



CORPORATE GOVERNANCE REPORT 2016

A. INTRODUCTION

Stiftelsen Det Norske Veritas ("DNV" or the "Foundation") considers good corporate governance to be paramount to secure trust in DNV's fulfilment of its purpose *"to safeguard life, property and the environment"*, and a cornerstone for achieving the greatest possible value creation over time in the best interest of DNV's stakeholders.

DNV is incorporated as a Norwegian foundation (No: "Stiftelse").

DNV owns 63.5 percent of DNV GL Group AS ("DNV GL Group") through its wholly owned subsidiary Det Norske Veritas Holding AS ("DNV Holding"). In addition to its majority ownership in DNV GL Group, DNV owns financial assets and Det Norske Veritas Eiendom AS whose main asset is real estate in Høvik (Norway).

DNV's corporate governance practices were amended in connection with the DNV GL merger in 2013 in order to adapt to the change from having been a 100 percent owner and group managing entity to the new situation of being a controlling shareholder. However, governance principles applied prior to the DNV – GL merger were maintained. The key principles are:

- the importance of representation of stakeholders in the Council,
- supervision by public authorities, statutory auditor and governing bodies
- transparent, recognizable and credible governance practices
- governance measures that match, to the extent possible and reasonable, the highest requirements in relevant laws and guidelines such as the Public Limited Companies Act and the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"), and
- generation of sufficient profit to fulfil the Foundation's purpose over time.

Reporting standards

The Board maintains its practice to report annually on corporate governance per principles that apply to listed public limited companies in Norway and to apply these corporate governance principles to the extent relevant for DNV as a foundation without shareholders or owners.

This report is based on

- The 15 sections of the Norwegian Code of Practice for Corporate Governance ("the Code of Practice"). The report includes a detailed discussion of each of the 15 individual sections of the Code of Practice. The Code of Practice provides recommendations and requires that the company describes how it fulfils the recommendations, on which sections it deviates, and an explanation for the

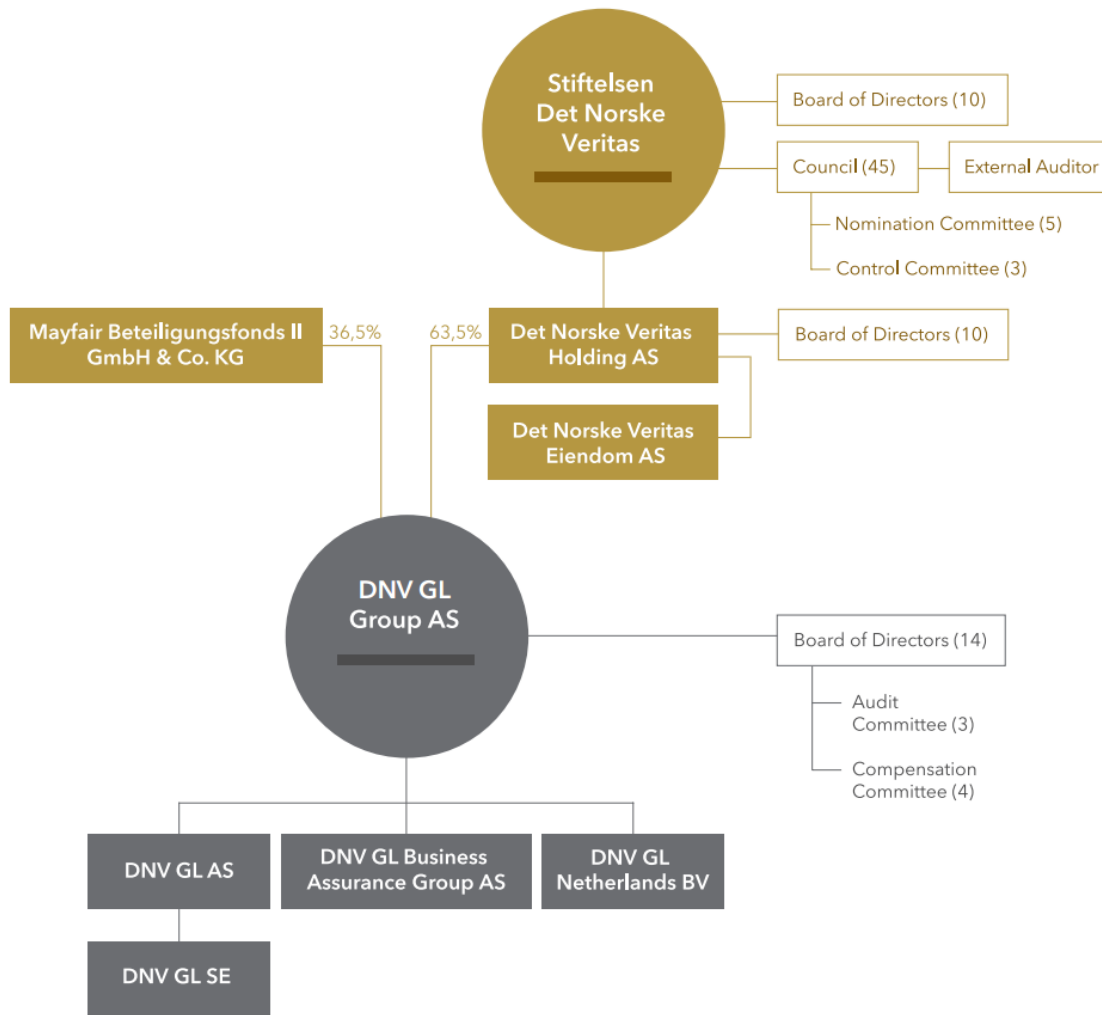
- deviations. The full Code of Practice with comments is available on the web site of the Norwegian Corporate Governance Board, www.nues.no.
- Norwegian Accounting Act Section 3-3b which holds obligatory requirements for Norwegian listed public limited companies to report on corporate governance.

This report fulfils both reporting obligations as if DNV were a listed company.

More details on the reporting requirements for listed companies in the Norwegian Accounting Act (LOV-1998-07-17-56) are included in this report see page 20.

The Norwegian Association of Foundations has also issued guidelines for the governance of foundations, available on <http://www.stiftelsesforeningen.no/> (in Norwegian only). These guidelines are based upon the Code of Practice with adjustments to make them suitable for more traditional foundations with a distribution purpose. The corporate governance review of DNV performed in 2012 concluded that the Code of Practice is more comprehensive and more suitable to a large business entity like DNV than the guidelines issued by the Association of Foundations. Therefore, DNV considers that it complies with the guidelines issued by the Association of Foundations as DNV based its practices on a more comprehensive standard.

Overview of the Corporate Governance Structure of Det Norske Veritas



The Board of Directors (“the Board”) is the principal body of the Foundation. This deviates from the governance of public limited companies where the General Meeting is the principal body. Pursuant to the Norwegian Foundation Act (“Foundation Act”) only tasks and responsibilities which are specifically listed in the Foundation Act may be vested in other bodies than the Board. In DNV, all such tasks and responsibilities to the extent permitted by the Foundation Act have been vested in the DNV Council (“the Council”).

The Council’s main function is to supervise the Board’s management of the Foundation, to elect the members of the Board of Directors and to determine their remuneration, to approve amendments to the DNV Statutes, to appoint the external auditor and to state its opinion on the Board’s annual report and financial statements. The Council has 45 members who represent customer industries and other stakeholders. Seven of the members are elected by and among the employees of DNV GL and its subsidiaries worldwide.

The Council and the Board are described in Section 8 herein. The Council's Control Committee supervises the Board of Director's management of the Foundation on behalf of the Council. The Control Committee is also described in the same Section 8.

The Council's Nomination Committee nominates candidates to all elections to be held by the Council, and proposes remunerations to be decided by the Council. The Committee is described in Section 7, "Nomination Committee".

The statutory auditor is elected by the Council and reports to the Board.

DNV operates through its wholly owned holding company, DNV Holding which is governed by the Norwegian Private Limited Companies Act. The Board of DNV Holding consists of the same members as the Board of the Foundation. These board members are also elected as members of the board of DNV GL Group AS.

B. THE 15 SECTIONS OF THE CODE OF PRACTICE.

1 IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Corporate Governance Policy – deviations from the Code of Practice

The Board has decided that it will comply with the Code of Practice to the extent relevant for a foundation. As DNV is a foundation and as such has no shareholders, parts of the Code of Practice will not be applicable for DNV, and the reporting will have to be adjusted accordingly.

This report includes information on

- (a) the sections of the Code of Practice to which DNV complies,
- (b) information on where the Code of Practice is not considered as relevant for a foundation, and
- (c) explanations of sections in relation to which DNV deviates from the Code of Practice.

The following sections of the Code of Practice will generally not be applicable;

Section 3 (Equity and Dividends), Section 4 (Equal Treatment of Shareholders),

Section 5 (Freely Negotiable Shares), Section 6 (General Meetings), and Section 14 (Take-Overs).

To some extent relevant topics related to these sections of the Code of Practice will still be discussed in the report. For instance, the Code of Practice's references to "shareholders" may in some cases be replaced with a discussion relating to DNV's stakeholders. Further, the Code of Practice's references to the "General Meeting" or "Corporate Assembly" may in some cases be replaced with references to the DNV Council. Some deviations from the Code of Practice are justified where statutory legislation for a foundation deviates from that of a public limited company. All adjustments and deviations are explained in the relevant sections in the report.

DNV has no shareholders, but answers to the purpose of the Foundation and to society at large. Fundamental functions for the corporate governance of DNV are therefore on one hand to protect DNV's independence and integrity to fulfil its purpose and on the other hand to honor the legitimacy it earns from its stakeholders and its moral responsibility towards society.

DNV and other foundations lack the ownership control which is normally embedded in corporate governance for companies with owners. This lack of control is however mitigated by other measures. The Foundation Act prescribes public supervision of foundations by the Norwegian Foundation Authority. This is a supervisory measure not found in relation to limited liability companies. In addition, DNV's corporate governance also includes supervision of the Board's management by the Council and by the Control Committee acting on behalf of the Council.

With the DNV GL merger, DNV's role was changed from being the group managing entity to that of a controlling shareholder. For the sake of completeness, this report may therefore be read in context with the Corporate Governance Report 2016 issued by the board of DNV GL Group AS. In order to maintain proximity between DNV and the DNV GL Group, the DNV Board with support from the Council has established the following measures:

- (a) The directors of the Board of the Foundation participate directly in the group management of DNV GL group as DNV's representatives on the boards of DNV Holding AS and DNV GL Group AS. DNV is represented with 6 of 9 shareholder-elected directors on the DNV GL Group Board of Directors;
- (b) The Council's Nomination Committee considers the total composition of the DNV GL Group AS Board's considering the need for expertise and diversity of background;
- (c) The remunerations for directors on the boards of DNV Holding and DNV GL Group AS are anchored with the Council, and
- (d) An employee representation scheme is established so that the same directors elected by and among the employees serve as directors and/or observer on the boards of the Foundation, DNV Holding and DNV GL Group AS.

These measures are further described in Section 7 and 8 below.

Corporate Values, Ethical Guidelines and Corporate Sustainability

DNV places great emphasis on its corporate values. DNV's purpose is *"to safeguard life, property and the environment"*. The Statutes state that the purpose may be achieved through the ownership in partly-owned companies. Following the DNV GL merger DNV's purpose is fulfilled through the ownership in DNV GL Group AS.

DNV's and DNV GL's shared vision is *"Global impact for a safe and sustainable future"*. The values that support the vision are: *"We build trust and confidence. We never compromise on quality or integrity. We are committed to teamwork and innovation. We care for our customers and each other. We embrace change and deliver results."*

DNV adheres to DNV GL's ethical guidelines. The basis of DNV GL's ethical guidelines is the DNV GL Code of Conduct. The Code of Conduct describes the requirements and expectations for business and

personal conduct of employees and officers of the group and its subcontractors while performing work on behalf of DNV GL. The Code of Conduct further describes DNV GL's commitment to its stakeholders, and how the requirements of responsible business practices and ethics are embedded in the core of DNV GL's business.

In 2003, DNV signed the UN Global Compact ("Global Compact"). The Global Compact requires commitment to ten universal principles related to human rights, labor rights, environmental standards and anti-corruption. It requires that the company makes the principles an integral part of its business strategy, day-to-day management and organizational culture, and that the principles are integrated in the decision-making process of the Board. This commitment is carried on in the DNV GL group.

2 BUSINESS

The overall purpose of DNV is *"To safeguard life, property and the environment"*. The business of DNV is stated in the Statutes Section 1 as follows: *"The Foundation undertakes classification, quality assurance and certification of ships, facilities and systems, and carries out research in connection with these functions. Moreover, provided its integrity is not impaired, the Foundation may perform assignments which exploit its know-how or which contribute to the development of know-how that may be required for the performance of these tasks. This purpose may be achieved through participation by the Foundation in wholly or partly-owned companies."*

The complete Statutes are available on DNV's website www.detnorskeveritas.com.

Following the DNV GL merger, the purpose is achieved through the 63.5 percent ownership in DNV GL Group AS. The business and main functions of the Foundation are therefore to manage the ownership in DNV GL Group AS and its other assets, and in particular to ensure that the purpose of the Foundation is fulfilled through the ownership in the DNV GL Group.

DNV GL Group's main objectives and strategies are described in the DNV GL Group AS' Board of Directors' Annual Report.

3 EQUITY AND DIVIDENDS

As of 31 December 2016, DNV had a total equity of NOK 23 507 million. The Board continually reviews DNV's capital situation considering DNV's objectives, strategies and risk profile. The Board considers the total equity to be satisfactory.

Being a foundation, DNV does not have any owners or any share capital. The Code of Practice's references to dividend policy and board mandates to increase share capital are therefore not relevant for DNV.

Since DNV as a foundation cannot raise capital through issue of shares, prudent management of the capital base is of great importance. The Board has adopted a financial policy to ensure that the capital of DNV is managed in a way that enables DNV to fulfil its purpose as this is stated in DNV's Statutes. DNV GL Group AS has stated that it intends to distribute as dividend 50 % of the annual net

profits subject to assessment of cash flow, capital expenditure plans, financing requirements and financial flexibility. Received dividends will contribute to DNV's capital base.

The Board is particularly focused on ensuring that the equity and available funds keep DNV in a position where it can maintain its controlling position in the DNV GL Group.

4 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

As DNV does not have owners, equal treatment of shareholders is not a relevant topic for DNV.

Agreements between the Foundation and a Board member or the Chief Executive Officer, if any, are subject to Board approval. Agreements between the Foundation and third parties in which a Board member or the Chief Executive Officer may have a special interest are also subject to Board approval.

The disqualification rules in the Foundation Act apply to the Board's handling of agreements mentioned above.

The DNV directors are also elected as directors in DNV Holding and DNV GL Group AS. The Board has closely assessed whether, as an alternative governance model, DNV should be governed by a board composed of directors who have no roles in the subsidiaries. The assessments concluded that in the current situation, it is preferable for the fulfilment of DNV's purpose and the management of DNV GL group that there is proximity between the stakeholders as represented in DNV's Council and the group management. This proximity is achieved through the multiple directorship arrangement. The Board has also concluded that the Board's normal exercise of ownership in - and arrangements with these subsidiaries - does not impact the directors' impartiality.

With respect to DNV GL's employees, DNV GL's Code of Conduct sets forth rules for transactions between DNV and DNV GL. With respect to transactions between the Foundation and DNV GL Group AS or other subsidiaries, possible conflicts of interest between the companies, including extraordinary transactions between the entities, are handled with due care to ensure arm's length terms. The Board Instructions for DNV state that the Board shall be aware of possible conflicts of interest in transactions between the Foundation and its subsidiaries on one hand, and DNV GL Group AS and its subsidiaries on the other hand. The Board shall ensure that appropriate measures to mitigate such conflicts of interests are applied, for example, by obtaining independent advice. Examples of such transactions are the lease of office premises in Norway provided by DNV to the DNV GL group, and the management services provided by DNV GL group to DNV. The Council's Control Committee shall monitor such transactions on behalf of the Council.

5 FREELY NEGOTIABLE SHARES

Given that DNV is a foundation without shares or owners, transfer of shares is not relevant.

6 GENERAL MEETING

Given that DNV is a foundation with no owners or shareholders, there is no general meeting in DNV. The Code of Practice, Section 6 (concerning general meeting) is therefore not relevant for DNV.

For the sake of completeness, it is mentioned that the DNV Council has some functions that resemble a general meeting of a limited company, but in fact, the Council has more in common with a corporate assembly (*No: "Bedriftsforsamling"*) regulated by the Public Limited Companies Act. We have therefore chosen to discuss the Council considering the Code of Practice, Section 8 (see below).

7 NOMINATION COMMITTEE

The DNV Council elects the members of the Board who are not elected by and among the employees and fixes the remuneration for all Board Members. DNV therefore applies the recommendations in the Code of Practice related to nomination committees, adjusted so that reference to "shareholders" in the Code of Practice is replaced by references to DNV's stakeholders, and references to the "General Meeting" in the Code of Practice is replaced by reference to the Council. Further, details on the procedure for determining the remuneration to "committee members" in DNV is adjusted as described below.

The Nomination Committee's composition and role is defined in the DNV Statutes (Section 10) and the Committee works under instructions from the Council. The Council has adopted instructions for the Nomination Committee that specify guidelines for the Committee's procedures and considerations. This includes the obligation to present its justified recommendations to the Council. The Chairman of the Nomination Committee shall invite and discuss matters of principle with the Council. Council Members shall be given the opportunity to propose candidates to the Nomination Committee.

The Nomination Committee's mandate is to submit recommendations to the Council with respect to elections and remuneration as further detailed below.

The Nomination Committee submits recommendations to the Council for the election of:

- (a) Members of the Board of Directors, including Chairman and Vice-Chairman who shall be nominated separately;
- (b) Chairman and Vice-Chairman of the Council;
- (c) Council Members that according to the Statutes shall be elected by the Council;
- (d) Chairman and Members of the Control Committee, and
- (e) Members of the Nomination Committee.

To promote governance proximity between the Council and DNV GL Group, the directors of the Foundation will be elected directors of both DNV Holding and DNV GL Group AS by the respective general meetings. The Nomination Committee's mandate includes a duty to take this proximity into account in their assessments.

The Committee shall also consider the total composition of the Board of DNV GL Group AS including the three directors appointed by the minority shareholder. The Committee may communicate with the minority shareholder regarding appointments to the Board of DNV GL Group AS prior to submitting its recommendation to the Council. Based on agreement with the DNV GL Group AS

Board, the DNV Nomination Committee also has access to the DNV GL Group AS Board's self-assessments.

In respect of appointments to the Council, the Nomination Committee shall ensure that the Council has representation from major industry customer groups served by DNV. The Nomination Committee shall communicate with the associations that, according to the Statutes, also appoint members to the Council to ensure that the associations' appointments meet the needs of the Council.

The Nomination Committee shall submit recommendations for the remuneration of members of the Board of Directors as well as members of Council and its Committees. Remuneration of members of the Board of Directors is decided by the Council. With respect to remuneration of members of Council and its Committees, the Council forwards its recommendation to the Board of Directors for the Board's decision.

The Nomination Committee shall make its recommendation for remuneration of directors of the Foundation, DNV Holding and DNV GL Group AS respectively. The Committee shall consider whether directors are serving on more than one board, the total workload and the commitment expected.

All decisions regarding remunerations to Board members of DNV Holding and DNV GL Group AS are vetted by the Council to ensure proximity and a solid decision process.

This process related to remuneration is further described under Chapter 11 Remuneration of the Board of Directors and Council.

The Code of Practice recommends that the general meeting determines the remuneration to "committee members". The Board of the Foundation does not have any committees. Committees in DNV will therefore be the committees of the Council, i.e. the Control Committee and the Nomination Committee. The Foundation Act does not permit the task to determine remuneration to Council Members and Council Committee Members to be vested with other bodies than the Board. The remuneration to the Council Committees is therefore determined by the Board, after recommendation from the Council.

The Nomination Committee is composed of the chairman and the vice-chairman of the Council, and three additional members elected from and among the Council members. The Committee currently consists of:

Walter Qvam	Chairman of the Council and the Nomination Committee	
Sturla Henriksen	Vice-Chairman of the Council and the Nomination Committee	Director General, Norwegian Shipowners' Association
Wenche Agerup	Member of the Council and the Nomination Committee	Exec. Vice President, Corporate Affairs, Telenor Group
Karl Erik Kjelstad	Member of the Council and the Nomination Committee	Investment Director, Akastor ASA
Wenche Nistad	Member of the Council and the Nomination Committee	Managing Director at the Norwegian Guarantee Institute for Export Credits (GIEK)

The Statutes provide for a rotation of the members of the Committee at least every second year, so that the elected member of the Committee with the longest service as Committee member may not take re-election.

The Committee Members represent industries with different stakeholder interests in DNV. All members are considered as independent of the Board and executive management.

8 COUNCIL AND BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

The Council

DNV does not have a corporate assembly. The DNV Council in many ways resembles the corporate assembly of a public limited company. The Council is therefore described in this section.

The Council's main functions are to supervise the activities of the Foundation, to elect the Board of Directors, to decide on remuneration for the Board of Directors, to approve amendments to the DNV Statutes and to state its opinion on the Board's Annual Report and financial statements.

The Council has 45 members, of which 27 members are appointed by associations which represent customer industries and other stakeholders, seven members are elected by and among the employees of DNV GL and its subsidiaries worldwide, and up to eleven members are elected by the Council itself.

The Statutes regulate the composition of the Council (Section 6) and ensure that it represents a broad cross-section of DNV's stakeholders.

The Council Members and the associations electing or appointing the Members are (as per April 2017):

Appointed by	Name	Location
The Nordic Association of Marine Insurers (CEFOR)	Helle Hammer	Norway
	Ståle Hansen	Norway
	Tron K. Nummedal	Norway
	Lars Rhodin	Sweden
	Svein A. Ringbakken	Norway
	Rolf Thore Roppestad	Norway
	Ole Wikborg	Norway
Norwegian Fishing Vessel Owners Association (Fiskebåt)	Jonny Berfjord	Norway
Norwegian Shipowners' Association (Norges Rederiforbund)	Karl-Johan Bakken	Norway
	Ivar Brandvold	Norway
	Irene Waage Basili	Norway
	Sturla Henriksen	Norway

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	Hans Peter Jebsen	Norway
	Trond Kleivdal	Norway
	Lasse Kristoffersen	Norway
	Anne Jorunn Møkster	Norway
	Thomas Wilhelmsen	Norway
Norwegian Oil and Gas Association (Norsk Olje og Gass)	Kristin Færøvik	Norway
	Torjer Halle	Norway
	Karl Johnny Hersvik	Norway
	Knut Thorvaldsen	Norway
	Ingvild Sæther	Norway
Confederation of Norwegian Business and Industry (Næringslivets Hovedorganisasjon)	Karl Erik Kjelstad	Norway
	Kristin Skogen Lund	Norway
	Walter Qvam	Norway
	Christian Rynning- Tønnesen	Norway
	Tore Ulstein	Norway
The Council	Wenche Agerup	Norway
	M.A.M. Boersma	Netherlands
	Raymond Carlsen	Norway
	Berit Ledel Henriksen	Norway
	Fotini Karamanli	Greece
	Simen Lieungh	Norway
	Åse Aulie Michelet	Norway
	Wenche Nistad	Norway
	Torgrim Reitan	USA
	Roy Reite	Norway
	Sverre B. Svenning	Norway
By and among the employees of DNV GL worldwide	Hege Halseth Bang	Norway
	Dr. Ervin Bossanyi	UK
	Thomas Reimer	Germany
	Michael Rubin	Germany
	Vassilis Stavridis	Greece
	Han Jun Yin	China
	Morten Østby	Norway

The DNV GL employees also elect up to seven deputy members.

The term of office for the members of the Council is two years with re-appointment or re-election possible. No member may serve for more than twelve years. The chairman and vice-chairman are elected from and among Council members.

Walter Qvam, is the Chairman of the Council since 2010. Sturla Henriksen, Director General of the Norwegian Ship Owners' Association is the Vice-Chairman since 2011.

The Statutes regulate the tasks and procedures of the Council. The procedures are aligned with those of a corporate assembly of a public limited company. The Council has two committees: the Control Committee which is described below, and the Nomination Committee which is described in Section 7.

Control Committee

The Control Committee's composition and role is defined in the DNV Statutes (Section 9) and the Committee works under instructions from the Council. The Council has adopted instructions for the Control Committee that specify guidelines for the Committee's procedures and considerations.

The Control Committee's mandate is to supervise the Board's management of the Foundation on behalf of the Council. The Control Committee shall oversee that:

- (a) the management is performed in an appropriate and reassuring way, and in accordance with laws, regulations and the Statutes; and
- (b) the Board of Directors has established proper external and internal control and risk management systems.

The Control Committee's function is to oversee the DNV Board's safeguarding of the Foundation's purpose and management of its assets. The Control Committee's functions are further described in Chapter 10 herein, "Risk management and internal control".

The Control Committee consists of a Chairman and two other members elected from and among the Council Members. Per the Council's instructions for the Control Committee, the Committee shall be composed so that it has financial and legal expertise and has general knowledge of the services provided by DNV. Elected by the Council in June 2015, the Committee currently consists of:

Ivar Brandvold	Member of the Council and Chairman of the Control Committee	Chief Executive Officer, Fred Olsen Energy ASA
Sverre B. Svenning	Member of the Council and the Control Committee	Director marine research, Astrup Fearnley AS
Michelet, Åse Aulie	Member of the Council and the Control Committee	Man. Dir. Michelet Consult AS

All members are considered as independent of the Board and executive management. When nominating the current members for election in June 2015, the Nomination Committee concluded that the lack of legal expertise may be compensated by the fact that the Secretary of the Control Committee is a qualified lawyer and the in-house legal counsel of DNV GL Group, and that the Committee has relevant expertise and knowledge.

The Board of Directors

The Board currently consists of ten members and currently has the following composition:

Leif-Arne Langøy	Chairman of the Board of Directors	LAPAS AS
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Morten Ulstein	Vice-Chairman of the Board of Directors	Borgstein AS
Mette Bandholtz Nielsen	Member of the Board of Directors	Det Norske Veritas, Danmark A/S
Liv Aune Hagen	Member of the Board of Directors	DNV GL AS
Rebekka Glasser Herlofsen	Member of the Board of Directors	Wallenius Wilhelmsen Logistics ASA
Nina Ivarsen	Member of the Board of Directors	DNV GL AS
Clemens Keuer	Member of the Board of Directors	DNV GL SE
Liselott Kilaas	Member of the Board of Directors	Aleris AS
Christelle G. V. Martin	Member of the Board of Directors	ENGIE
C. Thomas Rehder	Member of the Board of Directors	Carsten Rehder GmbH & Co KG

Following the DNV GL merger, the Statutes were amended to include a board observer. The amendment became effective in February 2014 following the approval from the Norwegian Foundation Authority. Xu, Bei Betty (DNV GL Business Assurance (China) Co. Ltd.) is currently the elected board observer.

More details about the individual directors can be found in the Annual Report of DNV GL Group AS 2016.

The Board is composed in a manner so that it can attend to the common interest of all stakeholders and meet DNV's need for expertise, capacity and diversity. Emphasis is placed on the Board functioning effectively as a collegial body.

The Chairman and Vice-Chairman are elected by the Council. The directors are elected for two-year terms with the possibility for re-election, and directors can per the Statutes, not be a member beyond twelve years.

Amongst the directors elected by the Council, each gender shall be represented by at least three members. Both genders shall be represented amongst directors and deputy members elected by and among the employees. As a foundation, DNV is not subject to mandatory legislation on gender diversity. However, in accordance with DNV's aim to comply with principles that apply to listed public limited companies in Norway, the DNV Statutes include such requirements.

Being a foundation, DNV does not issue shares, and members of the Board can therefore not own shares in the company. The Code of Practice's recommendation regarding share ownership is therefore not relevant for DNV.

The Board's Independence

All Council-elected directors are considered autonomous and independent of DNV's executive management as well as DNV's material business contacts. The guidelines for the Nomination Committee's work instruct the committee to consider that the Board should be composed so that no specific industry, stakeholder group or customer group has dominance in the Board. The Board does not include executive personnel.

Election of the Board of Directors

Six members of the Board are elected by the Council. The Nomination Committee makes recommendations per guidelines set by the Council. The nominations are sent to the Council members prior to the election. Board elections take place with simple majority with a quorum formed with at least half of the Council Members present.

Four members of the Board and one observer are elected by and among the employees of DNV GL worldwide. The elections take place in four separate constituencies and elections are staggered. The role of observer rotates amongst the non-Norwegian employee-elected Board Members per a rotation scheme agreed between management and the employees and approved by the Norwegian Working Democracy Committee (*i.e. "Bedriftsdemokratinemnda"*).

The constituencies are,

- Norway (elects two members of the Board)
- Germany (elects one member of the Board, alternatively one observer)
- Europe – excluding Norway and Germany (elects one member of the Board alternatively one observer)
- Worldwide – excluding Europe (elects one member of the Board alternatively one observer)

9 THE WORK OF THE BOARD OF DIRECTORS

Board Responsibilities

The Board of Directors is DNV's principal authority and the Board has the authority to make decisions in all matters that are not explicitly vested in the Statutes with the Council or other governing bodies of DNV. The rights, duties and responsibilities of the Board follow from the Foundation Act, the Accounting Act and other relevant legislation, the Statutes of DNV and the Board's own instructions.

The Board directs and oversees the activities of DNV. The Board determines the objectives and strategies for DNV in collaboration with the Chief Executive Officer. The Board approves DNV's business plan, financial plan and budgets, and has established policies and guidelines for DNV's operations. The Board appoints the Chief Executive Officer of the Foundation. Matters to be handled by the Board are further outlined in the Board instructions. The Board's work in 2016 is described in the Board of Director's report.

Following the DNV GL combination, the Board's scope of work was revised to reflect that the DNV GL Group AS Board became the group management board of the DNV GL Group. The Board's main function is now to ensure that the purpose of the Foundation as stated in the Statutes is achieved

through the majority ownership in DNV GL Group AS, and that all assets of the foundation are managed in the long-term interest of the Foundation. By electing all DNV directors as directors of DNV Holding and DNV GL Group AS, there is proximity between the Foundation and the group management performed through the holding companies.

The Board instructions also cover the following items: instructions for the Chief Executive Officer, Board meeting procedures, and rules on minutes of meetings, working committees, impartiality, confidentiality, Code of Conduct and group governance.

Board Meetings

The Board adopts an annual meeting and activity plan each year. The plan includes agenda items for each meeting. The plan stipulates six ordinary meetings to be held per year. Additional meetings will be held when considered necessary.

In 2016 six Board meetings were conducted in the months of February, April, June, August, October and November. The Board held its meetings at the Head office in Høvik (Norway), with the exception of the August meeting held in London, UK, and the December meeting held in Hamburg, Germany.

Participation in the Board meetings in 2016 was close to 100%. Board meetings in DNV Holding are held in parallel with the Board meetings of the Foundation.

Notice of meetings together with the agenda is prepared by the Chief Executive Officer and the Chairman of the Board. Notice of meeting, agenda and supporting documentation, including information on DNV's financial status, are made available to the Board Members well in advance of each meeting. The Board Instructions state that the chairman, at the beginning of each meeting or agenda item, shall inform the Board of discussions he has had with the Chief Executive Officer prior to the Board meeting about relevant issues. 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 considers if the deliberations of such matters should be chaired by some other member of the Board.

In addition to the directors, the Board meetings are attended by the Chief Executive Officer, the Secretary to the Board and other persons from the executive management as designated by the Chairman and the Chief Executive Officer. Normally, the Chief Financial Officer attends the meetings. The chairman may also invite other persons and experts to attend meetings of the Board.

The Board is bound by the rules regarding disqualification/conflicts of interest as they appear in Section 37 of the Foundation Act. The guidelines for efficient practice of these rules are further specified in the Board's instructions.

Board Committees

The Board has no committees.

The Board's Self-Evaluation

The aim is that the Board shall evaluate its own over-all performance and expertise once per year. No such over-all evaluation was made in 2016. However, the Board regularly conducts self-evaluations at the end of the Board meetings.

The General Manager/Chief Executive Officer

The General Manager/Chief Executive Officer ("CEO") of the Foundation is appointed by the Board of Directors and conducts the day-to-day management of the Foundation. The current arrangement is that the CEO of DNV GL is seconded to also be the CEO of Stiftelsen Det Norske Veritas as well as DNV Holding AS. As the Foundation does not have any employees, management services including the CEO, are provided to DNV by DNV GL AS in accordance with a Management Service Agreement entered into on an arm's-length principle.

There is a clear division of duties between the Board and the CEO. The CEO is responsible for ensuring that DNV is organized, run and developed in accordance with the Foundation Act, the Statutes and decisions adopted by the Board. The overall functions and duties of the CEO are set out in the Board instructions.

10 RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management and internal control are important for DNV in respect of the separate activities of both DNV and the DNV GL Group. The corporate governance report for DNV GL Group describes the risk management and internal control for the group.

As for its own activities, the Foundation has decided to be part of the risk management and internal control system established for the DNV GL Group. DNV adheres to DNV GL's management systems, corporate systems and policy documents including Code of Conduct to the extent relevant. The services provided by DNV GL AS to DNV include the services of the compliance officer, internal auditor and Ombudsman as described in DNV GL Group's Corporate Governance Report. The Board will on an ongoing basis consider whether to establish a separate internal auditor for the Foundation, but has to date not found it necessary.

DNV has significant financial investments and has established a policy document and risk management procedures for the financial management.

The Council's Control Committee's mandate was amended in 2013 to focus on the Board's role as caretaker of the Foundation's specific interests. The role of the Control Committee, as described in Chapter 8 above, is to oversee and supervise the Board of Directors of the Foundation. The supervision from the Control Committee is considered as a tool for the Council to oversee the interests that are specific for the Foundation. The task of the Committee includes particularly overseeing that the Board has established proper external and internal control and risk management systems. The Committee's tasks include:

- monitoring transactions and other possible conflicts of interest between the Foundation and DNV GL, or between the Foundation and other companies in the DNV GL Group, and

- reviewing the following documents from the DNV GL Board: minutes, group risk reports, internal auditor's reports, compliance reports and other documents considered as relevant for the Control Committee's functions.

The oversight and supervisory functions include the Foundation and the companies fully owned by the Foundation.

11 REMUNERATION OF THE BOARD AND THE COUNCIL

Remuneration of the directors of the Board is decided by the Council following a recommendation from the Nomination Committee. Remuneration of the Council leadership and committee members is decided by the Board following a recommendation from the Council, based on input from the Nomination Committee.

Per the Council's instructions for the Nomination Committee, the Nomination Committee shall base its recommendation on information regarding levels of remuneration paid to board and committee members of comparable companies and of comparable scope of work and commitment that the board and committee members are expected to devote to the Foundation and its subsidiaries. The remuneration is not linked to DNV's or DNV GL's performance.

The Chairman and the Vice-Chairman of the Council as well as the Committee Members are remunerated. The Chairman and the Vice-Chairman of the Council receive remuneration in their capacities as such and not in their capacities as Nomination Committee Members. There is also a policy for compensation of Council members' travel.

None of the directors elected by the Council work for DNV outside of their directorships, and none have any agreement regarding pension plan or severance pay from DNV. If such assignments should become relevant, the instructions for the Board's state that any such agreement between the Foundation and a Board member is subject to Board approval.

See [Note 7](#) to the financial statements for a break-down of fees paid to directors in 2016.

12 REMUNERATION OF EXECUTIVE PERSONNEL

Following the DNV GL merger, the Foundation and its fully-owned subsidiaries have no employees or executive personnel. Management services are provided to the Foundation by DNV GL AS pursuant to the Management Services Agreement. The Code of Practice Section 11 on remuneration of executive personnel is therefore not relevant for the Foundation. The DNV GL Board has prepared a declaration on executive management remuneration in accordance with the obligation applicable to Public Limited Companies.

13 INFORMATION AND COMMUNICATIONS

Guidelines for reporting financial and other information to shareholders and the securities market does not apply to a foundation. However, DNV continues its long tradition of disclosing a comprehensive publication which includes the annual report with externally audited financial reporting.

The annual report of DNV is distributed to the Council and is freely available on request. The report is publicly available on the website www.detnorskeveritas.com.

14 TAKE-OVERS

A foundation by definition has no owners, and as such may not be subject to take-over bids as described in the Code of Practice, Section 14. This section is therefore not relevant for DNV.

As a principle, a foundation may not be subject to any take-over, other than by termination or a conversion of the foundation, which may only take place on certain extremely restricted conditions as further specified in the Foundation Act. Conversion or termination is subject to approval by the Norwegian Foundation Authority and such approval can only be granted on very restrictive conditions specified in the Foundation Act.

Per DNV's Statutes termination would be subject to resolution by the Council with two-thirds majority in two successive ordinary Council meetings and pursuant to proposition by the Board of Directors exclusively.

DNV's purpose as stated in the Statutes bolsters DNV's position as free-standing, autonomous and independent.

15 AUDITOR

The statutory auditor is elected by the Council. The Board shall support the Council in such elections and normally the election will be made based on a proposal from the Board. The Council's Control Committee shall be invited to state its opinion on the Board's proposal regarding the election.

EY (Ernst&Young) was elected as auditor in 2002 and has later been re-elected.

Per good corporate governance practice, DNV has asked EY to apply rotation of the responsible auditor, in line with the rules in the Statutory Auditors Act §5A (regarding entities of public interest as defined in the Act).

Pursuant to the Foundation Act, the auditor shall in its annual audit report provide a statement regarding whether the foundation has been managed and distributions have been made in accordance with legislation, the purpose of the foundation, and the Statutes.

The appointed auditor will present the result of the planned audit including any internal control deficiencies in the Board of Directors' meeting, in which the statutory financial statements are approved by the Board of Directors.

At least one meeting per year will be held between the external auditor and the Board without the presence of the CEO or the executive management.

The auditor submits a written statement to the Board on compliance with the statutory audit and independence requirements in the Statutory Auditors Act.

The Board has not established guidelines in respect of the use of the auditor by the executive management for services other than the audit, but this will be considered in coordination with DNV GL Group AS.

The remuneration of the auditor is determined by the Board in accordance with the Foundation Act. In addition to ordinary auditing of the Foundation and subsidiaries, the statutory auditors provided tax consulting services, other attestation services, and non-audit services. For details, see Note 7 in the 2016 financial statements.

As recommended by the Board of Directors, the Council in 2016 decided to initiate a tendering process among the “Big 4” auditing companies, EY, KPMG, PWC and Deloitte for the external auditing of DNV from the 2017 annual accounts onwards.

Adopted by the Board of Directors,

Piraeus 28th February 2017

ATTACHMENT 1 – About reporting standards in the Accounting Act.

The reporting requirements of the Accounting Act are included or otherwise considered in the individual sections as listed below:

- a. *“a statement of the code of practice and regulatory framework on corporate governance to which the company is subject, or with which it has elected to comply”.*
Described in Section 1: Implementation and Reporting of Corporate Governance.
- b. *“information on where the code of practice and regulatory framework mentioned in no 1 is publicly available”.*
Described in Section 1: Implementation and Reporting of Corporate Governance.
- c. *“the reasons for any non-conformance with recommendations and regulations mentioned in no 1”.*
Described in Section 1: Implementation and Reporting of Corporate Governance.
- d. *“a description of the main elements of the company’s internal control and risk management systems associated with the financial reporting process, and where the entity that is required to prepare accounts also prepares consolidated accounts, the description must include the main elements of the group’s internal control and risk management systems associated with the financial reporting process”.*
Described in Section 10: Risk Management and Internal Control.
- e. *“an account of any provisions in the articles of associations that completely or partially extend or depart from the provisions stipulated in Chapter 5 of the Public Limited Companies Act”.*
Described in Section 6: General Meetings.
- f. *“the composition of the board of directors, the corporate assembly, the committee of representatives and the control committee, and of any committee of such corporate bodies, and a description of the main elements in the prevailing instructions and guidelines for the work of these corporate bodies and of any committees thereof”.*
Described in Section 8: Council and Board of Directors - composition and independence, and Section 9: The Work of the Board of Directors, Chief Executive Officer and Group Executive Management.
- g. *“the provisions of the articles of association that regulate the appointment and replacement of members of the board of directors”.*
Described in Section 8: Council and Board of Directors - Composition and Independence.
- h. *“an account of any provisions in the articles of association or authorizations that allow the board to decide that company is to repurchase or issue its own shares or its own equity certificates”.*
Described in Section 3: Equity and Dividends.

Per the Accounting Act, Section 3-3c large enterprises shall issue a presentation detailing what the enterprise does to integrate considerations relating to human rights, labor rights and social conditions, the external environment and anti-corruption efforts in their business strategies, in their daily operations and in relation to their stakeholders (the "Corporate Sustainability Presentation").

The Corporate Sustainability Presentation as a mandatory rule was introduced in 2013. As DNV GL reports in accordance with existing international reporting schemes such as the United Nations Global Compact the framework of Global Reporting Initiative, it is assumed that DNV GL’s reporting is fully compliant with the obligations in the Accounting Act, Section 3-3c.

DNV’s Corporate Sustainability Presentation is described in Section 1: Implementation and Reporting on Corporate Governance.