

# Corporate governance

58

Key figures  
and HighlightsLetter from  
the CEOLetter from  
country managersThis is  
BWG HomesReport from the  
Board of DirectorsAnnual accounts  
and notes GroupAnnual accounts  
and notes ParentCorporate  
governanceAbout the  
reporting

**BWG Homes shall adhere to high corporate governance standards. A healthy corporate culture is a key driver in creating confidence in the company, providing access to capital and ensuring value growth. All shareholders shall be treated equally and there shall be a clear division of work between the Board of directors and management.**

The main ethos of BWG Homes' corporate governance is based on the following principles:

- BWG Homes will communicate with the external world in an open, reliable and relevant way about its operations and corporate governance
- The Board of BWG Homes will be autonomous and independent of the company's management
- There will be a clear division of work between BWG Homes' Board and management
- All shareholders will be treated equally

## 1.

### CORPORATE GOVERNANCE REPORT Compliance

Implementation of the adopted corporate governance guidelines will strengthen confidence in the company and help create added value. A clear division of roles between shareholders, Board of directors and management has been defined based on current legislation.

BWG Homes' corporate governance guidelines follow the Norwegian Code of Practice for Corporate Governance of 4 December 2007, the Public Limited Liability Companies Act, the Securities Trading Act and Stock Exchange regulations. The annual report contains descriptions of the company's guidelines, compliance with the Norwegian Code and explanations of any deviations from it, and this information is also available on the company's website. In accordance with the Norwegian Code of Practice, instructions have been drawn up for the Board's work, the CEO's work, the Board's relationship with the auditor, guidelines for the nomination committee, investor relations work and ethical guidelines.

Each year the Board of directors reviews and evaluates compliance with the adopted guidelines and instructions.

### Values and ethical guidelines

A healthy corporate culture and integrity throughout the company's operations are important in building and maintaining internal and external confidence in the company and our products. With ethical guidelines and a set of internal values behind them, our employees and management are better able to comply with good business practice standards. The Board of directors and employees will exhibit fairness, honesty and integrity in all its dealings with other employees, business associates, customers, suppliers, shareholders, competitors, the general public and government authorities. Our ethical guidelines will also be a tool for self-evaluation and development of BWG Homes' identity.

## 2.

### OPERATIONS

The area of operations of BWG Homes is defined in the company's articles of association. The object

of the company is to engage in building operations and other associated operations, either under its own direction or by participation in other companies. The articles of association appear in their entirety on page 63 and are also available on the company's website. Strategies for BWG Homes' operations are adopted by the Board. The main strategies are discussed in the annual report and on the company's website.

## 3.

### EQUITY AND DIVIDENDS

#### Equity

BWG Homes' equity capital as at 31 December 2008 totalled NOK 1 540.2 million, corresponding to an equity ratio of 32.1 per cent. BWG Homes must maintain a level of equity that is reasonable in relation to the company's object, strategy and risk profile.

#### Dividend policy

BWG Homes seeks to pay its shareholders an annual dividend of 50 to 70 per cent of profit after tax. A dividend is proposed if in the Board's view it will not have an adverse impact on BWG Homes' Group's future growth ambitions or capital structure. The company's dividend policy is discussed in the annual report and on the company's website.

The Board will propose to the annual general meeting that no dividend be paid to the company's shareholders for the financial year 2008. In view of the challenging market situation and volatile financial markets, the Board finds it necessary to prioritise strengthening the company's capital ahead of paying a dividend.

#### Capital increase

The Board will only propose a share capital increase if it is in the long-term interests of all shareholders. Existing shareholders will normally have pre-emptive allotment or subscription rights in any significant share issues. The

Board may - in accordance with the Public Limited Companies Act § 10-5 - decide to waive existing shareholders pre-emptive rights when special reasons indicate that this is the company's and shareholders' common interest.

The Board's share issue mandates are confined to specific purposes. At 31 December 2008, the Board had one such mandate, which was granted by the 2008 AGM and was to be valid until the 2009 meeting.

On 6 March 2009 the Board was authorised by the extraordinary General Meeting to increase the company's share capital with NOK 30 000 000. As distinct from what is recommended in the Code of Practice, the authorisation is not dedicated to a specific purpose. The Board considers that it is in the best interest of the company that the Board has flexibility in this respect.

The new Board mandate granted by the Extraordinary General Meeting on 6 March 2009 is valid until the 2010 meeting and replaces the previously registered Board mandate. The new mandate covers only capital increase against cash deposits, and does cover resolution on mergers in accordance with section 13-5 of the Norwegian Public Limited Liability Companies Act. At 31 December 2008, the Board had no mandate to purchase its own shares.

## 4.

### EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

#### Equal treatment

BWG Homes has one class of shares. The articles of association do not contain any restrictions with regard to voting rights. Consequently, all shares have equal status, and this includes voting rights. All shareholders will be treated equally; there will not be any differential treatment that does not have a factual basis in the common interests of BWG Homes or the shareholders. Existing shareholders have pre-emptive rights in connection with share capital increases. Any waiver of these pre-emptive rights must be in the common interests of the company and shareholders.

#### Transactions with close associates

CEO Lars Nilsen has a 32.52 per cent holding in BWG Homes through his companies Lani Industrier AS, Lani Development AS and Lagulise AS. He is not a member of the Board of BWG Homes. If any not immaterial transactions are conducted between the company and close associates, the Board will obtain an independent valuation and inform the shareholders.

The company has rules which define who, outside the Board and executive management, are an insider. Insider trading in the BWG share must always be approved by the person in charge of trading clearance prior to the transaction. The Oslo Stock Exchange must be notified when the transaction is completed. Board members and executive management must notify the Board of any direct or indirect interest they have in a transaction or agreement entered into by the company.

## 5.

### FREELY NEGOTIABLE SHARES

Shares in BWG Homes are freely negotiable; the articles of association do not contain any restrictions with regard to negotiability. BWG

Homes ASA is listed on the Oslo Stock Exchange. Active efforts are made to create interest among existing and potential investors and give an insight into the company. The BWG Homes management team holds regular meetings with Norwegian and international investors. In its communication with investors and analyst environments the company aims to give a picture of its strategy, activities, operations and financial position which is as precise as possible.

## 6.

### GENERAL MEETINGS

The shareholders exercise the highest authority in BWG Homes through the general meeting. The Board of directors takes steps to ensure the general meeting is an effective forum for the views of shareholders and the Board.

#### Notice

All shareholders are entitled to submit business for consideration, attend, address the meeting, and vote at a general meeting. The annual general meeting of shareholders is held before 30 June. The 2009 AGM will be held on 26 May. The financial calendar is published as a stock exchange notice, in the annual report and on the company's website.

An extraordinary general meeting may be called by the Board of directors at any time. The BWG Homes' auditor or shareholders representing at least five per cent of share capital may request the convening of an EGM.

Notice of the general meeting must be made in writing to all the shareholders with a known address no later than 14 days before the date of the meeting. Supporting documents, resolution proposals, the nomination committee's recommendations/ names of proposed candidates and registration and proxy forms will be sent to shareholders with the notice. The supporting documents will include all the necessary information to enable

shareholders to form a view on business that will be dealt with, and will indicate the procedure relating to proxies and use of the proxy form. The notice will also give information on the shareholders' entitlement to submit resolution proposals on business to be considered by the general meeting, and the website address at which the notice and supporting documents are available. The notice and supporting documents will be available on the company's website no later than 21 days before the date of the general meeting. The deadline for registration expires no earlier than three days before the date of the meeting.

#### Attendance

Registration for the general meeting must be sent in writing, by post, e-mail or fax. Shareholders who are unable to attend may vote by proxy. The proxy may be applied to each item of business dealt with. The Board of directors, chairman of the nomination committee, auditor, CEO and CFO all participate in the general meeting.

#### Implementation

The general meeting elects a chairman of the meeting who is independent of the Board and management. The annual general meeting will approve the annual accounts and determine the fees to Board members. The general meeting elects the members of the nomination committee, and then the chairman of the committee in a separate election. The meeting also elects the Board's shareholder-elected members, and then the chairman of the Board and the deputy chairman in a separate election. There is voting on each individual candidate.

The general meeting also deals with matters which it is required to consider by law or the company's articles of association. The CEO reports on the company's status. The minutes of the general meeting are published as a stock exchange notice, and are also available on the company's website.

Key figures  
and Highlights

Letter from  
the CEO

Letter from  
country managers

This is  
BWG Homes

Report from the  
Board of Directors

Annual accounts  
and notes Group

Annual accounts  
and notes Parent

**Corporate  
governance**

About the  
reporting

## 7.

### NOMINATION COMMITTEE

The organisation of the nomination committee is formalised in the company's articles of association, and separate instructions for the committee's work have been drawn up.

#### Composition

The composition of the nomination committee will be independent of the Board and management and will take into account the interests of shareholders in general. The nomination committee consists of three members, all of whom are elected by the general meeting for a term of one year. The general meeting elects the nomination committee chairman and also decides on the committee's fees.

The nomination committee was re-elected by the annual general meeting held on 21 May 2008 and consists of Andreas Mellbye (chairman), Lise Lindbäck and Stine Rolstad Brenna. All members are up for election in 2009.

#### The work of the nomination committee

The nomination committee's duties consist of proposing candidates for election as Board members and making recommendations regarding Board fees. The nomination committee is required to report on its work and submit its recommendations, with reasons, to the general meeting. The recommendations will include relevant information about the candidates and an evaluation of their independence from the company's management and its important business associations.

Information on the nomination committee and its members is available on the company's website. The company gives notice of deadlines for submitting proposals for potential Board and nomination committee members on its website.

## 8.

### CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Following a resolution by Bedriftsdemokratinemda (Corporate Democracy Committee) on 30 August 2006, BWG Homes does not have its own corporate assembly. In accordance with this resolution the Board has three employee representatives elected by and from the employees of the Group. The General Meeting elects the Board after considering the recommendations of the nomination committee.

#### Composition of the Board

Board members are elected according to BWG Homes' need for expertise, capacity and balanced decisions. The composition of the Board will ensure that it can operate independently of any special interests and function effectively as a collegiate body.

The Board of BWG Homes consists of seven members - four shareholder-elected members and three employee representatives. Three of the Board members (two shareholder-elected and one employee representative) are women. The shareholder-elected members have extensive experience in the housing sector, property development, finance and law.

Three of the shareholders-elected Board members were elected by the 2007 annual general meeting for a two-year term of office. They are Harald Walther (chairman), Hege Bømark (deputy chairman) and Petter Neslein (member). The fourth shareholder elected Board member, Eva Eriksson, was elected by the EGM held on 20 December 2007, and has the same period of office as the other shareholder-elected Board members. The three employee representatives were elected by and from the company's employees on 16 September 2008 for a two-year term of office. Board members' CVs are published in the annual report, and their shareholdings are reported in note 8. Updated CV and information on share ownership can also be found on the company's website.

BWG Homes ASA and its subsidiary Block Watne AS have the same employee representatives.

#### The Board's independence

The majority of the shareholder-elected Board members do not have any association with BWG Homes' management, its important business associations and principle shareholder(s).

Chairman Harald Walther is a lawyer with his own law business. Part of this business includes carrying out assignments for BWG Homes and in more limited extent also for its subsidiaries. The entire Board is informed of these assignments and fees for them are approved by the Board. In 2008, Harald Walther

among other matters performed assignments in connection with various schemes related to the financing of the Group's business. See also note 8 to the consolidated income statement, which contains an itemisation of fees paid in 2008. Harald Walther does not have any connection with BWG Homes' important business associations.

#### CEO

CEO Lars Nilsen is chairman of the Board of the subsidiaries Block Watne AS and BWG Homes AB. He is not a member of the Board of BWG Homes ASA.

#### Election of the Board

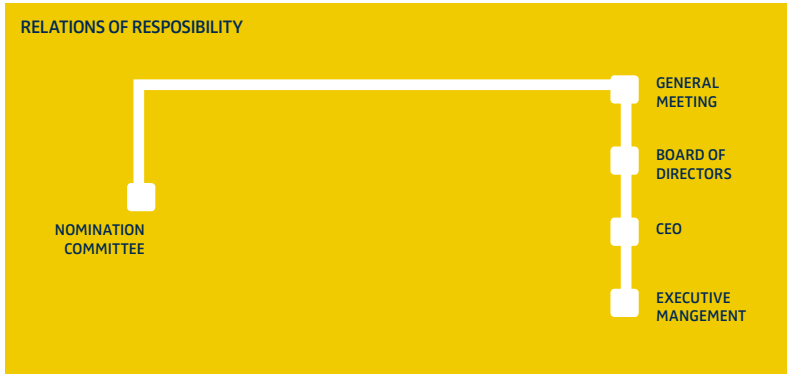
According to the articles of association, the Board of BWG Homes shall consist of between five and seven members. In accordance with the agreement approved by the Corporate Democracy Committee, three of the Board members and their deputies are elected by and from the employees. The general meeting elects the shareholder-elected Board members after considering the recommendations of the nomination committee. The chairman and deputy chairman are elected by the general meeting. Board members are elected for a term of two years. Remuneration of the Board is decided by the general meeting following a recommendation from the nomination committee.

#### Information on Board members and candidates

Relevant information about Board members can be found in the annual report and on the company's website. Detailed information about candidates is enclosed with the notice of the general meeting and is also available on the company's website.

#### Board members' holdings

The shareholdings of Board members and executive management are reported in note 8. An updated list is also available on the company's website.



ensuring the company has sound internal control and risk management systems. The Board periodically receives reports which include operational, economic and financial status, as well as management's evaluation of significant risks and its own management of them. The Board's annual plan includes an annual review of the company's risk areas, internal control systems, values and ethical guidelines. The main components of the company's risk areas and internal control systems associated with financial reporting are discussed separately in the annual report.

## 9. THE WORK OF THE BOARD

### The Board's tasks

The Board of directors has overall responsibility for the management of BWG Homes and implementation of the company's strategy. This also includes monitoring and supervision of BWG Homes' operations. The management of BWG Homes draws up proposals relating to strategy, long-term goals and budget. The final budget is approved by the Board of directors. The CEO is appointed by the Board.

### Instructions for the Board

More detailed regulations relating to the Board's areas of responsibility and administrative procedures are specified in separate instructions. The chairman is responsible for ensuring the Board's work is performed in an efficient and correct way, in accordance with current legislation and the adopted instructions. The Board produces an annual plan for its work.

### Instructions for the CEO

The CEO is responsible for the day-to-day operations of BWG Homes. The CEO also ensures that the accounts of BWG Homes comply with legislation and other relevant regulations, and that the assets of BWG Homes are managed responsibly.

The CEO is appointed by the Board of directors and reports to the Board. The CEO's remuneration is decided by the Board. The CEO's authority and areas of responsibility are defined in separate instructions adopted by the Board.

At 31 March 2009 CEO Lars Nilsen has a 32.52 per cent holding in BWG Homes through his companies Lani Industrier AS, Lani Development AS and Lagulise AS.

### Chairman of the Board

The chairman of the Board is responsible for ensuring the Board's work is well organised and effective. Board business is prepared by the CEO and management in consultation with the chairman of the Board. The chairman of the Board declares general meetings open.

### Meeting structure

Seven Board meetings are normally held during the year, plus a separate strategy meeting. Extraordinary Board meetings are held, if required, to deal with business which cannot wait until the next ordinary Board meeting. Nine Board meetings were held in 2007.

The Board also has a fixed annual plan for its work. The annual plan encompasses approval of strategy, interim accounts, annual accounts and budget, review of risk areas,

internal control, values, ethical guidelines, organisation structure and corporate governance principles. The Board annually evaluates the company's management and organisation structure.

### Financial reporting

The Board periodically receives reports on the company's economic and financial status. The CFO submits and reports on the interim and annual financial statements. The Company follows the deadlines from the Oslo Stock Exchange for interim reporting.

### Board committees

The Board did not have any Board committees in 2008. The Board will establish an audit committee when this becomes mandatory.

### Board's evaluation of its own work

The Board carries out an annual evaluation of its own performance, working arrangements and competence. A summary of this evaluation is communicated to the nomination committee. The Board also carries out a similar evaluation of the CEO.

## 10. RISK MANAGEMENT AND INTERNAL CONTROL

### Responsibility and object of the Board

The Board is responsible for

The auditor reviews BWG Homes' internal control with the Board of directors. The review includes discussion of identifiable weaknesses and suggestions for improvement. See also note 18 "Financial risks".

The subsidiaries Block Watne AS and BWG Homes AB have implemented authorisation and attestation instructions with rules for entering into agreements and approving payments. All employees have clear guidelines on the extent of their own authority and where the next level for decisions or approvals lies. The CEO has operative responsibility for following up these guidelines. The planning, management, implementation and evaluation of construction processes and projects are integrated into BWG Homes' business operations. Construction projects are systematically reported to the company's management.

## 11. REMUNERATION OF BOARD AND NOMINATION COMMITTEE

Remuneration of Board members is decided by the general meeting following a recommendation from the nomination committee. Remuneration of the Board is not performance-based and no options are issued to Board members.

Key figures and Highlights

Letter from the CEO

Letter from country managers

This is BWG Homes

Report from the Board of Directors

Annual accounts and notes Group

Annual accounts and notes Parent

**Corporate governance**

About the reporting

In 2008, the chairman of the Board performed assignments for the company among other matters in connection with various schemes related to the financing of the Group's business. The entire Board was informed of his assignments and fees for them were approved by the Board.

The AGM held on 21 May 2008 adopted the following Board fees, see below. See note 8 to the consolidated income statement for a break-down of fees paid in 2008.

**12. REMUNERATION OF EXECUTIVE MANAGEMENT**

**Guidelines**

In accordance with § 6-16a of the Public Companies Act, the Board draws up a statement about the determination of executive management salaries and other remuneration. The statement is presented to the general meeting and this is followed by a consultative vote on the statement.

The CEO's remuneration is decided by the Board. Remuneration of executive management is decided by the CEO. Members of executive management have agreements allowing early-retirement benefits for until 12 months beyond the period of notice. There are no other agreements for executive management or the Board with regard to special compensation on termination of employment or change of employment.

**Performance-related remuneration**

Members of executive management have a bonus programme based on the company's results. Members of executive management do not have any equity compensation benefits or share option schemes.

BWG Homes is not under any obligation to grant executive management, the Board or other employees profit-sharing, options or similar benefits. The CEO may propose payment of a discretionary bonus to executive management. This must be approved by the chairman of the Board.

**Policy and reporting**

The company's executive management remuneration policy is described in the annual report. For payment of all components of remuneration to the CEO and other executive management, see note 8.

**13. INFORMATION AND COMMUNICATION**  
**Guidelines on reporting financial and other information**

BWG Homes' information and communication is based on openness and equal treatment of all shareholders. The company provides investors and analysts with equal and simultaneous access to new and price-sensitive information. The company has defined guidelines for investor relations and financial information.

BWG Homes' communication with the financial market must give investors and analysts the best possible basis for creating an accurate picture of the company's financial position, key value drivers, risk factors and other considerations which may affect future creation of added value. At the same time, company management must try to harness policy signals from the market.

The company has pledged to provide the financial market with precise, relevant, timely and consistent information about factors of importance in valuing

the company's securities, when BWG Homes is the correct source of such information.

Company spokespersons have been designated for different subjects. The company has a contingency plan for management of the media in response to events of a particular nature.

**Reports and announcements**

BWG Homes follows the Securities Trading Act in its interim reporting. The complete annual financial statements, Board of directors' report and annual report are available on the company's website no later than 21 days before the AGM and are sent to shareholders no later than 14 days before the date of the meeting. The financial calendar is published annually as a stock exchange notice, and can be found on the website and in the annual report. Announcements are published and distributed in an "efficient and non-discriminatory way" to the Oslo Stock Exchange and simultaneously to national and international news agencies, in accordance with §5-12 of the Securities Trading Act and the Stock Exchange regulations.

**Dialogue with shareholders and the financial market**

The CEO and CFO are the company's financial market spokespersons, and have ongoing dialogue with investors and analysts. Open presentations are arranged in conjunction with the publication of interim reports. All interim presentations are also available as live webcasts. After the interim presentation, investor presentations are held, both nationally and internationally. The company does not hold any meetings with analysts or investors for a period of four weeks prior to the publication of its interim results.

All price-sensitive information is published in an "efficient and non-discriminatory way"

REMUNERATION TO THE BOARD OF DIRECTORS	
	NOK
Chairman	180 000
Deputy Chairman	150 000
Board member	120 000
Employee representative	50 000
Deputy member per meeting	3 000

in Norwegian and English. Stock exchange announcements, press releases, reports, presentation material and webcasts are available on the company website. BWG Homes satisfies the requirements for the Oslo Stock Exchange Information Symbol (I) and English Symbol (E).

## 14.

### TAKEOVERS

#### Equal treatment and openness

The company's articles of association do not contain any restrictions with regard to share purchase. The Board works on the basis that all shareholders are treated equally. The Board will not, without good reason, seek to obstruct or hinder takeover bids for shares in BWG Homes.

#### Evaluation of offer

In the event of a takeover bid for some or all of the company, the Board will ensure that shareholders are treated equally and that BWG Homes' business activities are not disrupted unnecessarily. If a bid is made for BWG Homes' shares, the Board will issue a statement evaluating the offer and making a recommendation as to whether the shareholders should accept it or not. The Board will obtain an independent valuation and communicate this to the shareholders in its statement. If the Board is unable to make such a recommendation, it will report on the background to this decision. If the Board's views are not unanimous, it must explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board's statement will in other respects follow the guidelines of the Securities Trading Act.

#### Disposal of activities

Any transaction that is in effect a disposal of the company's activities is decided by the general meeting.

## 15.

### AUDITOR

#### Election of the auditor

BWG Homes has used KPMG as its auditor in 2008 and continues to do so in 2009. The auditor's primary duty is to perform the auditing mandated by the law and professional standards with the accuracy, competence and integrity prescribed by the law and professional standards.

#### The Board of Directors' relationship to the auditor

Special instructions have been adopted for the Board of Directors' relationship to the auditor. The instructions include guidelines for the company's access to make use of the auditor for other services than auditing. The auditor shall meet with the Board of Directors at least once a year without the management being present. The auditor shall once a year present a letter of confirmation of the established requirements on independence. The auditor shall participate at Board meetings that discuss the annual accounts. The auditor is entitled to be present at General Meetings.

The auditor shall present the main elements of the plan for performing the auditing work to the Board of Directors every year. The auditor shall review any material changes to the BWG Homes' accounting principles, evaluations of significant accounting estimates and any material matters where there may have been disagreement between the auditor and the management. The auditor shall review the BWG Homes' internal control with the Board of Directors, including identifiable weaknesses and improvement proposals, at least once a year. The Board of Directors will inform about the auditor's fees broken down into auditing and other services at the Annual General Meeting.

### ARTICLES OF ASSOCIATION OF BWG HOMES ASA

- §1 The company's name is BWG Homes ASA, and it is a public limited liability company.
- §2 The object of the company is to engage in building operations and other similar operations, either under its own direction or through participation in other companies. The company may grant loans and furnish security in this connection.
- §3 The company's registered business address is in Oslo.
- §4 The company's share capital is NOK 98 276 000 divided into 98 276 000 shares each with a nominal value of NOK 1.
- §5 The company shall have a Board of Directors consisting of five to seven Board Members, as determined by the General Meeting. The Board of Directors, including its Chairman and the Deputy Chairman, shall be elected by the General Meeting for a term of two years. The Company can be signed for by the Chairman of the Board or the Deputy Chairman individually, or by two Board members jointly or by whomsoever the Board otherwise delegates signatory rights.
- §6 The company shall have a Nomination Committee consisting of three members which are elected by the General Meeting for a term of one year. The Nomination Committee shall nominate candidates for the Board of Directors and the Corporate Assembly (if any) and the remuneration for the members of these bodies. The Board of Directors may lay down instructions for the Nomination Committee.
- §7 The Annual General Meeting of shareholders shall consider and decide on the following matters:
  - a) Approval of the annual report and accounts, including the dividend to the shareholders.
  - b) Any other matters that shall be dealt with by the General Meeting by law or pursuant to the Articles of Association.
- §8 In all other respects, the provisions of the Public Limited Companies Act shall apply.