Corporate Governance Policy

The Board of Directors' statement of policy on corporate governance

Introduction

ABGSC undertakes its business in a number of geographical markets and has adopted a matrix of good local and inter-national practice for corporate governance.

ABGSC is committed to the Norwegian code of practice for Corporate Governance as issued by NUES (Norwegian Committee for Corporate Governance) and will be in broad compliance with the Code's recommendations. This report explains our adherence to those recommendations in detail.

1. Corporate Governance Policies

The Board of Directors of ABGSC will aim to follow the Norwegian recommendations for the Code of practice for corporate governance. The Group has an established set of principles that govern company and employee behavior – "Setting the compliance ethos at ABGSC" and "Basic principles". These principles are reproduced on pages 105–106 of the 2009 annual report.

2. Business Activities

The business activities of each division and of the group are specified in the Articles of Association. The Articles of Association are included in the annual report. The Articles of Association cover the current and expected business activities of the group. Together with management's discussion of our strategy, business model and objectives, these provide both shareholders and the capital market with an understanding of current and future developments.

3. Equity and Dividends

ABGSC is regulated by The Financial Super-visory Authority of Norway (Finanstilsynet) and subject to capital adequacy rules as laid down in regulations covering the financial sector in Norway. At the end of 2009, ABGSC had a capital adequacy ratio of 31.0% compared to the regulatory minimum of 8%. In addition to these requirements, ABGSC constantly evaluates the need for equity in order to maintain a balance that satisfies both our growth objectives and our desire to provide shareholders with a high dividend pay out ratio.

The business model of ABGSC requires a relatively modest capital base and current capital levels are above what the Board expects to be the optimal level over the long term. With the volatile markets of 2008 and 2009 the Board has, however found it appropriate to maintain a high capital adequacy ratio in the short term. The Board will, on a regular basis reevaluate the need for capital and may then implement various measures such as additional dividends or repurchase of own shares if the capital base is determined to be higher than required. The Board has established a dividend policy for the firm that commits it to dividends representing most of net earnings, subject to the changing needs of the business or regulatory requirements.

The Board of Directors has a mandate from shareholders to issue new shares as well as to buy back its own shares. The one year mandates are valid until end of June 2010. The proposal put forward to the AGM in 2010 is to cancel the old authorities and replace them with updated ones. The proposed authority will cover buy back of shares as well as issuance of new shares in connection with the settlement of existing forward agreements in ABGSC shares, issuance of shares to the partners of the firm, issuance of new shares in order to attract equity capital as well as issuance of shares in connection with mergers or acquisitions of companies or business units within the current scope of the business of the group as defined in the articles of association.

4. Equal treatment of Shareholders

ABGSC has only one class of shares. All shares have equal voting rights and all shares have the same rights to dividends. Certain shares held by partners of the group are however, restricted as “partner shares”. Partner share restrictions are a part of the Partnership Agreement. Partners of the firm enter into this agreement as a condition of partnership. The agreement places severe restrictions on a partner’s ability to sell (or buy) shares. The agreement stipulates that partner shares can be repurchased by the firm at a price the firm decides in cases were the partner acts in breach of the Partnership Agreement. The restrictions placed upon the partner shares are seen as an important part of the enforcement of each partner’s obligations under the Partnership Agreement and as a consequence are a benefit to all shareholders.

The company normally carries out trans-actions in its own shares at market value. In recognition of the economic impact of these restrictions on share value, any issuance of partner shares is done at a price equal to 85% of the market price for freely tradable shares at the time of issuance. As a part of the Partnership Agreement, partner shares held by partners who act in breach of the Partnership Agreement can be repurchased by the firm at a price substantially below market price.

The company has not entered into any transactions or other contracts with shareholders, members of the Board or management outside the normal scope of business. Internal guidelines require special approval for any transactions where members of the Board or management might have conflicting interest with the firm. During 2009 there were no such transactions requiring special approval.

5. Freely negotiable Shares

The company does not have any restrictions on the trading of its shares in the Articles of Association. The trading in shares owned by partners of the firm is restricted by the terms of the Partnership Agreement noted above.

6. The Annual General Meeting (AGM)

The AGM provides shareholders with an opportunity to participate in the company’s governance and through voting to approve or reject changes in the Articles of Association, election of Board and Election Committee members and approval of Board authorizations.

All proposals to be dealt with at the AGM must be submitted to shareholders at least three weeks prior to the AGM. The proposals will also be published on the Oslo Stock Exchange.

Persons wishing to participate in the AGM are required to register with the company, at latest by the end of business the day before the AGM is held. It is possible to attend by proxy, either to the Chairman, to the Chief Executive Officer or to any other representative that the individual shareholder chooses.

As a general rule, the Chairman of the Board, the CEO and the auditor are present at the AGM. Other Board and Board Committee members are present when required.

7. Nomination Committee

ABG Sundal Collier has a nomination committee elected by the AGM.

The committee consists of three members who are elected for a term of two years. The period of service can be adjusted to permit staggered terms and avoid situations were all committee members stand for election simultaneously. Committee members and the Chairman are elected by the AGM.

The Committee shall propose members of the Board to be elected by the AGM. The Committee shall identify and nominate candidates suitable for the position as Board members. As a part of its evaluation, the Committee is required to consider issues relating to ownership representation on the Board as well as issues relating to relevant experience, possible conflicts of interests, and availability of time in connection with the work as a Board member as well as the legal requirements relating to nationality, gender and approval by super-visory authorities. The Committee shall ensure that a sufficient number of proposed Board members are independent of management or partners of the group.

The committee shall also propose the remuneration for Board members to be approved by the AGM.

8. Composition and independence of the Board

The Articles of Association stipulate that the Board shall consist of four to eight members. The current Board has five members. Members are elected for a two year term of office. The Chairman of the Board is elected by the AGM.

A presentation of the current members of the board can be found in the annual report (see page 102). The Board is of the opinion that, in total, it has sufficient expertise and capacity to carry out its duties in a satisfactory manner.

Partners of the group have, in total, a significant shareholding in the company, and partners are therefore represented on the Board. In order to avoid any possible conflicts of interest, the Board will use separate committees to consider certain matters when deemed necessary. Currently, the Board has established a Compensation Committee. The majority of Board members are, however independent of top management, main owners or significant business counterparties of the group.

The CEO is not a member of the Board in the holding company ABG Sundal Collier Holding ASA, but he holds board memberships in some of the subsidiaries of the group.

The “Rules of Procedure” for the Board establishes rules for situations where a Board member should be disqualified from participating in deliberations due to close relationship or personal interest in the issue under discussion.

Board members of the company can also hold board positions with other listed companies in which ABGSC may trade shares either for customers or on its own behalf or conduct other forms of business. The Rules of Procedure for the Board prevents any Board member from engaging in any Board discussions relating to a business relationship with another company in which he or she has a material interest.

All Board members own shares in the company. Board member shareholdings are included in the annual report.

9. The work of the Board

The Board has approved a set of Board instructions governing its work and admini-strative procedures including the role of the CEO and tasks to be considered by the Board as well as rules on how to conduct the Boards meetings. The Board produces an annual agenda as part of its forward planning. The agenda includes dates for board meetings and the main topics to be covered in each meeting.

The Board has the ultimate responsibility for the management of the group. Through the CEO the Board shall ensure an adequate organization of business activities and ensure that the Board is regularly updated on the group's financial performance as well as business activities. The Board should ensure that the activities of the group are subject to adequate control and under prudent risk management.

As from 2007, the Board had a deputy chairman to serve as chairman in situations where the chairman is absent or prevented from participating in a Board discussion.

The Board has established a Compensation Committee. The Compensation Committee shall evaluate the performance of the CEO and senior management as well as propose the remuneration of the CEO to the full Board. The committee shall also approve the general guidelines for any share incentive plans to partners of the group. The committee shall also advise the CEO upon issues relating to the remuneration of members of senior management.

The Board will establish an Audit Committee. The Audit Committee will meet regularly and review quarterly and annual reports prior to these reports being presented to the Board. In connection with these reviews the Audit Committee is expected to have discussions with group management and the statutory auditor.

10. Risk Management and Internal Control

The firm faces a variety of risks and the operation of the group is based on taking intelligent risks in different forms. The Board supervises the risks incurred by the firm, either directly or through delegation to the appropriate levels in the organization. The purpose is not to eliminate risks, but to control them and keep them within acceptable levels.

As a part of its trading operation the firm takes on financial risk relating to positions in financial instruments. All trading operations are kept within pre-defined limits and any breach of such limits is reported to Board of the subsidiary.

The group has established a separate -compliance and risk control unit. The CCO (Chief Compliance Officer) has an established dual reporting line and reports both to the CEO and to the Chairman of the Board.

The CCO issues a compliance report to each Board meeting. The report deals with any breach of regulation and internal rules, contacts with regulatory authorities and any new or expected regulations relevant to the group. In addition to the report from the CCO, the Board also receives an annual management letter from the independent auditor.

The Board meets with the independent auditor at least twice annually and discusses the annual accounts as well as the internal control situation of the group. The Group Financial Reporting unit reporting to the CFO prepares the financial reporting of the group. The Group Financial Reporting unit has established processes to secure the quality of the financial reporting including probability tests, controls for general reasonableness as well as detailed reconciliations of accounting details. Draft financial reporting is presented to management prior to being presented to the Board.

11. Remuneration of Board of Directors

The remuneration of the members of the Board is decided by the AGM. The remune-ration of the members of the Board will be proposed by the Nomination Committee. The remuneration of the Board members has not been linked to the company's performance and the Board members do not have any share options for the ASC share.

The chairman receives a higher remuneration then the other Board members. Partners of the group who also serve as Board members do not receive any separate compensation as Board member, but do receive remuneration in their capacity as a partner of the group.

Members of the Board may receive additional remuneration if they take on assignments or other duties for the firm that do not form a natural part of the responsibilities of a board member. Any such assignments shall be approved by the Board in advance. The agreement must be in accordance with normal commercial terms in respect of payment and other terms. During 2009 no member of the Board had carried out such assignments. Details of any such corresponding remuneration will be set out in notes to the financial accounts.

12. Remuneration of the Executive -Management

All partners and employees of the group participate in a company-wide profit sharing program. The investment banking industry is characterized by strong competition for highly qualified personnel, and a competitive compensation model is of great importance in order to recruit and retain competent management and staff. Compensation to partners and employees consists of a fixed salary or compensation and a variable discretionary bonus or profit sharing, the amount of which is dependent on a combi-nation of company results and the individual performance. In general, the size of the profit allocated to partners and employees is set at 50% of the firm’s earnings before tax less a calculated interest of the average equity of the group. Principles for the allocation of profit allocated to partners and employees are decided by the Board after recommend-ations from the Compensation Committee. The preliminary bonus or profit participation to each partner and employee is decided by the Executive Committee and finally approved by the CEO. The allocation to individual members of senior management is decided by the CEO after taking advice from the Compensation Committee. The compensation of the CEO is proposed by the Compensation Committee and approved by the Board.

All compensation to senior management is detailed in notes to the financial accounts.

Variable compensation to management as well as partners and employees is payable annually in arrears and deferral mechanisms are in place in jurisdictions where such deferral is required.

The Board wants to encourage partners to take a long term ownership in the group through owning shares in the company. The established system with “partner shares” has proved successful over the years and aligns the long term interests of shareholders with the interest of partners of the firm. The Compensation Committee must review and approve any allocation criteria for the issuance of new shares to partners of the firm.

13. Information and Communication

As a consequence of its listing, the company must adhere to the information dissemination requirements laid down by the Oslo Stock Exchange. All regular information in the form of interim or annual reports is made on pre- announced dates and the material used is available on the internet.

Due to the confidential nature of the group’s business, the number of persons who are entitled to speak on behalf of the company is restricted.

14. Takeovers

The Partners of the group own approximately 35% of the outstanding shares of the company. The Partnership Agreement which is entered into by all the partners sets out a requirement for joint voting by partners in the event of a proposed merger or takeover.

In the event of a merger or takeover proposal, the board will not exercise mandates or pass any resolutions that obstruct the takeover bid unless approved by the general meeting. Any transaction that is in fact a disposal of the company’s activities will be submitted to the general meeting.

15. Auditor

The independent auditor issues an annual audit plan and the plan is presented to the Board. The auditor also issues at least annually a management letter following the audit of the accounts. The letter includes recommendations for improving the internal controls as well as details regarding any major internal control weakness discovered.

The auditor shall participate in person in at least one board meeting annually and always in the meeting that seeks to approve the annual accounts. Both the Board and the auditor have the right to demand a meeting between the Board and the auditor without the CEO or other management participation.