



# VIKING

SUPPLY SHIPS AB (PUBL)

CORPORATE GOVERNANCE REPORT

2016



VIKING SUPPLY SHIPS

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REPORT CORPORATE GOVERNANCE AT VIKING SUPPLY SHIPS AB

# CORPORATE GOVERNANCE

VIKING SUPPLY SHIPS AB IS A SWEDISH PUBLIC LIMITED COMPANY LISTED ON NASDAQ OMX STOCKHOLM, UNDER THE SMALL CAP SEGMENT. VIKING SUPPLY SHIPS AB IS GOVERNED THROUGH THE ANNUAL GENERAL MEETING (AGM), THE BOARD OF DIRECTORS AND THE CEO IN ACCORDANCE WITH THE SWEDISH COMPANIES ACT, THE ARTICLES OF ASSOCIATION AND THE SWEDISH CORPORATE GOVERNANCE CODE. THE COMPANY IS MAJORITY-OWNED BY KISTEFOS AS (VIA VIKING INVEST AS), WHICH AFTER ALL EQUITY ISSUES RELATED TO THE FINANCIAL RESTRUCTURING HAD BEEN COMPLETED IN EARLY 2017 ACCOUNTED FOR 75.3% OF THE SHARE CAPITAL AND 71.2% OF THE VOTING RIGHTS.

This Corporate Governance Report has been prepared in accordance with the provisions in the Swedish Corporate Governance Code (the "Code") and Chapter 6, § 6–9 of the Swedish Annual Accounts Act and Chapter 9, § 31 of the Swedish Companies Act, and pertains to the 2016 fiscal year. The auditor has expressed an opinion as to whether the preparation of the Corporate Governance Report and disclosures in accordance with Chapter 6, § 6, second paragraph 2–6 of the Annual Accounts Act (for example, the principal features of the company's system for internal control and risk management in conjunction with financial reporting) correspond with the other sections of the Annual Report. Viking Supply Ships AB's Articles of Association and other additional information on corporate governance at Viking Supply Ships AB are available at [www.vikingsupply.com](http://www.vikingsupply.com). The company's governance, management and control are based on external laws and regulations, as well as internal regulations, policies and instructions. Viking Supply Ships AB Board of Directors and management strive for the company to comply with the demands placed on the company by the stock market, shareholders and other stakeholders. By being transparent and accessible, Viking Supply Ships AB strives to provide shareholders' and other stakeholders with insight into decision channels, delegation of responsibility, authorities and control systems. In addition, the Articles of Association constitute a central control document. The Articles of Association

stipulate where the Board has its registered head office, its operational focus, its authorized signatories, as well as information on the number of shares and share capital. The highest governing body in Viking Supply Ships AB is the General Meeting of Shareholders, where the company's shareholders exercise their influence. The Board of Directors manages, on behalf of the shareholders, the company's interests and transactions. Viking Supply Ships AB's Board of Directors is led by the Chairman of the Board, Bengt A. Rem. The Board appoints the CEO. Distribution of responsibility between the Board of Directors and the CEO is regulated in the Board's formal work plan and the instructions for the CEO, both of which are established annually. Administration by the Board of Directors and the CEO, as well as the company's financial reporting is reviewed by an external auditor, appointed by the Annual General Meeting.

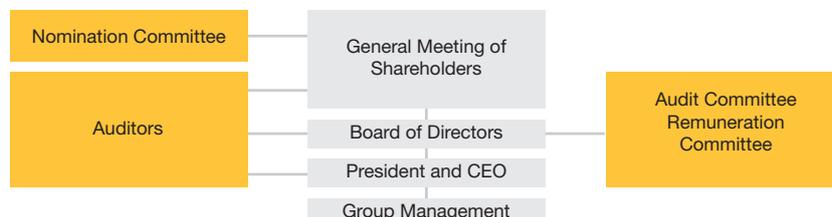
## APPLICATION OF THE CODE

The Board of Directors and management believe that the company complies with and applies all regulations included in the Code.

## SHAREHOLDERS

Viking Supply Ships AB's Series B shares have been listed on Nasdaq OMX Stockholm under the Small Cap segment since 1991. The share capital amounts to

## CORPORATE GOVERNANCE STRUCTURE AT VIKING SUPPLY SHIPS AB



SEK 409,592,960, distributed among 409,592,960 shares with a quotient value of SEK 1. There are a total of 20,684,348 Series A shares and 388,908,612 Series B shares. Series A shares carry ten votes each and Series B shares carry one vote each. However, as certain equity issues were first registered after the balance date, the share capital at the balance date was SEK 343,545,318 and the number of shares were 343,545,318. The number of shareholders at 31 December, 2016 was 3,348 (3,451). Both types of shares entitle right to dividend. For further information on the share and shareholders, see pages 76-78.

#### GENERAL MEETING OF SHAREHOLDERS

Viking Supply Ships AB's highest decision-making body is the General Meeting of Shareholders. The company's Annual General Meeting (AGM) is to be held within six months of the close of the fiscal year. Notice of the AGM is to be issued not earlier than six weeks and not later than four weeks prior to the meeting. All shareholders included in the shareholders' register which have registered for participation in time are entitled to participate and vote at the meeting. Those shareholders who cannot attend in person may be represented by proxy. The AGM was held on 30 June, 2016 in Gothenburg. The meeting was attended by 21 shareholders, representing 80.6% of the votes. At the meeting, the two representatives from the Board of Directors, representatives from the Group management and the company's auditors were present. The resolutions passed by the AGM included following:

- No decision regarding dividend was made
- The fees for the Board of Directors were withdrawn due to the financial situation in the company.
- Guidelines governing remuneration of senior executives
- Procedures for the appointment and work of the Nomination Committee

At the AGM, Bengt A. Rem, Folke Patriksson, Håkan Larsson and Magnus Sonnorp were re-elected. Erik Borgen was elected as a new Board member to replace Christen Sveaas, who had declined re-election. In addition to these Board members elected by the AGM, Christer Lindgren will remain as the labor-union

representative. Bengt A. Rem was elected as Chairman of the Board and Folke Patriksson as the Deputy Chairman.

During the meeting, shareholders were provided the opportunity to submit questions to the CEO and Board of Directors. Resolutions at the meeting are usually passed with a simple majority, but certain motions require a higher proportion of the votes represented at a General Meeting. It was not possible to follow or participate in the meeting from another location using communication technology and no change has been planned in this regard for forthcoming meetings.

#### NOMINATION COMMITTEE

The AGM resolved to establish a Nomination Committee comprising three members representing the three largest shareholders in terms of voting rights on 30 August, 2016. At the AGM in June 2016, the Nomination Committee, represented by Bengt A. Rem, reported on the work of the Nomination Committee. In its work, the Nomination Committee took into account the demands that can be placed on the Board of Directors resulting from the company operations and development phase, as well as competency, experience and background of the Board members. Independence issues were also highlighted, as well as issues pertaining to gender. The task of the Nomination Committee is to prepare proposals concerning Board membership and the Chairman of the Board, as well as remuneration of Board members and proposals for rules for the Nomination Committee ahead of the 2017 AGM. The composition of the Nomination Committee was announced on Viking Supply Ships' website and through a press release published on 30 November 2016. The Nomination Committee comprises Folke Patriksson, which due to Bengt A. Rem being CEO at that time was elected as temporary Chairman of the Board (representing Enneff Rederi AB/Enneff Fastigheter AB), Tom-Olav Holberg representing Kistefos AS/Viking Invest AS, Lena Patriksson Keller representing Enneff Rederi AB/Enneff Fastigheter AB as well as Anders Bladh representing Ribbskottet AB. Tom-Olav Holberg was elected as Chairman of the Nomination Committee. Notably, Ribbskottet AB is not the third largest shareholder, but certain shareholders have abstained from their right to appoint a member to the Nomination Committee.

#### BOARD OF DIRECTORS

Composition of the Board of Directors and number of meetings during the mandate period			Independent of major shareholders
	Elected	Board meetings	
Bengt A. Rem, Chairman	2015	17/17	No
Folke Patriksson, Deputy Chairman	1972	16/17	No
Erik Borgen	2016	12/17	No
Magnus Sonnorp	2010	17/17	Yes
Håkan Larsson	1993	15/17	Yes
Christer Lindgren, Employee representative	2010	6/17	Yes



The members of the Nomination Committee represent approximately 80% of the voting rights (at 31 December 2016) of all shares in the company. The Nomination Committee's proposals, its reasoned statement about the proposed Board, as well as supplementary information on the proposed Board members, were announced in conjunction with the Notice convening the AGM and are presented jointly with a report on the Nomination Committee's work at the 2017 AGM.

### **BOARD OF DIRECTORS**

The Board of Directors is to consist of not less than five and not more than ten members and not more than five deputies according to the Articles of Association. The Board members are elected annually at the AGM, with a period in office from the AGM until the next AGM. The AGM decides the exact number of Board members. At the AGM on 30 June, 2016, Bengt A. Rem, Folke Patriksson, Erik Borgen, Håkan Larsson and Magnus Sonnorp were elected to the Board. Bengt A. Rem was elected Chairman of the Board. Folke Patriksson was elected as Deputy Chairman. In addition to the AGM elected Board members, Christer Lindgren remained as the labor union representative. The number of AGM elected Board members who are considered independent in relation to the company, according to requirements of the Code, is estimated to be two and those dependent in relation to major shareholders is three. No other remuneration was made apart from that resolved on by the AGM. Fees to the Board of Directors are approved by the AGM following a proposal from the Nomination Committee. For more information on fees, see note 7.

### **BOARD OF DIRECTORS' WORK**

The Board of Directors is elected by the shareholders at the AGM. The Board of Directors' responsibilities and tasks are determined by a formal work plan, in addition to laws and regulations. The work plan is reviewed by the Board on an annual basis, and established through a decision by the Board. The Board's tasks include determining the company's goals, strategies, business plans and budgets, as well as approving major investments and loans raised by Viking Supply Ships AB. Furthermore, it is the Board's task to evaluate the operating management, and to ensure that there are systems in place to monitor and control the established goals. It is also the Board's task to appoint the CEO, and where applicable, a Deputy CEO. The Finance Policy, Attestation Policy and the Communication Policy, which are established annually, represent important control instruments for the Board. The Board also ensures the quality of the financial reporting through detailed reviews of interim reports, annual reports and year-end reports at Board meetings. The Board addresses different issues in their entirety and, considering the Group's size and complexity, has not regarded sub-committees necessary to prepare certain issues. This means that the Board as a whole constitutes the Audit Committee and Remuneration Committee. The Board usually meets on seven occasions per year and additional meetings are held as necessary. Scheduled meetings are held in connection with quarterly reports and additional meetings are held to address

strategic issues and decide on budgets for future fiscal years. Based on this, the Board held 17 meetings during the mandate period, of which seven were scheduled meetings, nine were unscheduled meetings and one was the statutory meeting. The Legal/Tax Manager of Viking Supply Ships AB serves as secretary at the Board meetings. The Board of Directors also receives monthly reports pertaining to the company's financial position. At scheduled Board meetings, reports are also submitted pertaining to the current work in each business area with detailed analyses and action proposals.

### **CHAIRMAN'S RESPONSIBILITY**

The Chairman of the Board is elected by the AGM. The role of the Chairman of the Board is to organize and lead the Board's work in accordance with applicable rules for listed companies, the Code and the Articles of Association. The Chairman is also tasked with supporting the President. The Chairman and the President ensure the preparation of proposals for the agenda for Board meetings. The Chairman conducts a dialogue with the CEO and is responsible for ensuring that other Board members receive the information and documentation needed to make decisions. The Chairman of the Board is also responsible for ensuring the annual review of the Board's work. The Chairman of the Board is Bengt A. Rem and the Deputy Chairman is Folke Patriksson. Bengt A. Rem is the CEO of Kistefos AS which, indirectly via Viking Invest AS, is the majority owner of Viking Supply Ships AB, with 75.3% of the share capital and 71.2% of the voting rights at 31 January 2017.

### **PRESIDENT**

The President (and CEO), Trond Myklebust, succeeded temporary CEO Bengt A. Rem, who had temporarily replaced Christian W. Berg from 19 September 2016, as President and CEO of Viking Supply Ships AB, on 27 February 2017. The CEO is responsible for the continuous management of the operations based on the terms of reference issued by the Board of Directors. The CEO's responsibilities include decisions regarding current investments and divestments, HR, financial and accounting issues, continuous contact with the company's stakeholders, as well as ensuring that the Board receives the information required to make well-substantiated decisions. The CEO reports to the Board of Directors. The CEO directs the work of the Group management and reaches decisions in consultation with the other members of management. For more information, see note 7.

### **GROUP MANAGEMENT**

The CEO has appointed a Group Management team that had three members during 2016. In addition to CEO, Christian W. Berg/Bengt A. Rem (see above) the Group Management team included Ulrik Hegelund as CFO and Tord Ytterdahl as CEO for Viking Supply Ships A/S. The Group Management is responsible for planning, controlling and following up daily operations. The Group Management held regular meetings to monitor the business operations, follow-up on financial development and other operational, development and strategy

issues. The Group Management ensures that the right competency exists in the organization in relation to the company's strategies. Authorities and responsibilities for the CEO and the Group Management are defined in the policies, job descriptions and attestation instructions. For more detailed information about the CEO and the Group Management, see page 23.

## **AUDITORS**

The auditors are elected by the AGM and at the Meeting in June 2016 the auditing firm of Rödl & Partner Nordic AB was elected for a period in office until the 2017 AGM. Authorized Public Accountant Mathias Racz was elected Auditor-in-Charge. The auditors' task is to review the President's and Board's management of the company and the quality of the company's financial reports, as well as review the Annual Report. The company's auditors participate once per year at a Board meeting to submit a report on the year's accounting and their view of the company's internal control system. Information on remuneration of auditors is found in note 8.

## **GUIDELINES GOVERNING REMUNERATION OF SENIOR EXECUTIVES**

The 2016 AGM adopted the guidelines governing remuneration of senior executives, encompassing the CEO and Group Management, which comprised three members during its period in office, and which are based on the following general principles: The principles for remuneration of senior executives from a short- and long-term perspective are designed to attract, motivate and create favorable conditions for retaining competent employees and managers. To achieve this, it is important to maintain fair and internally balanced conditions that are also competitive in market terms with respect to structure, scope and level. The employment terms and conditions for senior executives are to contain a well-balanced combination of fixed salary, pension benefits and other benefits, as well as special terms for remuneration in the event of termination of employment. Payment of variable remuneration is also possible. The total annual cash remuneration to senior executives is to be determined on the basis of competitiveness. The total level of remuneration is to be reviewed annually to ensure that it is in line with comparable positions in the relevant market. Remuneration is to be based on performance and positions. The company's remuneration system is to contain various forms of remuneration aimed at creating well-balanced compensation that verifies and supports the achievement of short and long-term goals. The fixed salary shall be set individually and be based on the individual's responsibility and role, as well as the individual's competence and experience in the relevant position. The CEO and other senior executives may receive variable remuneration should the Board resolve to this effect. Such variable remuneration is to be based on extraordinary performance in relation to defined and measurable goals, be capped in relation to basic salary and must always be justified specifically in a joint Board discussion. As mentioned above, the outcome of variable remuneration is to be based on measurable goals. The variable remuneration is to be based on (i) outcomes in

relation to the company's financial key data, as well as earnings and cash flow and (ii) fulfillment of established individual goals. Variable remuneration may not exceed a payment equivalent to 60% of the fixed salary for the respective senior executive. Pension provisions for senior executives are to be market aligned in relation to what is generally applicable to corresponding positions in the market and must be based on defined contribution pension solutions. The retirement age for senior executives is 65. Pension provisions are to be based only on fixed salary. Defined contribution pension payments must be implementable up to the equivalent of 25% of the fixed salary. Other benefits, such as company car, compensation for preventive healthcare and sickness insurance, are to comprise a small portion of the total compensation, correspond to market levels and contribute to the executive's possibilities of fulfilling his or her work assignment. The period of notice for senior executives is six months when the executive resigns and, in the event of notice from the company, six to 12 months. The CEO is subject to period of notice of up to six months if notice is served by the company. Severance may be payable but is capped at 12 monthly salaries, see note 7.

## **AUDIT COMMITTEE AND REMUNERATION COMMITTEE**

The Board in its entirety has decided to deal with auditing matters and one meeting was held with the Group's auditors during the year. Planned and completed audits were discussed at this meeting. The audit encompasses such issues as risk assessment, risk management, financial control, accounting issues, Group policies and administrative issues. Considerable emphasis is placed on follow-ups and implementing measures. The auditors also keep the Board informed of current developments in relevant areas. The Board also decided to address remuneration issues within the framework of Board duties. Remuneration of the President was addressed, as were the principles for remuneration of senior executives. Remuneration related to the Board of Directors' work is approved by the AGM.

## **THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING**

This description of internal control and risk management is submitted by the Board of Viking Supply Ships AB and is prepared in accordance with the Swedish Corporate Governance Code. The Board of Directors of Viking Supply Ships AB has overall responsibility for the internal control pertaining to the financial reporting. Good internal control is based on efficient Board work. The Board's formal work plan and instructions for the CEO are aimed at establishing a clear role and distribution of responsibilities to efficiently manage operational risks. Based on established procedures and also on the auditor's review of the internal control, company management reports regularly to the Board of Directors, should the observations have any impact on the financial statements. The Group Management is responsible for the system of internal controls that is required to handle significant risks in operating activities. This is aimed at



ensuring that the operation is conducted appropriately and efficiently, that the financial reporting is reliable and that rules, regulations and ordinances are complied with. The company has prepared procedures for the assessment of risks in the financial reporting, as well as to attain a high reliability in the external reporting and that the reporting is prepared in accordance with laws and other requirements on listed companies.

#### **RISK ASSESSMENT AND CONTROL ACTIVITY**

Viking Supply Ships AB's assessment of financial reporting aims to identify and evaluate the significant risks that influence the internal control with respect to the financial reporting in the Group's companies, business areas and business processes. Considerable emphasis has been placed in formulating the controls to prevent and recognize errors in these areas. The key control instruments for the financial reporting primarily comprise the company's Finance Policy. See page 27, Risks and uncertainties.

#### **CONTROL ENVIRONMENT**

The Board of Directors has overall responsibility for the internal control of financial reporting. The Board has established a formal work plan to clarify the Board's responsibilities and to regulate the distribution of work among Board members. Responsibility for maintaining an efficient control environment is based on an organization with distinct decision routes and clear instructions and with common values, where each employee has insight into his/her role in maintaining good internal control.

#### **INFORMATION AND COMMUNICATION**

Viking Supply Ships AB's Board of Directors has established a Communication Policy, which states what is to be communicated by whom and the manner in which the information is to be issued to ensure that the external information is correct and complete. In addition, there are instructions governing how financial information is to be communicated between management and other

employees. Viking Supply Ships AB's shareholders and other stakeholders can monitor the company's operations and its development on the website ([www.vikingsupply.com](http://www.vikingsupply.com)), where current information is published on a continuous basis. Events deemed as having a potential impact on the share price are published through press releases. Financial information is provided through quarterly reports and year-end reports, as well as through the company's annual report.

#### **FOLLOW-UP**

The Board continuously evaluates the information submitted by company management and the auditors. The work includes ensuring that measures are implemented which address inadequacies and preparing proposals for measures arising from the external audit.

#### **INTERNAL AUDIT**

The Board has not found any reason to establish an internal audit function considering the size of the Group and the centralization of the finance administration. Significant guidelines that are important to financial reporting are continuously updated and communicated to the employees concerned.

#### **FEES AND REMUNERATION**

Fees and remuneration to the CEO and the Group management are described in more detail in note 7.

#### **KEY POLICIES**

In addition to those listed above, the Board's responsibilities include ensuring that the Group's policies are kept updated and are observed. The Group has policies on such issues as investments, financing and foreign currency matters, anti-corruption, approval and authorization of and attestation instructions for financial undertaking, communication/investor relations, as well as ethics and a code of conduct. As part of the Group's responsibility, there is also health, safety, environmental and quality policies (HSEQ policy) for the company's operations at sea and on land.

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# BOARD SIGNATURES

## GOTHENBURG, 26 APRIL, 2017

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**BENGT A. REM**  
Chairman

**FOLKE PATRIKSSON**  
Deputy Chairman

**ERIK BORGEN**  
Board member

**MAGNUS SONNORP**  
Board member

**HÅKAN LARSSON**  
Board member

**CHRISTER LINDGREN**  
Employee representative

### AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Viking Supply Ships AB, corporate identity number 556161-0113

#### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 16-21 and that it has been prepared in accordance with the Annual Accounts Act.

#### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

#### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg on 26 April 2017

Mathias Racz  
Authorized Public Accountant





## VIKING SUPPLY SHIPS

Viking Supply Ships AB is the parent company of a Swedish shipping group with its main office in Gothenburg, Sweden. The Group conducts its business in four segments: Anchor Handling Tug Supply ships (AHTS), Platform Supply Vessels (PSV), Services and Ship Management. The business is focused within offshore and ice-breaking primarily in Arctic and subarctic areas. The Group has approximately 400 employees and its revenue for 2016 amounted to MSEK 760. The Company's series B share is listed at Nasdaq Stockholm, Small Cap segment. For further information, please visit: [www.vikingsupply.com](http://www.vikingsupply.com).



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