

# Corporate Governance

**Norwegian's objective for corporate governance is based on accountability, transparency, fairness and simplicity with the ultimate goal of maximizing shareholder value while creating added value for all stakeholders.**

The principles are designed in compliance with laws, regulations and ethical standards. Norwegian's core values are simplicity, directness and relevance, but no business conduct within the Group should under any circumstance jeopardize safety and quality.

## How we understand the concept

The Group's core values and corporate Code of Ethics are fundamental for Norwegian's corporate governance. Corporate governance deals with issues and principles associated with the distribution of roles between the governing bodies in a company, and the responsibility and authority assigned to each body. Good corporate governance is distinguished by responsible interaction between owners, the Board and management in a long-term, productive and sustainable perspective. It calls for effective cooperation, a defined division of responsibilities and roles between shareholders, the Board and management, respect for the Group's other stakeholders and open and honest communication with the communities in which the Group operates.

## Code of Ethics

Everyone has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance. We shall help create an environment free from any discrimination, due to religion, skin colour, gender, sexual orientation, age, nationality, race or disability and free from bullying, harassment or similar. We do not tolerate any behaviour that can be perceived as degrading or threatening.

When engaging in business with third party suppliers, Norwegian will, whenever possible, ensure that the supplier adheres to international rules of ethical behaviour and trading standards.

Norwegian is firmly opposed to all forms of corruption. Norwegian shall not be involved in the illegal influencing of decision makers, neither directly nor through middlemen.

Norwegian's corporate responsibility strategy emphasizes on how Norwegian as an airline can contribute to less pollution and emissions by flying new and fuel efficient aircraft. Our Codes of Ethics give directions for a good working environment and highlights the Group's guidelines for human rights, prevention of corruption, employee rights and safety for all – both our customers and employees. Norwegian has a dedicated corporate cooperation with UNICEF because of the organization's overall focus on children's rights.

## Environment

Norwegian is committed to actively engage in and support a sustainable environmental policy, and to continue to reduce emissions from aviation. By renewing the fleet, emissions are reduced and passengers are offered new and more comfortable aircraft. Norwegian has a clear goal of reducing emissions per flown passenger by 25 per cent in the period 2008 – 2015. Norwegian also undertakes a variety of other measures to minimize its environmental impact. All employees should focus on how they can contribute to a better environment in their daily work. Read more about our strategy here.

## Human Worth

Everyone at Norwegian has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance. Norwegian supports the international human rights as outlined by the UN declaration and conventions. No one shall in any way cause or contribute to the violation or circumvention of human rights. We place great importance on ensuring compliance with employees' basic human rights as outlined in the International Labor Organization's core conventions. Equality must be guaranteed between men and women in terms of employment, working conditions, career opportunities and remuneration.

## Partnership with UNICEF

Norwegian has decided to partner with humanitarian organization UNICEF through a **Signature Partnership**.

A **Signature Partnership** is initiated by a company's top management

A **Signature Partnership** is the highest form of partnership UNICEF Norway offers corporate clients.

Norwegian is dedicated to working with UNICEF because of its overall focus on children's rights.

UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. UNICEF insists that the survival, protection and development of children are universal development imperatives that are integral to human progress. Norwegian's support to UNICEF consists of travel funding and fundraisers. In addition, all Norwegian employees donate their company Christmas presents to UNICEF.

In line with the Norwegian Code of Practice for Corporate Governance, a review of the major aspects of Norwegian Air Shuttle ASA's governance structure follows below.

## Business

Norwegian's business is clearly defined in paragraph 3 of its articles of association, which states that "The Group's objective is to be engaged in aviation, other transport and travel-related business activities as well as activities connected therewith. The Group may also be engaged directly or indirectly in other forms of Internet-based provision of goods and services, including car rental, hotel booking, payment services, financial services and services related to credit cards. Participation in such activities as mentioned may take place through co-operation agreements, ownership interests or by any other means." The Group has clear goals and strategies for its business. These are discussed in the Group's Quality Manual and are also made available to the public in the Annual Report and on the Group's website [www.norwegian.com](http://www.norwegian.com).

### **Equity and Dividends**

The Group's equity at year-end 2010 was MNOK 1,795.9, equivalent to an equity ratio of 27%. The gearing ratio was 42.1%. The Board deems this to be adequate considering the Group's strategy and risk profile. The Board of Directors recommends not distributing dividends as it is considered to be in the best interests of the shareholders to retain funds for investment in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and shareholder value. Dividends should under no circumstance be paid if equity is below what is considered to be an appropriate level. The covenants to the bond agreement entered into on December 2009 restrict dividend payments until the maturity date of the bond on 17 December 2012. Due to Norwegian Air Shuttle ASA's rapid expansion, competitive environment and focus on being flexible and quick to adapt to changing market conditions, the General Assembly has decided to deviate from the Norwegian Code of Practice for Corporate Governance's recommendations with respect to capital increases. The General Assembly has granted the Board of Directors a mandate to increase the Company's share capital over a two-year period. The mandate granted to the Board is limited to a 15% capital increase. The General Assembly has granted the Board of Directors a mandate to acquire treasury shares for a period of 18 months. The mandate granted to the Board is limited to a 10% capital increase.

### **Equal Treatment of Shareholders and Transactions with Close Associates**

Norwegian Air Shuttle ASA has only one class of shares. Transactions are generally carried out through stock exchanges. Buy-backs of own shares are carried out at market prices. Employee share allocations are granted at a discount to market value.

Norwegian's Codes of Ethics includes guidelines for handling possible conflicts of interest. The code applies to all board members and Norwegian employees. Material transactions between the Group and key stakeholders, in particular shareholders, members of the Board and Executive Management, are subject to the approval of the Board of Directors. Such transactions are duly noted in the minutes from the board meeting and are also explicitly stated in the notes to the consolidated accounts. At present, the Chairman is partner in the law firm Vogt & Wiig, which is the legal advisor to Norwegian Air Shuttle ASA. During 2010 Norwegian signed a lease contract for its new head office with Fornebu Næringsutvikling 1 AS. Fornebu Næringsutvikling 1 AS is controlled by the Chairman and the CEO. The lease agreement was presented to the General Assembly on 11 May 2010 with an option for the Group to buy the property. The Group does not have any arrangements for third-party valuations of named transactions as the current method offers a sufficient level of transparency and accountability.

In cases where members of the Board of Directors or the Executive Management have other direct or indirect material interests in transactions entered into by the Group, this is stated in the notes to the consolidated accounts.

### **Freely Traded Shares**

There are no restrictions on trading of the Company's shares in the articles of association or elsewhere.

### **General Assembly**

The Board of Directors has ensured that shareholders may exercise their rights at the General Assembly, making the summons and related documentation available on the website. Notification is usually sent out three weeks in advance. The relevant documents, including the Nominating Committee's justified slate of nominees when new members are up for election or existing ones are up for re-election, are available on the Group's website at least 21 days prior to the date of the General Meeting. The shareholders' deadline for notice of their intended presence is three days before the General Assembly, and shareholders may be present and vote by proxy. The Board of Directors, Election Committee and the auditor are required to be present. The chairman of the meeting is elected by the shareholders. Management is represented by the Chief Executive Officer and the Chief Financial Officer and other key personnel on specific topics. The minutes of the General Assembly are available on the Group's website.

### **Election Committee**

The Election Committee's task is to nominate candidates to the General Assembly for the shareholder-elected directors' seats. The articles of association state that the committee shall have four members, and the chairman of the committee is the Chairman of the Board. The remaining three members are elected by the General Assembly every second year. The next election is due in 2012.

The current Election Committee consists of the Chairman of the Board, one employee and two external members representing major shareholders in the Company.

New instructions for the Election Committee will be presented for the ordinary General Meeting in May 2011.

The Board of Directors recommends deviating from the Code of Practice for Corporate Governance as the Chairman of the Board is a permanent member of the committee. This is to ensure that nominees meet the requirements for expertise, capacity and diversity set forth by the board members.

None of the Committee's members represents Norwegian's management. The majority of the members are considered independent of management and the Board. The composition of the Election Committee is regarded as reflecting the common interests of the community of shareholders.

### **Corporate Assembly and Board of Directors, Composition and Independence**

Norwegian Air Shuttle ASA has, in agreement with the employee unions and as warranted by Norwegian law, no corporate assembly. Instead, the Company has three employee representatives on the Board of Directors. According to the articles of association the Board must consist of between six and eight members. There are currently seven members.

The shareholder-elected members of the Board of Directors have been nominated by the Election Committee to ensure that the Board of Directors possesses the necessary expertise, capacity and diversity. Board members have competence in and experience from the transport sector and other competitive consumer sectors, relevant network connections and experience from business, finance, capital markets and marketing. The Chairman and Deputy Chairman are elected by the Board. Board members are elected for a period of two years.

The majority of the shareholder-elected members of the board are considered autonomous and independent of the Company's executive personnel, and material business contacts. At least two of the members of the Board elected by shareholders are considered autonomous and independent of the Company's main shareholder(s). Among the shareholder-elected directors, there are two men and two women, that is, a 50% female share

Comprehensive biographies of the Board of Directors and the Executive Management are available on Norwegian's Investor Relations page on its website.

### **The Work of the Board of Directors**

The Board of Directors works in accordance with the rules laid down by Norwegian law. The Board has an annual plan for its work which particularly emphasizes objectives, strategy and implementation. The Board holds annual strategy seminars in which issues such as objectives, strategies and implementations are addressed.

The Board of Directors issues instructions for its own work.

There is a clear division of responsibilities between the Board and Executive Management. The Chairman is responsible for ensuring the Board's work is conducted in an efficient, correct manner and in accordance with the Board's terms of reference. The CEO is responsible for the Group's operational management. The Board has drawn up special instructions for the CEO.

The Audit Committee was established by the General Assembly in 2010. The Board of Directors recommends deviating from the Code of Practice for Corporate Governance as the Board of Directors act as the Company's audit committee. This is to ensure that nominees meet the requirements for expertise, capacity and diversity set forth by the board members.

### **Risk Management and Internal Control**

Management draws up monthly performance reports that are sent to and reviewed by the directors. Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at board meetings.

The Board ensures sound internal control and systems for risk management through, for example, annual Board reviews of the most important risk factors and internal control.

### **Remuneration of the Board of Directors**

Based on the consent of the General Assembly, it is assumed that the remuneration of board members reflects the respective members' responsibility, expertise, time commitment and the complexity of the Group's activities.

No board members receive remuneration based on performance, and no options are granted to board members. In cases where board members take on specific assignments for the Group which are not taken on as part of their office, the other board members must be notified immediately and if the transaction is of a substantial nature this is explicitly stated in the notes to the consolidated accounts. Details of the remuneration of individual board members are available in the notes to the consolidated accounts.

### **Remuneration of the Executive Management**

The Board of Directors has established guidelines for the remuneration of the Executive Management. These guidelines are available in the notes to the consolidated accounts. The guidelines are presented to the General Assembly. The remuneration package should encourage a strong and long-term profit-oriented culture without damaging the reputation and standing of the Group in the public eye and thereby ensure the convergence of the financial interests of shareholders and the Executive Management.

The Executive Management currently has a stock option plan in effect. The stock option plan includes an absolute limit. Comprehensive information on remuneration and incentive programs is available in the notes to the consolidated accounts.

### **Information and Communications**

A financial calendar is prepared and published on the Group's website and is also distributed in accordance with the rules of the Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange.

All the information distributed to the shareholders is also published on the Group's website. The Group holds regular investor meetings and public interim results presentations, and has an investor relations department.

The Board considers that these measures enable and ensure continuous informative interaction between the Company and shareholders.

### **Takeovers**

There are no limitations with respect to the purchase of shares in the Company. In the event of a take-over bid the Board of Directors will act in the best interests of the shareholders and in compliance with all the rules and regulations applicable in such an event. In the case of a take-over bid the Board will refrain from taking any obstructive action unless agreed upon by the General Assembly. The Company's bond issue has a change of control clause that allows bondholders to call for redemption of the bonds at par in the event of a change of control.

#### **Auditor**

The Auditor annually submits the main features of the audit plan for the Group to the Audit Committee.

The Auditor participates in meetings of the Board of Directors that deal with the annual accounts. At these meetings the Auditor reviews any material changes in the Group's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement between the Auditor and the Executive Management of the Company.

The Auditor presents a review of the Group's internal control procedures at least once a year to the Audit Committee, including identified weaknesses and proposals for improvement.

The CEO and the CFO are present at all meetings between the Board of Directors and the Auditor. If requested by the Board or the Auditor, meetings are to be held without the management present. The management and the Board of Directors evaluate the use of the Auditor for services other than auditing.

The Board receives annual confirmation from the Auditor that the Auditor continues to meet the requirement for independence.

The Board of Directors reports the remuneration paid to the Auditor at the Annual General Assembly, including details of the fee paid for audit work and any fees paid for other specific services.