

THE BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Aker BP ASA (Aker BP) aims to ensure the greatest possible value creation to shareholders and society over time in a safe and prudent manner. A good management and control model with a clear division of responsibility and roles between the owners, represented by the shareholders in the General Meeting, the Board of Directors and corporate management is crucial to achieve this.

1. Implementation and reporting on corporate governance

The Board of Aker BP is responsible for actively adhering to sound corporate governance standards.

Aker BP is a Norwegian public limited liability company (ASA), listed on the Oslo Stock Exchange and established under Norwegian laws. In accordance with the Norwegian Accounting Act, section 3-3b, Aker BP includes a description of principles for corporate governance as part of the Board of Directors' Report in the annual report or alternatively makes a reference to where this information can be found.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the Code). The Code can be found on www.nues.no. Adherence to the Code is based on the "comply or explain" principle, which means that a company must comply with all the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations.

The Oslo Stock Exchange requires listed companies to publish an annual statement of their policy on corporate governance in accordance with the Code in force at the time. Continuing obligations for companies listed on the Oslo Stock Exchange is available at www.oslobors.no.

Aker BP complies with the current edition of the Code, issued on 17 October 2018, unless otherwise specifically stated. The following statement on corporate governance is structured in the same way as the Code, thus following the 15 chapters included in the Code.

Deviations to the code: None

2. Business

According to Aker BP's Articles of Association article 3, its objective is "to carry out exploration for, and recovery of, petroleum and activities related thereto, and, by subscribing for shares or by other means, to participate in corresponding businesses or other business, alone or in cooperation with other enterprises and interests". Further information about the Articles of Association is available at: <http://www.akerbp.com/en/investor/corporate-governance/articles-of-association/>.

Through an annual strategy process, the Board defines and evaluates the company's objectives, main strategies and risk profiles for the company's business activities such that the company creates value for shareholders. Together with the company's financial status, these objectives are communicated to the market.

It is Aker BP's vision to create the leading independent offshore exploration and production (E&P) company. In order to achieve this, the company will carry out exploration, development and production activities and be opportunistic in its approach to M&A, including buying and selling interests in companies, fields and discoveries.

In the beginning of 2020, the spread of the COVID-19 virus has created increased uncertainty and disruption to the global economy. The situation will affect the company's business activities, and it is the Board's objective to make sure Aker BP is taking all necessary measures to protect its people and operations from the virus, and to make sure the company is prepared to handle the potential operational and financial consequences of the situation. Any updates to the company's business plan and/or objectives resulting from this situation will be communicated to the market following Aker BP's procedures for information and communications (cf. chapter 13 of this report).

The company has adopted a Code of Conduct to ensure that employees, hired personnel, consultants and others acting on behalf of Aker BP, operate in a consistent manner with respect to ethics and good business practice. The Code of Conduct clarifies the company's fundamental ethical values including corporate social responsibility and is a guideline for those making decisions on behalf of the company. The Code of Conduct is available on the website <http://www.akerbp.com/en/about-us/code-of-conduct/>.

The company demonstrates responsibility through actions, the quality of its work, the projects and products and all its activities. The company's ambition is that business activities shall integrate social, ethical and environmental goals and measures. As a minimum, Aker BP will comply with laws, regulations and conventions in the areas where the company operates, but the established set of ethical guidelines extends beyond such compliance. Established procurement procedures secure non-discrimination and transparency in the procurement processes. It is also stated in the Code of Conduct that any form of corruption is not tolerated. Aker BP's Anti-Corruption Policy sets out in more detail the company's expectations with regard to the actions of Aker BP Representatives and Business Partners and is available on the website: <https://www.akerbp.com/en/about-us/code-of-conduct/aker-bp-anti-corruption-policy/>.

In addition, the company has a sponsorship program to promote the company and its activities. Guidelines for the use of sponsorships are included in the Code of Conduct. Aker BP supports measures that are directly related to the company's business as an oil company, measures that improve the company's profile and measures that can be for the benefit of the employees. Examples of the company's ongoing sponsorships is described in Aker BP's Sustainability Report.

The company integrates considerations related to its stakeholders into its value creation and shall achieve its objectives in accordance with the Code of Conduct. In Aker BP's annual Sustainability Report, the company describes its business activities in terms of sustainability performance and development, including information on matters that relate to human rights, employee rights and social matters, the external environment, the prevention of corruption, the working environment, equal treatment, discrimination and environmental impact. The report is available on the website: <https://www.akerbp.com/en/investor/reports/sustainability-report/>.

Deviations to the code: None

3. Equity and dividends

The Board seeks to optimize the company's capital structure by balancing risk, return on equity against lenders' security and liquidity requirements. The company aims to have a good reputation in all debt and equity markets. The Board continuously evaluates the company's capital structure, ensuring a capital and debt structure that is appropriate to the company's objective, strategy and risk profile. This involves monitoring available funding sources and related cost of capital.

It is the company's goal that over time, Aker BP's shareholders shall receive a competitive return on their investment through increased share price and cash dividends. The Annual General Meeting (AGM) in April 2019 authorized the Board to approve the distribution of dividends based on the approved annual accounts for 2018. The background of this proposal was to facilitate the company's aim to distribute dividends quarterly. In 2019, the company paid USD 750 million (USD 2.20828 per share) in dividends to shareholders.

The company's financial liquidity is considered to be good, although the near-term cash flow outlook has deteriorated due to the recent drop in global oil prices. At 31 December 2019, the company's cash and cash equivalents were USD 107 million. In addition, available undrawn amounts on committed credit facilities were USD 2.55 billion. Aker BP is currently rated by three rating agencies, S&P, Fitch and Moody's. During 2019, S&P and Fitch announced investment grade ratings (BBB-) on Aker BP, strengthening our credit profile. Rating from Moody's is one notch lower at Ba1. All ratings had stable outlook as of year end 2019. The risk of downgrades to the credit ratings has increased as a result of the COVID-19 situation and the recent drop in global oil prices.

At year-end 2019, the company's book equity was USD 2.37 billion, which represents 19 percent of the balance sheet total of USD 12.27 billion. The market value of the company's equity was USD 11.81 billion (NOK 103.71 billion) on 31 December 2019. As per mid-March 2020, the market value of the company's equity has fallen sharply.

The company is prepared to make necessary adjustments in investment plans and shareholder distributions in order to protect the liquidity and the robustness of its balance sheet, and to retain its investment grade (IG) credit profile.

In April 2019, the AGM authorized the Board to increase the share capital by a maximum of NOK 18,005,675, representing up to five percent of the total share capital at the time of such meeting. The authorization can be utilized for share capital increases in order to strengthen the company's equity, convert debt into equity and fund business opportunities. At 31 December 2019, the mandate had not been used.

The AGM in April 2019 also provided the Board with a mandate to acquire company shares equivalent to up to five percent of the total share capital at the time of such meeting. The purpose for this mandate was; i) utilization as transaction currency in connection with acquisitions, mergers, demergers or other transactions, ii) of investment or for subsequent sale or cancellation of such shares and iii) in connection with the share savings plan for employees. The mandate is valid until the AGM in 2020. At 31 December 2019, the mandate had only been used in part and in connection with the share savings plan for employees. The company's employees subscribed for a total of 521,815 shares (0.14 percent of total shares outstanding). After delivery of these shares, Aker BP held zero treasury shares.

Deviations to the code: None

4. Equal treatment of shareholders and transactions with close associates

The company has one class of shares and all shares carry the same rights.

When the company considers it to be in the best interest of shareholders to issue new equity there is a clear objective to limit the level of dilution. Aker BP will carefully consider alternative financing options, its overall capital structure, the purpose and need for new equity, the timing of such an offering, the offer share price, the financial market conditions and the need for compensating existing shareholders in the event that pre-emption rights are waived. Arguments for waiving pre-emption rights will be clearly stated.

In the event that the Board decides to use its current authorization to re-purchase company shares, the transactions will be carried out through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

At 31 December 2019, Aker Capital AS owned 40 percent and BP P.L.C. owned 30 percent of Aker BP. Aker Capital AS is a wholly-owned subsidiary of Aker ASA. Aker ASA and BP P.L.C. accounts for Aker BP in accordance with the equity method.

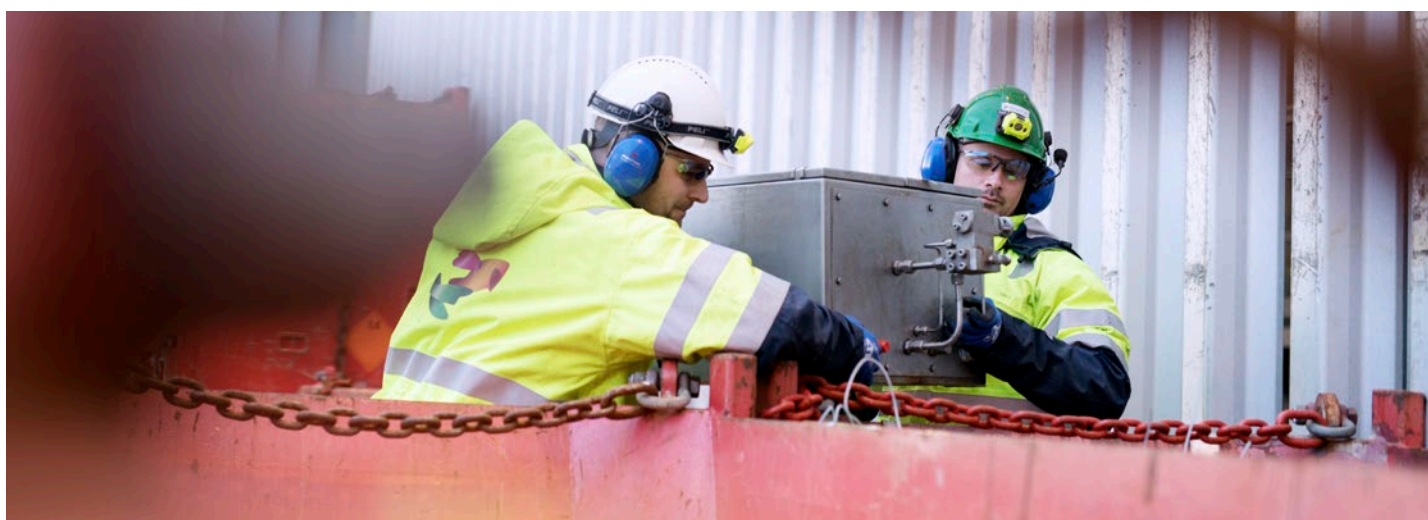
Aker BP is committed to equal treatment of all shareholders. The Board is of the view that it is positive for Aker BP that Aker ASA and BP P.L.C. assume the role of active owners and are actively involved in matters of major importance to Aker BP and to all shareholders. The cooperation with Aker ASA and BP P.L.C. offers Aker BP access to expertise and resources within upstream business activities, technology, strategy, transactions and funding. It may be necessary to offer Aker ASA and BP P.L.C. special access to commercial information in connection with such cooperation. Any information disclosed to Aker ASA's and BP P.L.C.'s representatives in such a context will be disclosed in compliance with the laws and regulations governing the stock exchange and the securities market.

Applicable accounting standards and regulations require Aker ASA and BP P.L.C. to prepare their consolidated financial statements to include accounting information of Aker BP. Aker BP is considered an associate of Aker ASA and BP P.L.C. under the applicable accounting standard. In order to comply with these accounting standards, Aker ASA and BP P.L.C. have in the past received, and will going forward receive, unpublished accounting information from Aker BP. Such distribution of unpublished accounting information from Aker BP to Aker ASA and BP P.L.C. is executed under strict confidentiality and in accordance with applicable regulations on the handling of inside information.

The Board recognizes Aker ASA's and BP P.L.C.'s contribution as active shareholders. Investor communication seeks to ensure that any shareholders are able to contribute, and management will actively meet with and seek the views of shareholders.

Aker BP has no related parties, as defined in the Public Limited Liability Company Act ("Almennaksjeloven"). The company has nevertheless established procedures for transactions with such parties and also extended these to include Aker ASA. The Board of Directors and executive management are very conscious that all relations with Aker ASA and BP P.L.C., its subsidiaries and other companies in which Aker ASA or BP P.L.C. have ownership interests or entities they have significant control over, shall be premised on commercial terms and are entered into on an arm's-length basis. Transactions with Aker and BP controlled companies are described in the financial statements' disclosure about transactions with related parties.

Deviations to the code: None





5. Shares and negotiability

Aker BP's shares are freely negotiable securities and the company's Articles of Association do not impose any form of restriction on their negotiability.

The company's shares are listed on the Oslo Stock Exchange and the company works actively to attract the interest of new Norwegian and foreign shareholders. Strong liquidity in the company's shares is essential if the company is to be viewed as an attractive investment and thus achieve a low cost of capital.

Deviations to the code: None

6. General meetings

The General Meeting of shareholders is the company's highest authority. The Board strives to ensure that the General Meeting is an effective forum for communication between the shareholders and the Board and encourages shareholders to participate in the meetings.

The Board can convene an extraordinary General Meeting at any time. A shareholder or a group holding at least five percent of the company's shares can request an extraordinary General Meeting. The Board is then obliged to hold the meeting within one month of receiving the request.

Preparation for General Meetings

The AGM is normally held before the end of April each year, and no later than the end of June, which is the latest date permitted by the Public Limited Liability Companies Act. The date of the next AGM is normally included in the company's financial calendar, which is available at <https://www.akerbp.com/en/investor/financial-calendar/>.

The notice of a General Meeting is sent to shareholders and published on the company's website and the stock exchange, no later than 21 days prior to the meeting.

Article 7 of the company's Articles of Association, about the General Meeting, stipulates that documents concerning matters to be considered by the General Meeting will be made available to the shareholders on the company's website. This

also applies to documents that are required by law to be included in or enclosed with the notice of the General Meeting.

The supporting documentation provides the necessary information for shareholders to form a view on the matters to be considered.

Participation in a General Meeting

The Board ensures that the company's shareholders can participate in the general meeting. According to Article 7 in the Articles of Association, the right to attend and vote at the General Meeting can only be exercised when the share transaction is recorded in the shareholder register no later than the fifth business day prior to the General Meeting (registration date).

Shareholders who are unable to attend a General Meeting are encouraged to vote by proxy. A form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting, is included with the notice. The deadline for registration is set as close as possible to the date of the meeting, normally the day before.

Conduct of a General Meeting and agenda for AGM

The Board proposes the agenda for the AGM. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act and Article 7 in the company's Articles of Association.

Before the AGM, the Board will nominate a person who can vote on behalf of shareholders as their authorized representative. Shareholders may cast their votes in writing, including by means of electronic communication, in a given period prior to the General Meeting. Appropriate arrangements are made for shareholders to vote separately on candidates nominated for election to the company's corporate bodies.

Aker BP's General Meetings are chaired by the person elected by the General Meeting.

The Code states that it is appropriate that all members of the Board should attend General Meetings. Representatives from the Board, the nomination committee, the auditor and the executive management will attend the AGM.

Minutes of General Meetings are published on the company's website and through a stock exchange announcement.

Deviations from the code: The code recommends that all members of the Board are present at the General Meeting and that the chairman of the Nomination Committee should attend the AGM. Due to the nature of discussions at General Meetings, Aker BP has not deemed it necessary to require all Board members and the chairman of the Nomination Committee to be present.

7. Nomination committee

Article 8 in the company's Articles of Association stipulates that the Nomination Committee shall consist of three members elected by the General Meeting. It also stipulates that the majority of the members shall be independent of the Board and the executive management and that the members shall be elected for a period of two years at a time. The committee's remuneration is determined by the General Meeting.

At the AGM in April 2019, Arild Støren Frick was re-elected as the Chair of the Nomination Committee for two years. Finn Haugan and Hilde Myrberg were re-elected as members of the Nomination Committee for two years in 2018. No members of the committee are members of executive management or the Board of Aker BP.

The Nomination Committee should be composed in such a way that it represents a wide range of shareholders' interests. If possible, both genders should be represented in the committee. The Nomination Committee's duties are also stated in Article 8 in the Articles of Association. The committee shall propose candidates for - and remuneration to - the Board of Directors and the Nomination Committee and justify its recommendation for each candidate separately.

Shareholders have an opportunity to submit proposals to the committee. The electronic mailbox for submitting proposals to the committee, with deadlines for submitting proposals where such apply, is accessible through the company's website at <http://www.akerbp.com/proposecandidate/>.

Deviations from the code: None

8. Board of Directors: Composition and independence

The Board of Aker BP consisted of eleven members at 31 December 2019. The company's Articles of Associations Article 5 stipulates that the Board shall consist of up to eleven members.

The general meeting elects the Chairman of the Board. The term of office for members of the Board is two years at a time.

Among the shareholder-elected Board members, two (Kjell Inge Røkke and Øyvind Eriksen) are affiliated with the com-

pany's largest shareholder Aker ASA. Among the shareholder-elected Board members, two (Bernard Looney and Kate Thomson) are affiliated with the company's second largest shareholder BP P.L.C.. All other Board members are considered independent of the company's two main shareholders, as well as of the company's material business contacts. All Board members are considered independent of the company's executive personnel.

In 2019, the Board conducted a total of 10 Board meetings. Participation was 92 percent.

The Board composition ensures alignment of interests with all shareholders and members of the Board are encouraged to own shares in the company. It is the Board's view that the Board collectively meets the need for expertise, capacity and diversity. Board members possess strong experience from banking and finance, oil and gas sector in general, and reservoir engineering, exploration and field development in particular.

An overview of the expertise of the Board members is available on the website: <http://www.akerbp.com/en/about-us/board-of-directors/>.

Deviations from the code: None

9. The work of the board of directors

The Board has authority over and is responsible for supervising the company's business operations and management and has adopted a yearly plan for its activities. The Board handles matters of major importance, or of an extraordinary nature and may in addition require management to refer any matter to it. The objectives of the Board's work are to create value for the company's shareholders in both the short and long term and to ensure that Aker BP fulfils its obligations at all times. An important task for the Board is to appoint the CEO and while the CEO is responsible for the day-to-day management of the company's business activities, the Board acknowledges its responsibility for the overall management of the company. The Board is responsible for:

- A.** Drawing up strategic plans and supervising these through regular reporting and reviewing,
- B.** Identifying significant risks to Aker BP's activities and establishing appropriate systems to monitor and manage such risks,
- C.** Ensuring that shareholders have access to timely and correct information about financial circumstances and important business-related events in accordance with relevant legislation, and
- D.** Ensuring the establishment and securing the integrity of the company's internal control and management systems.

The Board recognizes the significant risks associated with operations. Consequently, the Board has dedicated significant resources and time to understand and discuss not only general risks facing an E&P company, but also inherent risks connected to organization, culture and leadership. For a company like Aker BP, the Board views the risks in taking on an operated development project and meeting the required financing for its entire portfolio as well as taking on operated assets, to be among the most significant risks. Accordingly, this is where the mitigating efforts are concentrated.

The work of the Board is based on the rules of procedure describing the Board's responsibility including the division of roles between the Board and the CEO. There are specific instructions to guide the work of the CEO. The CEO, CFO and the company secretary attend all Board meetings. Other members of the company's executive management attend the Board meetings by invitation and as necessary due to specific matters. If the Chair of the Board has been personally involved in matters of a material character, the Deputy Chair takes over the tasks of the chair directing the Board's work in the specific matter.

Considering the size of the company and the scope of its activities, the Board finds it appropriate to keep all Board members informed about all Board matters, except for cases where Board members may have conflicting interests with the company. The Board carried out a self-evaluation of its own performance for 2019 which included an evaluation of the Board's competence and potential areas for strengthening this competence.

The Board ensures that members of the Board of Directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors. The company's Code of Conduct provides clear guidelines as to how employees and representatives of the company's governing bodies should act in situations where there is a risk of conflicts of interest and partiality.

Audit and Risk Committee

The Board has established an Audit and Risk Committee consisting of the following Board members:

- Trond Brandsrud, Chair
- Anne Marie Cannon
- Kate Thomson

All members are independent of the company's executive management. Anne Marie Cannon sits on the Board of Directors in Aker Energy AS, which is 50 percent owned by Aker ASA (the largest shareholder in Aker BP). Kate Thomson is Group Treasurer for BP P.L.C.

The Chair of the Audit and Risk Committee is considered to have experience and formal background qualifying as "financial expert" according to the requirement stated in the Public Limited Liability Company Act. In the period 2016-2017 Trond



Brandsrud was Chief Financial Officer at Lindorff. From 2010 to 2015, he was the Chief Financial Officer of Aker ASA. He has also been Chief Financial Officer in Seadrill, and he has held several leading financial positions in Shell for 20 years, both in Norway and globally.

The Audit and Risk Committee holds regular meetings and reviews the quality of all interim and annual reports before they are reviewed by the Board of Directors and then published. In 2019, the committee held eight meetings.

The company's auditor works closely with the Audit and Risk Committee and attended all meetings during the year. The committee also oversees the company's financial risk management and monitors and reviews the company's business risk. The management and the Audit and Risk Committee evaluate the risk management on financial reporting and the effectiveness of established internal controls. Identified risks and effects of financial reporting are discussed on a quarterly basis.

It is the view of the committee that cooperation between the auditor and executive management is good. The Audit and Risk Committee has worked together with executive management and the auditor to improve the internal control environment according to the principles of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework over the last four years.

Oversight of HSSE and operational risks

Oversight of HSSE and operational risks is retained directly by the Board. In addition, the Board has established a committee to strengthen the administration work on health, safety, cyber security and environmental matters. The committee reports to the Board on a quarterly basis and consist of the following eight members:

- Fawas Bitar, Head of Chief Executive Upstream's Office, BP – Chair of the committee
- Karl Johnny Hersvik, CEO, Aker BP
- Marit Blaasmo, SVP HSSEQ, Aker BP
- Kjetel Digre, SVP Operations & Asset Development, Aker BP



10. Risk management and internal control

Risk Management

Appropriate internal control and risk management contributes to transparency and quality reporting for the benefit of the company, stakeholders, shareholders' long-term interests and the operational challenges as an operator on the Norwegian continental shelf.

The company continuously and systematically operates a robust and transparent risk management process vertically and horizontally throughout the organization.

The company's operational activities are limited to Norway and are subject to Norwegian regulations. All activities taking place in a production license are subject to supervision and audits from governmental bodies (e.g. the Petroleum Safety Authority Norway (Norwegian PSA) and the Norwegian Environment Agency), and license partners.

The Board considers risk in the context of growing a sustainable business while meeting governance, safety and accountability expected by stakeholders. The Board and the Audit and Risk Committee regularly review major risks identified and reported through the company Enterprise Risk Management process.

The Business Management System (BMS) is formed by a cultural framework and a structural framework and encompasses the company's guidelines for how it integrates considerations related to stakeholders into its creation of value (Code of Conduct). The structural framework consists of twelve common governing models, the asset value chain and a set of technical support and business support process areas. The purpose of the process is to enable the company to maximize opportunities, minimize threats and optimize achievements of business objectives. Risk is addressed and managed throughout the asset value chain. One common way of working supported by a common infrastructure enables holistic risk management at all levels. The company's risk response includes monitoring of enduring and emerging risks through continuous analysis and engagement with operational management. Mitigating processes and plans are developed for all significant risks. The company may consult external advisors to find the most appropriate and balanced risk response.

Internal control for financial reporting

Aker BP has established a framework for Internal Control for Financial Reporting based on the principles of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) and is operationalized as follows:

- Internal Control Environment
- Risk Assessment
- Risk Response and Control Activities
- Information and communication
- Monitoring

- Knut Sandvik, SVP Projects, Aker BP
- Ariel Flores, Head of North Sea, BP
- Tony Brock, Head of Safety and Operational Risk, BP

The committee reviews risks related to operating activities. The committee shares experiences and practices in the HSSE area, learnings from incidents and aligns leadership experiences on common areas of focus in relation to management of safety and operational risks. In 2019, the committee held four meetings.

Compensation and Organizational Development Committee

The Board has a Compensation and Organizational Development Committee consisting of the following three Board members:

- Øyvind Eriksen, Chair
- Gro Kielland
- Terje Solheim

The Compensation and Organizational Development Committee is established to ensure that remuneration arrangements support the strategy of the business and enable the recruitment, succession planning and leadership development, and motivation and retention of senior executives. It needs to comply with the requirements of regulatory and governance bodies, satisfy the expectations of shareholders and remain consistent with the expectations of the wider employee population. Further, the committee shall ensure that the overall organizational structure is set up to deliver on the company's strategy going forward. In 2019, the committee held three meetings.

In addition to the Audit and Risk Committee and Compensation and Organizational Development Committee, the Board may appoint various ad hoc sub-committees when required, with a limited timeframe and scope. The authority of a sub-committee is limited to preparing items and making recommendations to the Board.

Deviations from the code: None

The established framework is an integrated part of the company's management system. The company's internal control environment is characterized by clearly defined responsibilities and roles between the Board of Directors, Audit and Risk committee and management. The implemented procedure for financial reporting is integrated with the company's management system, including ethical guidelines that describe how the representatives of the company must act.

The company has established processes, procedures and controls for financial reporting, which are appropriate for an exploration and production company. The company's documented procedures are designed to provide:

- Effective and appropriate identification and mitigation of financial reporting risks
- Measurement of compliance against procedures
- Appropriate segregation of duties
- Provision of relevant, timely and reliable financial reporting that provides a fair view of Aker BP's business
- Safeguard against fraudulent manipulation of reported figures
- Compliance with all relevant requirements of IFRS

A risk assessment related to financial reporting is performed and documented by management. Risk assessments are monitored by the Audit and Risk Committee on a quarterly basis as part of the quarterly reporting process. The Board of Directors approves the overall risk assessment related to financial reporting on an annual basis. In 2019, the following main risk areas were identified related to financial reporting:

- Impairment of goodwill, tangible and intangible assets – There is a risk that reductions in recoverable values below book values are not identified and recorded in an appropriate manner
- Tax – Complexity in tax regulations and calculation entail risk of error in financial reporting
- Asset retirement obligation - There is a risk of errors in the estimates and calculations during the ARO process

The company seeks to communicate transparently on its activities and its financial reporting based on significant interaction between financial reporting management and management responsible for exploration, development, production and decommissioning activities in the business.

Key events that may affect the financial reporting are identified and monitored continuously. An "Issue list" is established to summarize accounting and tax effects and judgment arising from events and activities. Both the auditor and the Audit and Risk Committee review and discuss the "Issue list" at least on a quarterly basis.

The Finance Department monitors the compliance with established procedures and reports any material deviations to the Audit and Risk Committee. It also identifies actions to improve procedures and conducts a self-assessment of its performance

against objectives, which are then presented and discussed with the Audit and Risk Committee.

In 2020, Aker BP will continue to focus on improvements of internal controls and further develop the ERP system that was implemented in 2018. The internal control environment has been evaluated and will be continuously improved as part of the new SAP solution for Aker BP.

Deviations from the code: None

11. Remuneration of the board of directors

The remuneration of the Board members is not performance-based but based on a fixed annual fee. None of the shareholder-elected Board members have pension schemes or termination payment agreements with the company. The company does not grant share options to members of the Board. Information about all remuneration paid to individual Board members is provided in Note 7 to the annual accounts.

The General Meeting decides the remuneration of the Board and the sub-committees. The Nomination Committee proposes the remuneration of the Board to the General Meeting and ensures that it reflects the responsibility of its members and the time spent on Board work. The Board must approve any Board member's consultancy work for the company and remuneration for such work. No such work was carried out during 2019.

Deviations from the code: None

12. Remuneration of executive personnel

The Board makes guidelines for executive remuneration, including the CEO's remuneration and other terms and conditions of employment. These guidelines set out the main principles applied in determining the salary and other remuneration of executive personnel and are addressed as a separate item at the General Meeting. Note 7 to the annual accounts contains details about the remuneration of the Board and Executive Management Team (EMT), including payroll, bonus payments and pension expenses.

Members of EMT are covered under the same budget, guidelines and limitations as onshore Aker BP employees in the annual salary review. The CEO base salary is determined by the Board.

The bonus for all employees, including the EMT, is determined by the performance on a set of company-wide performance indicators (KPIs) and the delivery on a set of carefully selected company priorities. These KPIs and company priorities are



weighted equally. KPI's include measures on safety, production, production cost, reserve additions, value creation and shareholder return. Company priorities are either important improvement initiatives or activities with clear deliverables that are critical for the company's future success.

The CEO has maximum bonus potential corresponding to 100 percent of his base salary. For other members of EMT, the limit is 60 percent. The maximum bonus for employees outside the EMT varies from 10 percent to 30 percent based on internal job grade.

In addition, certain members of the EMT participate in a five-year incentive program started in January 2019, through December 2023, linked to the relative performance of the Aker BP share price versus a benchmark index consisting of the average of the Oslo Stock Exchange Energy Index and the Stoxx 600 Europe Oil & Gas index (both weighing 50 percent each). The incentive program payment is calculated as a linear function of market outperformance, where an outperformance of 30 percent or more will result in a payment of the maximum cap. The maximum total payment is capped at 200 percent of the executive manager's annual base salary. The CEO incentive program has the same mechanics and start/end date and is capped at NOK 30 million.

The pension scheme continued to be a defined contribution plan capped at twelve times the National Insurance scheme basic amount (12G) for all employees including the executive management.

Deviations from the code: None

13. Information and communications

Aker BP maintains a proactive dialogue with analysts, investors and other stakeholders of the company. The company strives to continuously publish relevant information to the market in a timely, effective and non-discriminatory manner, and has a clear goal to attract both Norwegian and foreign investors and to promote higher stock liquidity. The company complies with the Oslo Stock Exchange Code of Practice for IR of 1 July 2019.

All stock exchange announcements are made available on the Oslo Stock Exchange website, www.newsweb.no, as well as the company's website (www.akerbp.com) at the same time. The announcements are also distributed to news agencies and other online services.

Aker BP publishes its preliminary annual accounts by the end of February, as part of its fourth quarter report. The complete annual report, including approved and audited accounts and the Board of Directors' Report, is available no later than three weeks before the AGM. Information sent to shareholders is published on the website simultaneously.

The company's financial calendar for the coming year is published as a stock exchange announcement and made available on the company's website no later than 31 December each year, in accordance with the continuing obligations for companies listed on the Oslo Stock Exchange.

Aker BP holds open presentations or conference calls in connection with the publication of the company's quarterly results in addition to an annual capital markets update. The presentations are webcasted for the benefit of investors who are prevented from attending or do not wish to attend the presentations. At the presentations, executive management review and comment on the published results, market conditions and the company's future activities.

The company's management gives high priority to communication with the investor market. Individual meetings are organized for a wide range of existing and potential new investors and analysts. The company also attends relevant industry and investor conferences.

Aker BP will reduce its contacts with analysts, investors and journalists in the final two weeks before publication of its results. During this period, the company will give no comments to the media or other parties about the company's results and future outlook. This is to ensure that all interested parties in the market are treated equally.

Deviations from the code: None

14. Take-overs

The Board has established a separate set of guidelines for how it will act in the event of a takeover bid, as recommended by the Code. The overriding principle for review of a takeover bid is equal treatment of shareholders. The principles are based on the Board of Directors and management having an independent responsibility for fair and equal treatment of shareholders in a takeover process, and that the day-to-day operations of the company are not unnecessarily disturbed. It is management's responsibility to ensure that the Board of Directors is made aware of any potential takeover bid, while the Board of Directors is responsible for ensuring that shareholders are kept informed and are given reasonable time to consider the offer.

Unless the Board of Directors has particular reason, it will not take steps to prevent or obstruct a takeover bid for the company's shares, nor hinder the progress of the bid without approval from shareholders.

If an offer is made for Aker BP's shares, the Board of Directors should make a statement to the shareholders that contains an assessment of the bid, the Board of Directors' recommendations and the reason for the recommendation. If the Board of Directors is unable to make a recommendation to shareholders, the Board of Directors shall explain its reasoning for this.

Transactions that have the effect of a sale of the company or a major part of it must be decided on by shareholders at a shareholders' meeting.

Deviations from the code: None

15. Auditor

The AGM elects the auditor and approves the auditor's fee. The Board of Directors will meet with the auditor annually without representatives of company management being present, to review internal control procedures and discuss any weaknesses and proposals for improvement. The auditor is invited and participates in the Board meetings to discuss the annual accounts. In these meetings, the auditor reports on any material changes in the company's accounting principles and key aspects of the audit, including matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor participates in all meetings with the Audit and Risk Committee and meets the Audit and Risk Committee without the company's management being present. The Board ensures that the auditor submits the main features of the plan for the annual audit of the company to the Audit and Risk Committee annually. The auditor's independence in relation to the company is evaluated annually. The auditor may carry out certain audit related or non-audit services for the company, providing these are not in conflict with its duties as auditor. The company has established an audit and non-audit service policy.

In the annual financial statements, the auditor's remuneration is split between the audit fee and fees for other services. In the presentation to the AGM, the chair presents a breakdown between the audit fee and fees for other services.

Deviations from the code: None

