

Corporate governance

The Board's statement on corporate governance is set out below. It complies with the structure adopted by the Norwegian Corporate Governance Board (NUES). The statement also meets the information requirements set out in Section 3-3b of the Accounting Act and Section 5-8a of the Securities Trading Act. It is available at www.gjensidige.no.

The Board is concerned with openness and honesty, and equal treatment of shareholders. The Company's business shall be based on sustainable strategies and decisions. Our information principles are set out on our website. We are predictable and transparent.

The Articles of Association do not contain provisions that deviate from Chapter 5 of the Public Limited Liability Companies Act. The information requirements in the Accounting Act are integrated into the statement below where appropriate. This also applies to information about shareholder matters.

1. Statement on corporate governance

This statement is based on the principle of "comply or explain". There are no major deviations. However, in line with the requirements of the Code of Practice, we nonetheless include a statement on each point in accordance with the Code of Practice of 17 October 2018. Minor deviations are noted and explained.

2. The business

The Articles of Association describe the object of the business and set clear limits for its content. Gjensidige is a financial group, and is subject to the restrictions and rules set out in the Financial Institutions Act. Within this framework, Gjensidige primarily operates as a general insurance group in the Nordic countries and the Baltic states. In Norway, the Group is also engaged in banking and life and pension insurance. In 2019, Gjensidige will no longer have investments in banking operations, but banking will continue to be integrated in its business through a strategic collaboration with Nordea.

The Board sets clear objectives for the business with a view to creating value for shareholders. The objectives take society at large into account; see the separate statement on corporate social responsibility on page 22–49. The objectives are revised and

adopted annually. Objectives for the coming year are revised and determined annually towards the end of the current year.

Long term objectives, strategies and the risk profile are also evaluated once a year in connection with the work on strategy in June, or as necessary in connection with major events or structural changes.

3. Equity and dividends

The Board has a clearly communicated solvency and dividend policy adapted to the Company's objectives, strategy and risk profile. It is available at www.gjensidige.no. The policy emphasises an annual cash dividend, and that any excess capital will not be retained by the Company, but will be disbursed to the shareholders over time.

Gjensidige's solvency and capital needs are, in principle, defined by the rules adopted by the authorities. The standard requirements that have been adopted are based on average figures. The Board wishes solvency and capital requirements to be defined in relation to Gjensidige's actual exposure at all times, and it has therefore invested considerable resources in the Group's own internal model, which provides continuous, qualified information about solvency and capital needs. The model has been approved by the Financial Supervisory Authority of Norway, and it gives the Board a good, relevant basis for making decisions in the areas it covers. The Board has also decided that Gjensidige shall meet the requirements for an A-rating, which also has implications for its final solvency and capital decisions.

It can be expedient for the Board to be authorised by the General Meeting to make decisions concerning the distribution of dividends throughout the year if there are financial grounds for doing so. Such decisions must be formally based on the approved accounts for 2018, and will, if relevant, come in addition to the dividend adopted by the Annual General Meeting. Such authorisation must be decided by the General Meeting. It will apply until the next Annual General Meeting, but no longer than until 30 June the following year.

The Board also believes that it is expedient for the Board to be authorised to purchase own shares, partly to fulfil the Group's share savings programme and remuneration schemes for employees, and partly so that shares can be used as a consideration in connection with the acquisition of businesses or for subsequent sale or cancellation. Such authorisation must be decided by the General Meeting and will apply until 30 June the following year.

The Board also believes that it is expedient for the Board to be authorised to raise subordinated loans and other external financing, and to trade in the bonds issued at all times under the Company's subordinated bond issues. Such authorisation must be decided by the General Meeting and will apply until the next Annual General Meeting, but no longer than until 30 June the following year.

Finally, the Board also believes that it is expedient for it to be given limited authority to increase the share capital through subscription for new shares. Such authorisation must be decided by the General Meeting and will apply until 30 June the following year.

Reference is made to the items to be considered by the General Meeting for more information and for the conditions that are set.

Deviation: NUES recommends that the grounds for such authorisations should be explained and that they should be limited to defined purposes. The Board fundamentally agrees with NUES, but believes that a certain degree of flexibility is necessary. As long as the authorisations are clearly limited in time and scope, and, in reality, merely adjust and rationalise the undertaking's capital structure, the Board's management authorisation should include powers to make such decisions rather than having to hold an extraordinary general meeting.

4. Equal treatment of all shareholders

Shareholders' pre-emption rights in connection with an increase in share capital is an important and fundamental right in a good, harmonious shareholder community, and the pre-emption right can only be waived in exceptional circumstances. Waiving of this right will be based on the Company's and sharehol-

ders' mutual interests. In such case, there will be full openness about the matter, and the shareholders will receive identical information simultaneously through a stock exchange announcement and subsequently on our website.

This also applies if the Board utilises the authorisations it has been granted.

The Board's transactions in own shares must always comply with the arm's length principle and be on ordinary market terms.

Transactions between related parties and group companies must take place on commercial terms, and on the basis of an independent evaluation if the transaction is not immaterial.

5. Shares and negotiability

There are no provisions in the Company's Articles of Association that limit the right to own, trade or vote for shares in the Company.

6. General meetings

The Board regards the General Meeting an important arena for all shareholders.

However, there are so many shareholders in Gjensidige that it is not possible in practice to hold a physical meeting where they can all participate. A considerable amount of work is therefore put into preparing items, and into facilitating powers of attorney and the possibility to vote without attending the physical meeting. The meeting itself is broadcast in real time.

Prior to the meeting, the shareholders have ample opportunity to contact the Company to clarify matters or to get help to raise items at the General Meeting.

More information is available on our website.

The Board has noted that NUES recommends that efforts should be made to make it possible to vote for individual candidates to the Board and Nomination Committee. Elections are demanding in financial

undertakings, partly because of official suitability requirements and partly because of the requirements of the Board's combined expertise, i.e. to ensure a functioning board with broad expertise.

For Gjensidige, where one shareholder owns more than 60% of the shares, it is not the formal election itself at the General Meeting that represents a challenge, but the preparations for the election. The Board has noted that elections require an extensive process. All shareholders can submit proposals for candidates, and the Nomination Committee contacts the biggest shareholders in writing. All submitted views are taken into account. The Board considers this work to be very important to the Company's business, position and further development.

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7. Nomination Committee

The Company has a Nomination Committee, as provided for in the Articles of Association, comprising four to six members, subject to the decision of the General Meeting. The General Meeting elects the chair and members, and stipulates the committee's remuneration.

The committee members are independent of the shareholder-elected board members and executive personnel.

In financial undertakings, the General Meeting elects the chair of the board. One of the board members elected from among the employees therefore takes part in discussions and decisions on the recommendation for chair of the board. This is by our own choice, and it is in accordance with the principle of workplace democracy that generally prevails in Norway.

The Nomination Committee also submits a recommendation for the election of the auditor to ensure that this election is also independent of the

Board. The Board's Audit Committee has a right to state its opinion in that connection.

The Nomination Committee is easily accessible to shareholders, and the process is subject to deadlines to ensure that the views of all shareholders are made known before the relevant discussions take place in the Nomination Committee.

8. The Board

In the Board's opinion, the composition of the Board safeguards the interests of the shareholders as a whole, and the Company's needs for competence, capacity and diversity.

At least two of the shareholder-elected members are independent of the Company's main shareholder. The Company's main shareholder, the Gjensidige Foundation, assumes that the chair of the board shall be independent of the Gjensidige Foundation and have the same relationship to all shareholders.

No executive personnel or representatives of business associates are members of the Board.

The shareholder-elected board members are elected, in accordance with the Articles of Association, for one year at a time. The employee representatives are elected for two years at a time.

The Nomination Committee encourages board members to own shares in the Company.

9. The work of the Board

The Board plans nine pre-arranged board meetings per year, including at least one two-day strategy seminar. Two extraordinary meetings were also held electronically in 2018. Good and efficient procedures have been established for extraordinary board meetings.

In accordance with the law, the Board has established three board committees comprising board members – the Remuneration Committee, the Audit Committee and the Risk Committee. The committees' mandates are based on a group perspective. The board committees do not have decision-making power. Their purpose is to make preparations for board meetings. In the Board's experience, the introduction of board committees has improved its work, and has led to deeper and stronger involvement in the business's challenges and initiatives.

In accordance with the Financial Institutions Act, the Company has established four independent control functions that each play a key role within their areas of responsibility – a Risk Management function, a Compliance function, an Actuary function and the Internal Audit function. Those involved are all employees of the Company. The internal auditor – the head of the Internal Audit function – is appointed by

the Board, which also decides the auditor's salary, and has a special position as the Board's most important control officer. The others are appointed by the CEO. The functions are presented in more detail in note 3. The Board emphasises that these functions have a close relationship with the Board through board work and reporting, and, in particular, the work in the board committees.

An overview of the board members' involvement is provided below

	Nationality	Elected	Board meetings Participated/ No of meetings	Committee	Committee Participated/ No of meetings
Gisele Marchand	Norwegian	General Meeting	11/11	Risk/Remuneration	10/11
Per Arne Bjørge	Norwegian	General Meeting	11/11	Audit	7/7
Eivind Elnan	Norwegian	General Meeting	11/11	Remuneration	2/2
Hilde M. Nafstad	Norwegian	General Meeting	11/11	Risk	9/9
Terje Seljeseth	Norwegian	General Meeting	11/11	Risk	8/9
Vibeke Krag	Danish	General Meeting	11/11	Audit	7/7
John Giverholt	Norwegian	General Meeting	11/11	Risk	9/9
Gunnar Mjåtvedt	Norwegian	Employee representative	11/11	Audit	7/7
Anne Marie Nyhammer	Norwegian	Employee representative	11/11	Remuneration	2/2
Lotte Kronholm Sjøberg	Danish	Employee representative	11/11	Risk	8/9

The Board has adopted rules of procedure for its work, and works on the basis of an annual plan. There is a good, open atmosphere on the Board. The board members have effective access to material relevant to their board work through Admincontrol.

If the chair of the board has been directly or indirectly involved in a matter, another board member has chaired the meeting instead. If a board member is disqualified on grounds of partiality, he/she cannot be involved in consideration of the matter in question, and must leave the board room and is excluded from involvement in the matter.

The Board carries out an annual self-evaluation, with or without external help. The Nomination Committee has access to the evaluation. It also holds discussions with the Board and the Company's management on their work and the expertise needed to meet the challenges that are expected to arise in the longer term.

10. Risk management and internal control

The Board complies with NUES's recommendations in its work on risk management and internal control. The Company's most important risk areas and the internal control system are continuously reviewed.

The work on internal control is based on the COSO principles, which comprise three lines of defence. They are the management's own control measures (first line), the Compliance function's and Risk Management function's control measures (second line) and the Internal Audit (third line). Gjensidige is first and foremost an insurance group. The independent actuary function is therefore an important and necessary part of the Board's work, and for assessing the actuarial liabilities.

The accounting department has established processes for good internal control, and focuses on having the right expertise and sufficient resources to prepare the accounts and other statutory reporting in accordance with the applicable laws and regulations.

The reporting of deviations and other established systematic reporting give the Board insight into the processes and status.

In the Board's opinion, the control environment is good and functions as intended. The frameworks for the assessment of risk – identification and qualification of risks – are continuously quantified and evaluated. Control activities and the coordination of the different control environments are adopted annually by and in consultation with the Board. The Board's Audit Committee is responsible for information, communication and risk monitoring.

In connection with risk management, the Board adopts annual risk limits in light of the Company's future plans, financial strength and the capital plan communicated to the shareholders. See Note 3 for more information.

The Board has issued a separate report on corporate social responsibility, see page 22–49. Consideration for society at large is an integral part of Gjensidige's strategy and a precondition for long-term value creation.

11. Remuneration of the Board

None of the board members have share options or other incentives issued by the Company. Their remuneration is decided by the General Meeting, on the Nomination Committee's recommendation, and is described in Note 8. Reference is made to the Nomination Committee's presentation, assessment and proposal, available at www.gjensidige.no.

12. Remuneration of executive personnel

The Board has adopted guidelines for a remuneration scheme that applies to executive personnel. It is presented to the General Meeting each year, together with a report on any deviations that have taken place since the previous General Meeting. The statement is available in the case documents at www.gjensidige.no and also in Note 8.

The guidelines help to ensure good alignment between shareholder and employee interests. The remuneration scheme is linked to value creation over time, and is based on quantifiable factors that the employee can influence. A ceiling has been set for performance-based remuneration.

13. Information and communications

The Board has adopted an IR policy for the Company's reporting of financial and other investor information. It is based on openness and takes into account the requirement for equal treatment of shareholders and other stakeholders in the securities market. The IR policy is published at www.gjensidige.no.

The IR policy also regulates the Company's contact with shareholders.

14. Takeovers

Guidelines have been adopted for how the Board shall respond to any takeover bids. The guidelines are in accordance with the Code of Practice.

The Board points out that the Gjensidige Foundation owns more than 60 per cent of the shares, and that a takeover bid process would therefore be unusual. However, the Board is prepared to engage in such dialogue out of consideration for the shareholders as a whole, and to take part in value-creating discussions with any parties with interesting value propositions.

15. The external auditor

The external auditor submits his/her plan for the performance of the audit each year. The plan is initially discussed by the Board's Audit Committee, and is also seen in conjunction with other internal control and risk management plans. The plan is considered at a board meeting with the external auditor in attendance.

The external auditor plays an important role, and it is his/her task to confirm to the General Meeting that the accounts adopted by the Board are correct. The Board places great emphasis on openness in relation to the external auditor and the audit team, and on ensuring good, efficient cooperation with employees, and that the auditor has the access he/she requires.

It is primarily the Audit Committee and the Company's management that are in continuous contact with the external auditor. The Nomination Committee is tasked with evaluating the external auditor's overall contribution, and recommending election or re-election. The Nomination Committee occasionally proposes changing the external auditor, irrespective of the auditor's contribution, in part to ensure new impulses and assessments, and in part to subject the audit to competitive tender.