Corporate Governance Statement 2015

Kvaerner aims to ensure that the maximum possible value is created for its shareholders over time. Good corporate governance shall ensure an appropriate distribution of roles between the owners, the Board of Directors and the executive management team, and also contribute to reducing risk and ensuring sustainable value creation.

The corporate governance principles of Kvaerner are adopted by the Board of Directors of Kværner ASA. The principles are based on the Norwegian Code of Practice for Corporate Governance, dated 30 October 2014 (the "Code of Practice"), the principles set out in the Continuing Obligations of stock exchange listed companies from the Oslo Børs (the stock exchange in Oslo) and the relevant Norwegian background law such as the Norwegian Accounting Act and the Norwegian Public Limited Liability Companies Act. The Code of Practice may be found at http://www.nues.no/ and the Continuing Obligations of stock exchange listed companies may be found at www.oslobors.no.

Set out below, is an account outlining how Kvaerner has implemented the Code of Practice. The account follows the same structure as the Code of Practice and covers all sections thereof. Deviations from the Code of Practice are addressed under the relevant section.

In addition to the Code of Practice, the Norwegian Accounting Act § 3-3 paragraph b) stipulates that companies must provide a report on their policies and practices for corporate governance either in the annual report or in a document referred to in the annual report. This report is integrated in this Corporate Governance statement. Below, the items in respect of which information must be disclosed according to section 3-3 paragraph b) of the Norwegian Accounting Act are specified, together with references to where such required information may be found:

1. "A statement of the recommendations and regulations concerning corporate governance that the enterprise is subject to or otherwise chooses to comply with" can be found in the introduction section of this Corporate Governance statement.
2. "Information on where the recommendations and regulations mentioned in no. 1 are available to the public" can be found in the introduction section of this Corporate Governance statement.
3. "The reason for any non-conformance with recommendations and regulations mentioned in no. 1". The non-conformances are described in the relevant section where there are non-conformances, which are sections 6 and 14 respectively.
4. "A description of the main elements in the enterprise's, and for entities that prepare consolidated financial statements, if relevant also the Group's internal control and risk management systems linked to the financial reporting process" can be found in Section 10 of this Corporate Governance statement.
5. "Articles of Association which entirely or partly expand or depart from provisions of Chapter 5 of the Norwegian Public Limited Liability Companies Act" can be found in Section 6 of this Corporate Governance statement.
6. "The composition of the Board of Directors, the Corporate Assembly, the Committee of Shareholders' Representatives and the Control Committee and any working committees related to these bodies, as well as a description of the main instructions and guidelines that apply to the work of the bodies and any committees" can be found in Section 8 and 9 of this Corporate Governance statement.
7. "Articles of Association governing the appointment and replacement of Directors" can be found in Section 8 of this Corporate Governance statement.
8. "Articles of Association and authorisations empowering the Board of Directors to decide that the enterprise is to buy back or issue its own shares or equity certificates" can be found in Section 3 of this Corporate Governance statement.

Section 1: Implementation and reporting on corporate governance

Good corporate governance shall ensure that appropriate goals and strategies are adopted, that the adopted strategies are implemented in practice, and that the results achieved are subject to measurement and follow-up. The principles shall also contribute to ensuring that the activities of the Kvaerner group of companies are appropriately controlled. An appropriate distribution of roles and adequate controls shall contribute to the largest possible value creation over time, for the benefit of the owners and other stakeholders.

It is the responsibility of the Board of Directors of Kværner ASA to ensure that Kvaerner implements sound corporate governance. The Board of Directors evaluates the Corporate Governance statement on an annual basis. The Board's Audit Committee also evaluates the Corporate Governance statement and will evaluate other policies and procedures, such as those relating to whistleblowing and anti-corruption, on a regular basis.

Basic corporate values and ethical guidelines

Kvaerner wishes to contribute to sustainable social development through responsible business practices. Kvaerner is a significant contributor to some of the societies in which we operate, both in Norway and internationally. Kvaerner has defined a set of basic corporate values, ethical guidelines and corporate social responsibility principles for the group to achieve this, and which are available at the company's website www.kvaerner.no/en/Environment--Society. The ethical guidelines and other policy documents of Kvaerner have been drafted on the basis of these basic corporate values. These policy documents express Kvaerner's position with regard to, *inter alia*, corporate responsibility, whilst at the same time providing operational guidelines that apply to individual employees, thus enabling compliance within the various functions operated by Kvaerner. For further information regarding Kvaerner's corporate social responsibility efforts, please see the separate report published on www.kvaerner.com/csr.

The Kvaerner Code of Conduct summarises the group's values and standards of behaviour in all type of activities, everywhere. It covers all areas within corporate social responsibility: human rights, prevention of corruption, employee rights, health, safety, security and the working environment, discrimination and the environmental area, community-work and sponsorships. The Code of Conduct is available in six languages, English, Norwegian, Polish, Russian, Chinese and Kazakh at the company's website www.kvaerner.com/en/Environment--Society/Kvaerner-Code-of-Conduct. Kvaerner consider value-creation in the societies the company operate in as an important part of its corporate social responsibility. Kvaerner also considers a close cooperation with the labour unions fundamental to be successful in the corporate social responsibility work. The Code of Conduct is the principal document in the Kvaerner governing documents hierarchy, and all policies and procedures within Kvaerner shall be consistent with the Code of Conduct. Within corporate social responsibility the following three policies are the cornerstones:

Health, Safety, Security and Environment (HSSE) Policy: Kvaerner focuses on employee health and on continuously improving the work environment. Kvaerner employees are entitled to a workplace which is safe and secure. Kvaerner has a zero incident mind-set, meaning that the target is zero personal injuries and zero cases of work related illness. Kvaerner continuously works to reduce the environmental footprint of its operations and products and the methodology for reporting environmental impact derives from the Greenhouse Gas Protocol – GHG, and Global Reporting Initiative – GRI. The Norwegian yards are certified according to the ISO 14001 environmental standard. Due to the global nature of Kvaerner's operations, the company is exposed to changes in the global security risk situation. Kvaerner has a separate procedure in place for corporate emergency response.

Business Integrity Policy: The Kvaerner Business Integrity Policy covers three main areas; human rights, corruption and improper payments and fraud. The company shall conduct its business in accordance with the fundamental human rights stated in the United Nations Universal Declaration of Human Rights (1948) which defines a number of fundamental principles on religious, political, cultural, economic and social rights. Compliance with national, regional and international legislation and conventions is mandatory in Kvaerner, but business integrity extends beyond simple compliance. Kvaerner shall emphasise to conduct its business in a manner that makes people proud of working with and for the company.

People Policy: This policy sets out Kvaerner's fundamental principles for ensuring the ability to attract, engage and retain a workforce with the right skills, attitudes and behaviour.

Kvaerner has implemented procedures to ensure that projects globally are conducted in compliance with the company's own guidelines. For key areas like HSSE, anti-corruption and human rights, the controls are implemented through internal check-lists and procedures, such as personnel security standards and corporate emergency procedures. Such procedures are mandatory and are designed to ensure alignment throughout the organisation. In case of doubt, issues may be referred for deliberation at group level, where they are examined by the group Compliance function. As far as the tendering for main projects of the company are concerned, the implications, effects, risks and opportunities connected to a project or tender are reviewed by a corporate risk committee with a broad representation, which makes recommendations to the Chief Financial Officer, the President & CEO and the Board of Directors on whether to pursue with the tender for the relevant projects or not, and on what terms.

An important part of the company's activities involves the use of **partners, suppliers and subcontractors**. Kvaerner performs integrity due diligences prior to entering into joint venture agreements and agreements with any third party representatives, and reviews are performed prior to submitting tenders. In the Code of Conduct it is stated that Kvaerner will do its utmost to contract only with subcontractors or suppliers who themselves adhere to the highest standards, similar to those of Kvaerner. Corporate responsibility is an integral part of the procurement processes and practices. Kvaerner commits to monitor the ethical performance and to take immediate and adequate steps in cases where the ethical performance of its suppliers comes into question. The company will work towards its goals by driving continuous improvement through systematic engagement with subcontractors and suppliers. Kvaerner continues to focus on strengthening the verifications in respect of the suppliers' performance within HSSE, labour conditions, and anti-corruption.

Kvaerner has a mandatory supplier and subcontractor pre-qualification system for all usage of suppliers and subcontractors. This enables Kvaerner to have a base of suppliers and subcontractors available when new projects are started, and Kvaerner may also use the pre-qualification system for evaluation of suppliers and subcontractors for references in later projects. The Kvaerner supplier and subcontractor declaration describe the conduct which the suppliers have to comply with, and shall be signed by all current and future suppliers and subcontractors of Kvaerner in order for such parties to be pre-qualified as suppliers or subcontractors. The declaration is available at www.kvaerner.com/en/toolsmenu/Suppliers2.

Any allegations of potential violations of the Kvaerner compliance policies can be reported confidentially or anonymously to the group Compliance function via the whistleblowing channel available at the external website www.kvaerner.com and through Kvaerner's intranet. Kvaerner assures that no adverse consequences will result from an employee bringing forward complaints concerning violations of the compliance policies. A fair and comprehensive investigation will be conducted with relevant internal and external assistance, in accordance with the investigation procedures. The Corporate Investigation procedure document has been approved by the Board of Directors.

Section 2: Business

The objectives of Kvaerner, as defined in the Articles of Association of Kværner ASA, are "to own or carry out industrial- and other associated businesses, management of capital and other functions for the group, and to participate in or acquire other businesses." The Articles of Association of Kvaerner is available at www.kvaerner.no/en/toolsmenu/Investors/Corporate-governance-/Articles-of-association.

Based on the solid foundation on which Kvaerner is built, the group has a clear objective for further growth and to gradually strengthen its position as a leading EPC player. Internationally, Kvaerner will build further on its EPC capabilities, and capitalise on its competence and experience with oil and gas field developments, gravity base structures (GBS) and jacket technologies. Kvaerner offers effective execution of challenging projects, particularly for developments in regions with harsh weather conditions. Geographically, Kvaerner has a strong market position for oil and gas projects in the countries around the Arctic Circle, in particular in Norway, Canada and Russia.

Through 2015, Kvaerner has reduced the project execution capacity in line with the expected market for the coming period. The company has also made significant reductions in costs related to administration, management and general overhead costs and from 1 January 2016 implemented a matrix based organisation model, adjusted to support increased productivity and a reduced cost level.

The principal strategies of the group are further presented in the Board of Directors' report on page XX of the annual report for 2015. Each year, the Board of Directors evaluates the strategy, goals and guidelines of Kvaerner through a designated strategy process and a strategy workshop. Information concerning the financial position and principal strategies of Kvaerner, including any changes thereto, is disclosed to the market in the context of the quarterly reporting and in designated market presentations.

Section 3: Equity and dividends
The Board regularly monitors that the company's equity capital is at a level appropriate for its objectives, strategy and risk profile. The book equity of the group as per 31 December 2015 was NOK 2 556 million, which represents an equity ratio of 45.3 percent. Kværner ASA's dividend policy was revised in July 2015 and is based on semi-annual dividend payments. Decisions as to dividend payments depend on outlook, liquidity and considerations such as alternative use of cash and strengthening of the company's financial structure. In periods of weak economic conditions, the dividend can be paid-out as long as the group's capital structure permits. The Board approves interim dividends based on an authorisation from the General Meeting, while the Annual General Meeting approves the final (and total annual) dividend based on a proposal from the Board of Directors. For H1 2016, the Board of Directors decided that the Company recommended that the Company will not distribute any dividends, based on the rationale that the Company should be prepared to navigate the current challenging market in 2017 and 2018.

Authorisations for the Board of Directors

Proposals from the Board of Directors to perform share capital increases, share buy-backs or similar, are restricted to defined purposes, such as share purchase programmes and acquisitions of companies, and shall remain in effect until the next Annual General Meeting.

In the 2015 Annual General Meeting, the Board of Directors was given a mandate to acquire shares in Kværner ASA. The purpose of such authorisation from the Annual General Meeting was to provide flexibility to the Board in case there should be a need to acquire own treasury shares of up to 5 percent of the share capital of the company for use in share purchase programmes for employees and managers. 3 589 644 shares were acquired in 2015 for this purpose. The Board of Directors was also given an authorisation to acquire own treasury shares of up to 5 percent of the share capital of the company for use in connection with acquisitions, mergers, de-mergers or other transfers of business. Finally, the Board of Directors was given an authorisation to acquire own treasury shares of up to 5 percent of the share capital of the company for the purpose of subsequent deletion of such shares. No shares were acquired in 2015 for this purpose.

There are no current provisions in the Articles of Association of the company which grants the Board of Directors the mandate to buy back or issue shares in the company.

The Board of Directors was at the 2015 Annual General Meeting authorised to approve the distribution of dividends based on the company's annual accounts for 2014. The power of attorney may not be used to approve the distribution of dividends in excess of an aggregate amount of NOK 190 million. The power of attorney remains in force until the Annual General Meeting in 2016. Pursuant to the power of attorney and in line with the company's dividend policy, the Board of Directors in July resolved to approve a semi-annual dividend of NOK 40.35 million in total, or NOK 0.15 per share. The dividend was paid out on 23 October 2015.

Section 4: Equal treatment of shareholders and transactions with close associates

The company has one class of shares, and all shares carry equal rights. Existing shareholders shall have pre-emptive rights to subscribe for shares in the event of share capital increases, unless otherwise indicated by special circumstances. Should the Board of Directors propose to the General Meeting that a deviation be made from the existing shareholders' pre-emption right in the event of a capital increase, such a proposal will be justified by the common interests of the company and the shareholders, and the grounds for the proposal will be presented in the notice for the General Meeting. In the event of a capital increase based on an authorisation granted by the General Meeting, the grounds for deviating from the pre-emption right will be set out in the stock exchange notification announcing the capital increase. Transactions in own shares are effected via Oslo Børs.

In the event of any material transactions between Kvaerner and shareholders, Directors, senior executives or close associates thereof, which do not form part of ongoing projects pursued in the ordinary course of the company's business, the Board of Directors shall arrange for an independent assessment. The same shall, generally speaking, apply to the relationship between Kvaerner and the Aker group. The Company will similarly arrange for a valuation by an independent third party in the event of not insignificant transactions between companies within the Kvaerner group where there are minority shareholders. Any contracts entered into in the ordinary course of the company's business with other companies in which Aker ASA holds ownership interests, will nevertheless be negotiated and concluded at arm's length, normally without any independent assessment necessarily being arranged for. Such independent assessments will be conducted if the agreement is (i) not part of Kvaerner's ordinary business, and (ii) provided that the value in question is not immaterial. Kvaerner has prepared guidelines ensuring that Directors and senior executives notify the Board of Directors if they have any material direct or indirect personal interest in any agreement concluded by the group, and these guidelines form an integrated part of the Rules of Procedures for the Board of Directors of Kvaerner, approved in the Board meeting in December 2011, and as amended in September 2012. The Rules of Procedure for the Board of Directors of Kvaerner stipulate that neither the members of the Board, nor the President & CEO, shall participate in the preparation, deliberation or resolution of any matters that are of such special importance to themselves, or any of their close associates, that they must be deemed to have a prominent personal or financial interest in such matters. The relevant Director(s) or the President & CEO shall raise the issue of his or her competence whenever there may be cause to question it.

In general and as further stipulated in the Rules of Procedure for the Board of Directors of Kvaerner, Directors of Kvaerner shall be cautious in participating in the consideration of issues where a potential conflict of interest or conflict of roles may arise, and so undermining the confidence in the decision process. Such a person may not participate in Board discussions of more than one company that is party to the same related party agreement, unless the companies have common interests.

For instance, Leif-Arne Langøy and Kjell Inge Røkke, are Directors of the Board of Kværner ASA and indirect shareholders of Aker ASA, Aker Solutions ASA, Akastor ASA and Kvaerner. Since Mr. Rokke's relative indirect ownership interests in Aker ASA and Aker Solutions ASA exceed his ownership interests in Kvaerner, Mr. Rokke will not participate in the Board of Directors' deliberation of matters that concern commercial relationships between Kvaerner and Aker ASA, Aker Solutions ASA or Akastor ASA.

If disqualification due to conflict of interest is concluded, the relevant Director will, as a main rule, not be granted access to any documentation prepared to the Board of Directors prior to the deliberation of the relevant matter. Kvaerner applies a strict norm as far as conflict of interest assessments are concerned.

As far as the other officers and employees of Kvaerner are concerned, transactions with close associates are comprehensively addressed and regulated in the group's ethical guidelines.

Principal shareholder

Aker ASA holds 70 percent of the shares of Aker Kværner Holding AS, which held 41.02 percent of the shares of Kvaerner as per 31 December 2015. Proposition No. 88 (2006–2007) to Stortinget (the Norwegian Parliament) contains more detailed information concerning the establishment of Aker Kværner Holding AS and the agreement between Aker ASA and the other shareholder of Aker Kværner Holding AS.

The Board of Directors is of the view that it is positive for Kvaerner that Aker ASA assumes the role of an active owner and is actively involved in matters of major importance to the group and to all shareholders. The cooperation with Aker ASA offers Kvaerner, *inter alia*, access to special know-how and resources within strategy, transactions and funding. Moreover, Aker ASA offers network and negotiation resources from which Kvaerner benefits in various contexts. This complements and strengthens Kvaerner without curtailing the autonomy of the group. It may be necessary to offer Aker ASA special access to commercial information in connection with such cooperation. Any information disclosed to Aker's representatives in such a context will be disclosed in compliance with the laws and regulations governing the stock exchange and the securities market.

Applicable accounting standards and regulations require Aker ASA to prepare its consolidated financial statements to include accounting information of Kvaerner. Historically, Kvaerner has been deemed an associate company (Nw. "tilknyttet selskap") of Aker ASA under applicable accounting standards. New accounting standard, IFRS 10, effective from 1 January 2014, implies that Aker ASA is deemed to have control of Kvaerner. Kvaerner has as a result thereof been consolidated as a subsidiary in Aker ASA's accounts from this date. In order to comply with these accounting standards, Aker ASA has in the past received, and will also in the future continue to receive, unpublished accounting information of Kvaerner.

Such distribution of unpublished accounting information from Kvaerner to Aker ASA is executed under strict confidentiality and in accordance with applicable regulations on handling of inside information.

Kvaerner is not deemed, within the meaning of the Norwegian Public Limited Liability Companies Act, to be a close associate of Aker ASA, or any company in which Aker ASA holds ownership interests, but the Board of Directors and executive management team of Kvaerner are nevertheless conscious that all relations with other Aker companies shall be premised on commercial terms and structured in line with the arm’s length principle.

Transactions are made public in accordance with the rules and regulations governing companies listed on Oslo Børs. Furthermore, transactions of a certain magnitude between Kvaerner and companies within the Aker ASA group will be handled in accordance with the procedures set forth in Section 3-8 of the Norwegian Public Limited Liability Companies Act.

Section 5: Freely negotiable shares

The shares are listed on Oslo Børs and are freely transferable. No transferability restrictions are incorporated into the Articles of Association.

Section 6: General meetings

The Board of Directors encourages shareholders to attend the General Meetings. It is a priority for Kvaerner to hold the Annual General Meeting as soon as possible after year end, normally in April. Notices convening General Meetings, including comprehensive documentation pertaining to the items on the agenda, including the recommendations from the Nomination committee, are made available on Kvaerner’s website no later than 21 days prior to the General Meeting. The Articles of Association of Kværner ASA stipulate that documents pertaining to matters to be deliberated by the General Meeting shall only be made available on the company’s website, and will normally not be sent physically by post to the shareholders unless required by statute.

The following matters are typically decided at the Annual General Meeting, in accordance with the Articles of Association of Kværner ASA and Norwegian background law:

- Election of the Nomination Committee and stipulation of the Nomination Committee's remuneration;
- Election of Board of Directors and stipulation of Board of Directors’ remuneration;
- Election of the external auditor and stipulation of the auditor's fee;
- Approval of the annual accounts and the Board of Directors’ report, including distribution of dividend.
- Other matters which, by law or under the Articles of Association, are the business of the Annual General Meeting.

The deadline for notice of participation is intended to be as close to the General Meeting as possible, however, the deadline for registration may not expire earlier than five days prior to the date of the General Meeting. Shareholders who are unable to attend may vote by proxy and the Board will appoint the Chairman of the Board or a person designated by him, to vote for shareholders as their proxy holder. Moreover, information concerning both the registration procedure and the filing of proxies is included in the notice convening the General Meeting and on the registration form. The Board of Directors also aims to structure, to the extent practicable, the proxy form such as to enable the shareholders to vote on each individual item on the agenda.

According to the Articles of Association of Kværner ASA the General Meetings shall be chaired by the Chairman of the Board of Directors, or a person appointed by the Chairman of the Board. Pursuant to the Code of Practice, section 6, the Board should make *“arrangements to ensure an independent Chairman for the General Meeting”*. Thus, the Articles of Association of Kvaerner deviates from the Code of Practice in this respect. This deviation is caused by the fact that having the Chairman of the Board, or a person appointed by him, chairing the General Meetings, simplifies the preparations for the General Meetings significantly.

It is the intention of Kvaerner that the Chairman of the Board, the President & CEO, the Chairman of the Nomination Committee and Kvaerner’s auditor should attend the Annual General Meeting.

It is a priority for the Nomination Committee that the Board of Directors shall work in the best possible manner as a team, and that the background and competence of the Directors shall complement each other. As a consequence, the Board of Directors will propose that the shareholders are invited to vote on the full Board composition proposed by the Nomination Committee as a group, and not on each Director separately. Hence, Kvaerner deviates from the Code of Practice stipulating that one should make *“appropriate arrangements for the General Meeting to vote separately on each candidate nominated for election to the company’s corporate bodies:”*

The Articles of Association of Kværner ASA allows for advance electronic voting options at General Meetings, and this procedure was effectuated as of the Annual General Meeting in 2012. Minutes of General Meetings will be published as soon as practicable on the announcement system of Oslo Børs, www.newsweb.no (ticker: KVAER), and on the company’s website, www.kvaerner.com.

Section 7: Nomination committee

The Articles of Association stipulate that Kvaerner shall have a Nomination Committee. The Nomination Committee shall have no less than three members, who shall normally serve for a term of two years. The members of the Nomination Committee are Arild S. Frick (Chairman), Georg Fredrik L. Rabl and Leif Teksum. Kvaerner’s General Meeting has adopted guidelines governing the duties of the Nomination Committee. According to these guidelines, the committee shall emphasise that candidates for the Board have the necessary experience, competence and capacity to perform their duties in a satisfactory manner. Furthermore, attention should be paid to ensuring that the Board can function effectively as a collegiate body. A reasonable representation with regard to gender and background should also be emphasised, and the Nomination Committee should present its nomination of Directors to the Board. The Nomination Committee shall justify its nominations. The guidelines for the Nomination Committee are available on the company’s website http://www.kvaerner.com/en/toolsmenu/Investors/Corporate-governance-/Board-and-nomination-committees/Nomination-committee/.

The Chairman of the Nomination Committee has the overall responsibility for the work of the committee. In the exercise of its duties, the Nomination Committee should contact, amongst others, shareholders, the Board of Directors, the President & CEO, management and external advisors. The Nomination Committee shall also ensure that its recommendations are endorsed by the largest shareholders.

All of the members of the Nomination Committee are external parties, independent of the Board of Directors and executive management of the company, and none of the members of the Nomination Committee are members of the executive management or the Board of Directors. The Articles of Association charge the Nomination Committee with proposing candidates for appointment as Directors. The Nomination Committee shall also propose the remuneration payable to the Directors.

The composition of the Nomination Committee shall reflect the interests of all shareholders. In addition its members’ shall be independent from the Board of Directors and the executive management team. The members and the Chairman of the Nomination Committee are appointed by the Annual General Meeting, which also determines the remuneration to the committee members.

Information concerning the Nomination Committee and deadlines for making suggestions or proposing candidates to the Board of Directors are available on the company’s website http://www.kvaerner.com/en/toolsmenu/Investors/Corporate-governance-/Board-and-nomination-committees/Nomination-committee/.

Section 8: Corporate assembly and Board of Directors: Composition and independence

It has been agreed with the employees that Kvaerner shall not have a corporate assembly. Hence, the Board of Directors appoints its own Chairman, pursuant to the provisions of the Norwegian Public Limited Liability Companies Act, section 6-1(2), unless the Chairman has been appointed by the Annual General Meeting. The proposal from the Nomination Committee will normally include a proposed candidate for appointment as Chairman of the Board of Directors. The Board of Directors appoints its own Deputy Chairman. According to the Norwegian Public Limited Liability Companies Act, the Directors are appointed for a term of up to two years at a time.

In 2015, two Directors – Trine Sæther Romuld and Birgit Nørgaard, resigned before the end of their tenure, in accordance with the Norwegian Public Limited Liability Companies Act section 6-7. As the election of new Directors falls under the authority of the General Meeting, and the Board of Directors still constitutes a quorum, the supplementary election is postponed until the Annual General Meeting in 2016. It should however be noted that as per Birgit Nørgaard's resignation, and until the General Meeting has elected supplementary Directors, the Board of Directors no longer comply with the requirement set out in the Norwegian Public Limited Liability Companies Act section 6-11a regarding gender representation on the Board.

Kvaerner encourages the Directors to own shares in the company. The shareholdings of the Directors as of 31 December 2015 are described in Note 9 – *Salaries, wages and social security costs* to the consolidated financial statements included in the annual report for 2015. In addition to Leif-Arne Langøy's and Kjell Inge Røkke's indirect ownership of shares in the company, also the Directors Bernt Harald Kilnes, Rune Rafdal and Ståle Knoff Johansen are currently shareholders in Kvaerner. Leif-Arne Langøy also holds shares directly in Kvaerner. A majority of the Directors elected by the shareholders are independent of the executive personnel and important business associates. None of the executive personnel of the company are Directors thereof.

The composition of the Board of Directors aims is obligated to attend to the common interests of all shareholders and to meet the company's need for expertise, capacity and diversity. Among the four shareholder elected Directors, two (Tore Torvund and Vibeke Hammer Madsen) are deemed independent from the company's largest indirect shareholder; Aker ASA. The reasoned proposals of the Nomination Committee for candidates to become shareholder-appointed Directors will be published on the company's website and on Oslo Børs, via http://www.newsweb.no, prior to General Meetings. The appointment of employee representatives to the Board of Directors will be conducted as prescribed by the Norwegian Public Limited Liability Companies Act and the Representation Regulations. The Board of Directors will appoint a designated appointment committee to support the process of appointing of such employee representatives. This committee includes representatives of the employees and of the executive management of Kvaerner.

Section 9: The work of the Board of Directors

The Board of Directors adopts an annual plan for its work, with an emphasis on goals, strategy and implementation. Furthermore, there are Rules of Procedure for the Board of Directors, which govern areas of responsibility, duties and the distribution of roles between the Board of Directors, the Chairman of the Board of Directors and the President & CEO. The Rules of Procedure for the Board of Directors also include provisions on convening and chairing Board meetings, on decision making, on the duty and right of the President & CEO to disclose information to the Board of Directors, on the duty of confidentiality, as well as on for example competence. In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved, the Board's consideration of such matters should be chaired by the Deputy Chairman. In addition, a separate guideline for related party transactions is integrated in the Rules of Procedures.

The Board of Directors held 10 ordinary Board meetings in 2015, and in addition, five extraordinary Board meetings were held. The total attendance rate at Board meetings for 2015 was 88.8 percent.

The President & CEO prepares matters for deliberation by the Board of Directors in consultation with the Chairman of the Board of Directors. Emphasize is on having matters prepared and presented in such a way that the Board of Directors is provided with an adequate basis for its deliberations. The Board of Directors has overall responsibility for the management of Kvaerner and shall, through the President & CEO, ensure that its activities are organised in a sound manner. The Board of Directors shall, *inter alia*, adopt plans and budgets for the business, and keep itself informed of the financial position of, and development in, Kvaerner. This encompasses the annual planning process of Kvaerner, with the adoption of overall goals and strategic choices for the group, as well as financial plans, budgets and forecasts for the group and the various business areas. The Board of Directors performs an annual evaluation of its work and its know-how in accordance with the Rules of Procedure for the Board of Directors.

The Board of Directors has established two sub-committees, as further described below.

Audit Committee

Kvaerner's Audit Committee comprises the following two Directors; Leif-Arne Langøy and Rune Rafdal. The Audit Committee is independent from management. The Audit Committee held ten committee meetings in 2015, mainly in connection with the quarterly and annual reporting of the company. The Audit Committee has adopted an annual plan for their work.

At least one of the members of the committee shall have relevant accounting or auditing qualifications. The Audit Committee has a mandate and working processes that comply with statutory requirements. The Audit Committee mandate forms an integrated part of the Rules of Procedures for the Board of Directors.

The Audit Committee shall perform a quality review of external financial information, including Kvaerner's quarterly and annual reports. It shall further oversee the work of the external auditors and review their qualifications and independence and ensure that the company has implemented policies and procedures which provide good corporate governance, effective internal controls and risk management – in particular as it relates to financial reporting. The Audit Committee shall also ensure that management has implemented procedures to handle complaints and concerns reported by employees and other stakeholders (whistle-blowers) regarding possible breaches of the company's ethical guidelines, governing policies, laws and regulations.

Remuneration Committee

Kvaerner has a Remuneration Committee comprising three of the Directors. The members of the committee are Leif-Arne Langøy (Chairman), Tore Torvund and Vibeke Hammer Madsen. The Remuneration Committee is independent from the management of Kvaerner.

The committee will prepare and recommend proposals for the Board of Directors relating to the salary and terms of the President & CEO, as well as the guidelines and principles governing the remuneration of executive personnel within the group at any given time. The Remuneration Committee will also approve, based on the recommendation of the President & CEO, the salary and terms of those who report directly to the President & CEO. The mandate of the Remuneration Committee is further defined in a separate guideline for the Remuneration Committee, which forms an integrated part of the Rules of Procedures for the Board of Directors.

Section 10: Risk management and internal control

The Board of Directors shall ensure that the Kvaerner has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities.

The Audit Committee assists the Board of Directors in safeguarding that the company has internal procedures and systems that ensure good corporate governance, effective internal controls and proper risk management, particularly in relation to financial reporting.

Risk management

Kvaerner manages risk through an internal framework comprising guidelines, policies and procedures intended to ensure good business operations and provide unified and reliable financial reporting. Kvaerner has a separate Risk Management Policy in place describing roles and responsibilities as well as the operating principles. Some of these are adopted already, while some are work in progress. The framework is anchored in the various group functions. The Board of Directors performs an annual risk review focusing on the company's most important areas of exposure to risk and its internal control environment.

The operating model of Kvaerner implies that each group function in Kvaerner Corporate management has a global responsibility for following up their respective areas of specialisation, and the frameworks associated therewith. Such responsibility includes in particular risk management and ownership to their respective policies and procedures, irrespective of how the business is organised. Individual group functions follow up on their area of responsibility through a direct dialog with the businesses, both in connection with specific projects and as part of know-how development to enhance risk management. Group functions set the direction for taking risks and management within the respective areas in line with ambitions and guidelines from the Board of Directors, and safeguard that the operating businesses comply with this direction. Within the risk framework established at corporate level, the operating businesses manage the day-to-day risks related to their operations.

Kvaerner has a corporate risk committee and a corporate investment committee. The corporate risk committee is responsible for assessing risk and giving advice to the group executive management team in respect of all major tenders that the group contemplates for submission. The corporate investment committee comprise selected corporate functions, such as tax, legal, finance and treasury, and reviews all acquisitions and disposals and those investments that are required to be approved by the Board of Directors of Kværner ASA, the President & CEO or the Chief Financial Officer pursuant to the authorisation matrices of Kvaerner. The corporate investment committee thereafter gives it joint recommendation to the President & CEO or the Chief Financial Officer, which again, if relevant, gives their recommendations to the executive management team and/or the Board of Directors.

The overall risk management effort is primarily handled by the following group functions, in close cooperation with the business areas and operating units:

Corporate Finance & Accounting is responsible for handling of risks related to internal control in connection with financial reporting, including financial assessments made in this respect. Corporate Finance & Accounting is the owner of the Financial Reporting and Planning policy, together with connected applicable procedures and templates. The set of policies and procedures aim to manage risks related to the financial reporting process.

Corporate Treasury is responsible for financial market risk and the group's exposure in financial markets, and is member of the corporate investment committee.

Corporate Tax is responsible for the various tax risks of the group, relating to, inter alia, transactions, operational activities and tax returns.

Corporate Compliance coordinates the management of risk outside the traditional project and financial areas, and has overall responsibility for the development of Kvaerner's framework, basic corporate values, corporate responsibility, Code of Conduct, anti-corruption effort and ethical guidelines. Corporate Compliance is the owner of the Kvaerner Business Integrity Program covering human rights, corruption and improper payments and fraud.

Corporate HSSE is responsible for following up risks within Health, Safety, Security and Environment.

Corporate Legal assists all of the abovementioned functions in their handling of risks by, inter alia, being a member of the corporate risk committee and the corporate investment committee, and is also responsible for the contractual and legal follow-up of projects, partners, agreements, disputes and Kvaerner's regulatory framework.

In addition to the said group functions, the business areas have their own management teams and finance/staff functions tailored to their organisations and activities. The responsibility for managing risks in projects and operations lies with the operating units.

The Project Execution Model (PEM™) is a key element in the operating units' operating system. The PEM™ is the methodology followed when executing projects. All risk management processes and controls shall be described according to the respective operating system of the business area unit. In each of the project phases there are defined milestones that the project needs to pass, and between all the phases there are defined gate reviews/audits. All projects in Kvaerner have a register where identified risks and opportunities are categorised and assessed in terms of impact and probability.

In 2014, several countries, including the United States, European Union and Norway introduced restrictions on certain dealings with Russia and with selected Ukrainian and Russian nationals and companies. Kvaerner is closely monitoring this and maintains a dialogue with the Ministry of Foreign Affairs in Norway on the development. During 2015, there have been signs on potential upcoming lifting of the Iran sanctions and the sanctions were lifted early 2016. Kvaerner monitors project opportunities and will evaluate how the company can offer value adding solutions if relevant prospects should arise.

The reporting of all operational risks and opportunities is standardised across the group and aggregated up to group level through the line organisation.

Internal control

In an international organisation like Kvaerner, it is a prerequisite that the activities in every part of the group meet financial and non-financial requirements, and are carried out in accordance with the group's norms and values.

Each operational unit is responsible for adherence to the internal framework of the group and compliance with external laws and regulations at any given time, and the executive management of each operating unit is responsible for ensuring reliable financial reporting and compliance with legislation and regulations. This involves close cooperation between corporate functions and the different areas and functions with a view to identify, monitor, report and handle risk for the entire group in conformity with, *inter alia*, the requirements laid down by the Audit Committee and the Board of Directors.

All operating units within Kvaerner shall evaluate, on an ongoing basis, their own adherence to the framework and policies established on corporate level, and whether established control activities function appropriately. The Audit Committee of the Board of Directors shall assist the Board of Directors in ensuring that the company has internal procedures and systems that promote good corporate governance, effective internal controls and good risk management – particularly in relation to financial reporting.

Kvaerner's Corporate Internal Audit Function team performs audits to confirm compliance with Kvaerner's governing documentation and laws and regulations, including audits within project execution. The result of the Annual risk review with the Board of Directors is the basis for the selection of the Corporate Internal Audits. The Corporate Internal Audits are approved on a yearly basis by the Board of Directors, after presentation for input from the Corporate Management Team and the Board's Audit Committee. The function includes fixed members from Corporate Legal and Corporate Finance.

In 2015 four corporate internal audits were executed.

The financial reporting process

In 2015,the business areas were responsible for monthly financial follow-up and reporting. The reports are reviewed in meetings with the President & CEO and the Chief Financial Officer before the Board of Directors receives monthly reporting on the financial performance of the company. As from 1 January 2016, a new operating model has been implemented, impacting the responsibility for financial follow-up and reporting in Kvaerner.

In 2015, the monthly financial reporting from the operating units of Kvaerner has been performed through the group's reporting system, in order to ensure consistent and unified reporting throughout the organisation. In the year, Kvaerner has implemented a new system for this purpose. As described above, Kvaerner has a financial reporting and planning policy with applicable procedures, owned by the Chief Financial Officer, which sets out the regulations and procedures for the financial reporting. The internal control of financial reporting is a process designed under the supervision of the Chief Financial Officer to provide reasonable assurance.

Kvaerner prepares and presents its financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Section 11: Remuneration of the Board of Directors

The remuneration of the Board of Directors will reflect its responsibilities, know-how and time commitment, as well as the complexity of the business. The remuneration will be proposed by the Nomination Committee, and is not performance-related or linked to options in Kvaerner. Any remuneration in addition to normal directors' fees shall be specifically identified in the annual report. There has not been any such additional remuneration in 2015. More detailed information about the proposed remuneration of the Board of Directors for 2015 is provided in Note – *Salaries, wages and social security cost* to the consolidated financial statements for the group in the annual report.

Neither the members of the Board of Directors, nor companies with whom they are affiliated, shall accept specific paid duties for Kvaerner beyond their directorships, unless the Board of Directors are informed and the compensation is approved by the Board of Directors. No compensation shall be accepted from anyone other than the relevant group company in connection with such duties.

Section 12: Remuneration of executive personnel

The executive compensation shall encourage a strong and sustainable performance culture based on the company's values in support of increasing shareholder value. The executives' total compensation consists of three main components; an annual base salary, standard employee benefits and participation in the Company's Executive Variable Pay Programme. The Board of Directors' statement of executive remuneration is published as a separate document together with the agenda for the Annual General Meeting on 19 April 2016.

General

The company is practising standard employment contracts and standard terms and conditions in respect of notice period and severance pay for the President & CEO and the executives.

The executive- and senior management positions are evaluated and graded in an international compensation grading system in order to enable national and international market salary benchmarks. The compensation benchmarks are completed on annual basis and the results concerning the members of the executive management team (EMT) shall be reported to the Kvaerner Board's Remuneration Committee. The Company aims to maintain a total compensation level which is competitive compared to the relevant market median.

Benefits

The President & CEO and the Executives are all members of the standard regional company pension and insurance plan.

The Executive Variable Pay Programme

Kvaerner has a deliberate policy of offering limited fixed benefits, and rather secure competitiveness by offering participation in the Company's Executive Variable Pay Programme. The purpose of the programme is to recognise and reward the achievement of financial- and operational results as well as personal performance. The programme potential is maximised to 100 percent of the individual annual base salary. The earning under the programme is dependent on the annual achievement of the financial targets, the company's key performance indicators and personal performance rating. 50 percent of earned variable pay is paid-out the year following the earning, while the other 50 percent is deferred for three years and paid out together with a retention element, comprising a restricted share programme. The executive's continued employment in the company is a prerequisite for being eligible to the retention element. The maximum annual payment under the programme is limited to one annual base salary. The surplus shall be transferred and paid out the following year.

Severance pay

Severance pay is applicable in case the company requests the resignation of the executive of concern for the affairs of Kvaerner or there is a mutual understanding between the company and the executive to the effect that the employment shall be terminated. If so, the executive is entitled to severance pay corresponding to 3 or 6 months regular fixed salary. Severance pay does not imply the accrual of any holiday allowance or pension entitlements.

Share programmes

Kvaerner's share purchase programmes for employees and managers were introduced and offered for the first time in 2012 and then in 2013, but was suspended in 2014, to be offered again in 2015.

The two share purchase programs are expected to contribute to increased employee attention and commitment to Kvaerner's overall value creation. The programmes imply that employees and managers employed in the Norwegian subsidiaries of Kvaerner were offered to buy shares in Kværner ASA at a discounted price.

The employees included in the scope of the share purchase programme were offered the opportunity to buy Kværner ASA shares for a minimum amount of NOK 10 000 and a maximum amount of NOK 60 000. The employees were offered a 12 months interest free loan from Kvaerner as funding for the shares purchased.

Kvaerner also offered defined key personnel employed by its subsidiaries the opportunity to buy Kværner ASA shares. The programme allowed managers to buy shares for an amount limited to 25 percent of their base salary. The managers were not offered loans as funding for the purchase of shares.

The participants in the share purchase programmes were offered a price reduction of 25 percent of the share price in addition to a discount of NOK 1 500, the latter representing a cost of NOK 3.62 million (in the group accounts. The price reduction is determined representing fair value as the shares have a lock-in period of three years. The employees retain the rights to the shares regardless of whether they remain employees of Kvaerner.

In total, 1 561 303 Kværner ASA shares were distributed to employees and managers in the 2015 programmes at a price of NOK 8.11 per share.

In addition to the share programmes described above, Kvaerner offers selected executives a restricted share programme element as part of the variable pay programme. For further information, please see the Guidelines for remuneration to the President & CEO and the executive management of Kvaerner published in connection with the Annual General Meeting.

Guidelines for settlement and approval of executive compensation

The Kvaerner Board's Remuneration Committee assists in the discharge of the Board of Directors' responsibilities with respect to compensation of the President & CEO and the Executives.

The Remuneration Committee comprise three members from the Board of Directors, each of whom shall be free of any relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgement. The Chairman of the committee shall be appointed by the Board of Directors. The President & CEO and his representative(s) may participate in the meetings of the Remuneration Committee. The President & CEO and his representative(s) shall not participate in the Remuneration Committee's discussions regarding the President & CEO's terms and conditions.

According to the Remuneration Committee's charter, the Committee shall carry out annual compensation review of the President & CEO and propose changes, if any, of the compensation to the Board of Directors. Any changes are subject to final approval by the Board of Directors.

The executives' wage settlement shall be recommended by the administration and be approved by the Remuneration Committee in accordance with the one-over-one principle set out in the Kvaerner People Policy.

Section 13: Information and communications

Kvaerner is committed to serve the financial market with precise and relevant information about the company. Kvaerner has established guidelines for the reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

Investor Relations activities aim to ensure that the information provided to the financial markets gives market participants the best possible basis to establish a precise picture of the company's financial condition and factors that may affect its future value creation. This shall take place through the correct and timely distribution of share price-sensitive information, whilst ensuring, at the same time, that Kvaerner is in compliance with applicable rules and market practices. Reference is also made to the above discussion concerning the flow of information between Kvaerner and Aker ASA in connection with their cooperation within, inter alia, strategy, transactions and funding.

All stock exchange announcements, quarterly reports and presentations, other public presentations and press releases are made available on the company's website www.kvaerner.com together with other relevant information. Stock exchange announcements are also available on www.newsweb.no. All information sent to the shareholders is posted on the company's website simultaneously. Kvaerner holds open presentations in connection with the financial reporting, and these presentations are broadcasted live via the internet. The intention is to host a capital markets day regularly, open to all interested parties. All relevant event dates are published in the financial calendar available on Kvaerner's website.

The group's Investor Relations department is responsible for maintaining and coordinating regular dialogue with the shareholders and other financial market stakeholders. The Board is informed about these activities on a regular basis. Furthermore, Kvaerner has prepared a designated Investor Relations Policy which includes guidelines for the company's contact with shareholders other than through General Meetings.

Section 14: Take-overs

Aker ASA has undertaken to retain control of Aker Kværner Holding AS for a period of ten years from June 2007. Although deviating from the Code of Practice, the Board of Directors has thus not deemed it appropriate to adopt specific guidelines for takeover situations for as long as the ownership cooperation context within Aker Kværner Holding AS remains intact.

Section 15: Auditors

The auditor shall annually present its assessment of accounting risk and audit plan to the Audit Committee.

The Board of Directors has established procedures for regular contact with the external auditor through the Audit Committee. This contact includes, but is not limited to, the auditor: Presenting the audit plan for the coming year; Contributing to meetings concerning Kvaerner's financial statements; Presentation of audit findings, including changes in accounting principles, significant estimates and judgments reflected in the annual financial statements, any areas of disagreement with management and identified internal control process improvement opportunities; Participating in an annual meeting with the Board of Directors without the President & CEO or other members of management being present; and attending Annual General Meetings.

The Audit Committee oversees the work of the auditor and reviews its qualifications, performance and independence. As part of this independence oversight, the Audit Committee has implemented guidelines covering the services which may be provided by the auditor in addition to statutory audit. The Audit Committee receives an annual summary of audit and non-audit services provided globally by the auditor, which the Board of Directors presents to the Annual General Meeting for approval. Details of the external auditor's remuneration are given in Note 11 – *Other operating expense to the consolidated financial statements* in the annual report.

The external auditor has provided the Audit Committee with written confirmation of its independence.