies and risk profile for the company's business activities, to create value for its shareholders and ensure that its resources are utilised in an efficient and responsible manner to the benefit of all its stakeholders. The Board has further adopted various policies providing business practice guidance, including a policy on corporate social responsibility, code of conduct and ethical trade. The policies set the standards for responsible and ethical behaviour expected from employees or persons associated with the company, to build trust and loyalty internally and prevent violations and negative impact externally. The company's objectives, strategy and risk profile, which are reviewed on an annual basis, are described in the annual report for 2019, together with a report on the company's corporate social responsibility measures.

Equity and dividends

As at 31 December 2019, Techstep's total equity was NOK 456.0 million and total liabilities amounted to NOK 361.2 million, which corresponds to an equity ratio of 56%, and a debt-to-equity ratio of 0.8. The Board of Directors considers the capital structure to be satisfactory and in accordance with Techstep's risk profile, enabling the company to deliver on its strategy and pursue its ambitions.

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 the annual general meeting on 25 April 2019, 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 at 31 December 2019, the remaining number of unused shares were 31,261,683.
- Authorisation to acquire treasury shares, limited to 10% of the share capital as at 31 December 2018. As per 31 December 2018, the authorisation has not been used.
- Authorisation to increase the company's share capital by up to NOK 15.0 million, by issuing up to 15.0 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 at 31 December 2019, a total of 12 million share options have been granted to key employees under the existing authorisation.

All three authorisations are valid until Techstep's annual general meeting in 2020, and no later than 30 June 2020. 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 annual general meeting held on 25 April 2019. These are available from www.techstepasa.no and www.newsweb.no.

Equal treatment of shareholders and transactions with related parties

Treasury shares will be traded on the stock exchange or in accordance with guidelines from the Oslo Stock Exchange.

According to the Norwegian Public Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may be set aside, either by the general meeting or by the Board based on an authorisation to the Board. In the event of a capital increase based on authorisation from the general meeting, where the pre-emptive rights of shareholders are set aside, the company will provide the reasons for the practise in the stock exchange notice in which the capital increase is announced.

In 2019, Techstep issued consideration shares as settlement for the acquisition of additional 30% of the shares in Techstep Finance, where the pre-emptive rights of the shareholders were set aside. For details, see stock exchange release from 13 December 2019.

Any transactions in treasury shares, i.e. a share buy-back programme, will be carried out either through Oslo stock exchange or at otherwise at stock exchange prevailing prices. If there is limited liquidity in the Company's shares, the Company will consider other ways to ensure equal treatment of all shareholders. There were no transactions in treasure shares during 2019.

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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. There were no such transactions in 2019. For further information, refer to Note 24 “Related party transactions” in the annual report for 2019.

Freely negotiable shares

Techstep ASA has one class of shares. The company’s shares are freely negotiable on the Oslo stock exchange. There are no restrictions on owning, trading or voting for shares in the articles of association.

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 the documents up for consideration by the general meeting directly to 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.

In 2019, Techstep held its annual general meeting on 25 April with 51.1% of the shares represented. In addition, an extraordinary general meeting was held on 11 February to elect a new board member, with 42.7% of the shares represented.

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 was adopted by the general assembly at the annual general meeting in 2018.

The current nomination committee was elected at the annual general meeting on 4 April 2018, and consists of two members, Harald Arnet (Chair) and Jonatan Raknes, who were both elected for a period of two years. Both members represent the Company’s two largest shareholders and are considered

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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 section 5 of the Articles of Association, the company's Board of Directors shall consist of three to seven members, elected by the general meeting. The Chairperson of the Board is elected by the general meeting. As at 31 December 2019, the company's Board of Directors consists of five members, two of whom are women: Jens Rugseth (Chairman), Einar J. Greve (Vice Chairman), Ingrid Leisner, Anders Brandt and Toril Nag. All board members were re-elected at the annual general meeting on 2 April 2019 for a period of two years. 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. Three of the board members are regarded as independent of the company's main shareholders: Ingrid Leisner, Anders Brandt and Toril Nag. 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 2019.

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 continuously evaluating the performance of the CEO. Rules of procedure for the CEO, clarification of duties, authorities and responsibilities, have also been prepared.

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 in which the company and a Board member, or a party related to a Board member, may have interests.

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 8 board meetings in 2019.

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, the main duties of which is to assess the company's financial reporting and systems for internal control, monitor 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 at 31 December 2019, the audit committee consisted of two board members, Ingrid Leisner and Toril Nag, both of whom are regarded as independent of the company.

The Board of Directors has also appointed a compensation committee, which assists 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 at 31 December 2019, the compensation committee consisted of the two board members Einar J. Greve and Ingrid Leisner.

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 related 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 meets regularly with the auditor, during which the company's internal control routines are reviewed and assessed.

In 2019, in connection with the establishment of a quality management system, Techstep conducted a project to identify drivers and risks that may have a material impact on long-term value creation for its business.

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 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 recommendations of the Oslo Stock Exchange, which 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, including policies and procedures on retrieving and disclosing information related to Group operations. 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 is conducted in accordance with applicable laws and regulations. Furthermore, the company has prepared a code of conduct, which sets the standard for the behaviour expected internally and externally by anyone employed by or associated with Techstep. The code of conduct has been communicated to all employees and each employee is expected to make a personal commitment by abiding by the code of conduct. The code of conduct includes guidance on how to report any concerns related to illegal or unethical conduct, including a third party-operated whistleblowing channel. There were no reported concerns during 2019.

For information related to the company's identified risk and risk management, reference is made to the Board of Directors' Report and Note 21 to the accounts in the annual report for 2019.

Remuneration of the Board of Directors

The 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 the company does not grant share options to any Board members. Members of the audit committee are remunerated 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 29 to the accounts in the annual report for 2019.

Remuneration of executive personnel

The main principle of Techstep's executive remuneration policy is that the remuneration should be competitive and provide the motivation 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, and pension schemes. Performance-related remuneration is tied to business results and other KPIs, and subject to an absolute limit of 50% of the fixed salary. In 2019, the share option programme for executive management and certain other employees was extended. The program is linked to value creation to the benefit of shareholders over time.

The executive remuneration guidelines have been presented to, and were adopted by, the general meeting (see note 29).

Information and communications

Techstep seeks to adhere to the Oslo Stock Exchange's IR recommendation, last revised 1 July 2019. The company prioritises communication with shareholders, investors and analysts 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.

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. The Board has adopted instructions pertaining to the handling of inside information and disclosure of information, in which the company's disclosure obligations and procedures are explained.

Techstep provides interim reports within 45 days after the end of the quarter, in accordance with the Oslo Stock Exchange's recommendation. 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 provides 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, market outlook and the company's prospects. The presentations are also made available by webcast on the company's website.

All information is primarily provided in English, and is distributed to the company's shareholders through the Oslo Stock Exchange www.newsweb.no, and the company's website www.techstepasa.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 the acquisition of shares in the company.

In the event of a takeover process, the Board of Directors and the executive management shall 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 shall seek to comply with the recommendations in the Code 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 that the Board shall protect the shareholders' values and interests.

If deemed necessary, the Board shall 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 Board of Directors requires the auditor to prepare 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 further requires an annual meeting with the auditor, 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.

The Board of Directors has prepared separate guidelines for using 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 the 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 shall attend the annual general meeting.