

CORPORATE GOVERNANCE

1. Corporate Governance in NRC Group ASA

Introduction

NRC Group ASA (the "**company**") has made a strong commitment to ensure trust in the company and to enhance shareholder value through effective decision-making and improved communication between the management, the Board of Directors and the shareholders. The company's framework for corporate governance is intended to decrease business risk, maximise value and utilise the company's resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large.

The company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the "**Corporate Governance Code**"), last revised on 30 October 2014, which is available at the Norwegian Corporate Governance Committee's web site - www.nues.no. The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board of Directors and executive management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

Reporting requirements

The company is subject to reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Børs' "Continuing obligations of stock exchange listed companies", section 7. The Board of Directors will include a report on the company's corporate governance in each annual report, including an explanation of any deviations from the Corporate Governance Code.

The corporate governance framework

The Board of Directors adopted the company's corporate governance guidelines on 29 March 2017, including revised rules of procedure for the Board of Directors, instructions for the audit committee, instructions for the remuneration committee, insider manuals, manual on disclosure of information, ethical guidelines and guidelines for corporate social responsibility. The corporate governance framework of the Company is subject to annual reviews and discussions by the Board of Directors.

Values and ethical policies

The key values of the company are caring, credible and entrepreneurial. These values aim to characterise the behaviour of the company and the company's employees, and form the basis for the company's ethical guidelines and policies.

NRC Group has various policies providing business practice guidance within a number of key areas, such as HSE, anti-corruption, integrity due diligence procedures and financial reporting. The policies refer to specific procedures, controls and review mechanisms to ensure operations and projects in Norway and Sweden are conducted in accordance with applicable internal and external regulatory framework. As part of the NRC Group Corporate Governance and Compliance Project (please refer to section 10), procedures and standards are further developed and revised and are deemed to meet well recognized *best practice* standards.

Corporate governance reporting

This corporate governance report is structured to cover all sections of the Corporate Governance Code. The Board of Directors is responsible for ensuring the company conducts business using sound corporate governance and sets the standards for corporate governance, ensuring these reflect the Corporate Governance Code.

The following sections provides a discussion of the company's corporate governance in relation to each section of the Corporate Governance Code. According to the company's own evaluation, the company deviates from the Corporate Governance Code on the following points:

- There are no defence mechanisms against take-over bids in the company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the company, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare. Consequently, the Board has not prepared such guidelines.

2. Business

The company is a full-service rail engineering specialist that operates in the Norwegian and Swedish markets.

The company's business is defined in the following manner in the company's articles of association (the "**Articles of Association**") section 2:

"The company's business is consulting and investments in companies engaged in infrastructure related activities, including rehabilitation, and other services associated with construction, maintenance and development of infrastructure and construction activities including investments in real estate and machinery. The company will conduct surveys on land and sea, surveying work and data services, as well as industry, trade, agency business, consultancy and other activities related to the above, including the operation and management of its own properties and other resources. Objectives may be brought forward by participation in or cooperation with other businesses and companies at home and abroad".

The company's objectives and principal strategies are further described in the company's annual reports and the company's website www.nrcgroup.no.

3. Equity and dividends

Equity

At 31 December 2016, the company's consolidated equity was NOK 1 027 million, which is equivalent to 62% of total assets. The Board of Directors considers the equity ratio to be satisfactory. The company's equity ratio and financial strength is continuously considered in light of its objectives, strategy and risk profile.

Dividend policy

The company expects to create value for its shareholders by combining increased share value in a long-term perspective and distribution of dividends. The company aims to have a dividend policy

comparable with peer groups in the industry and to give its shareholders a competitive return on invested capital relative to the underlying risks. The Board of Directors at NRC Group has introduced a dividend policy whereby, subject to a satisfactory underlying financial performance, it is NRC Group's ambition over time to distribute as dividend a minimum of 30% of the profit for the year. The target level will be subject to adjustment depending on possible other uses of funds. The Annual General Meeting resolves the annual dividend, based on the proposal by the Board of Directors.

If the General Meeting, after having approved the annual accounts for the previous financial year, grants an authorisation to the Board of Directors to resolve distribution of dividends based on the company's annual accounts, such authorisation may not be valid for longer than until the company's next Annual General Meeting. Such authorisation should be based on the existing dividend policy. The explanation for the proposal to grant an authorisation to the Board of Directors should state, inter alia, how the authorisation reflects the company's dividend policy.

Share capital increases against new issuance of shares

At the company's Annual General Meeting on 12 May 2016, a general authorisation was granted for the Board of Directors to issue shares and to increase the share capital by a maximum of NOK 7 million. The authorisation is valid until the Annual General Meeting in the spring of 2017, but no later than 30 June 2017.

Option program for senior management

At the company's Annual General Meeting on 12 May 2016, an authorisation was granted for the Board of Directors to issue shares and to increase the share capital up to NOK 600,000 in connection with option program for the senior management. The authorisation is valid until 12 May 2018.

Purchase of own shares

The company's Board of Directors decided 31 March 2017 to initiate a buy-back programme to purchase shares in the company for up to NOK 10 million. The programme is contemplated to last until 30 June 2017 at the latest. The purpose of the share buy-back is to position the company for future acquisitions in which the company expects that part of the consideration will be settled by consideration shares. Further, the shares purchased under this programme can be used for the company's employee share programme. With respect to the share buy-back programme mentioned above, as well as for any future share buy-back programs, the Board of Directors will aim to ensure that all transactions pursuant to such programme will be carried out either through the trading system at Oslo Børs or at the prevailing prices at Oslo Børs. In the event of such programme, the Board of Directors will take the company's and shareholders' interests into consideration and aim to maintain transparency and equal treatment of all shareholders.

4. Equal treatment of shareholders and transactions with related parties

Class of shares

The company has one class of shares. All shares carry equal rights in the company, and the Articles of Association do not contain any provisions restricting the exercise of voting rights.

Pre-emption rights to subscribe

According to the Norwegian Public Limited Liability Companies Act, the company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may; however,

be set aside, either by the General Meeting or by the Board of Directors if the General Meeting has granted a board authorisation which allows for this. Any resolution to set aside pre-emption rights will be justified by the common interests of the company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the company.

Transactions with close associates

The Board of Directors aims to ensure that any not immaterial future transactions between the company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties are entered into on arms-length terms. For any such transactions which do not require approval by the General Meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board of Directors will on a case-by-case basis assess whether a fairness opinion from an independent third party should be obtained.

Guidelines for directors and executive management

The Board of Directors has adopted rules of procedures for the Board of Directors which inter alia includes guidelines for notification by members of the Board of Directors and executive management if they have any material direct or indirect interest in any transaction entered into by the company.

5. Freely negotiable shares

The shares of the company are freely transferable. There are no restrictions on transferability of shares pursuant to the Articles of Association.

6. General Meetings

The Board of Directors will make its best efforts with respect to the timing and facilitation of General Meetings to ensure that as many shareholders as possible may exercise their rights by participating in General Meetings, thereby making the General Meeting an effective forum for the views of shareholders and the Board of Directors.

Notification

The notice for a General Meeting, with reference to or attached support information on the resolutions to be considered at the General Meeting, shall as a principal rule be sent to shareholders no later than 21 days prior to the date of the General Meeting. The Board of Directors will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and support information, as well as a proxy voting form, will normally be made available on the company's website www.nrcgroup.no no later than 21 days prior to the date of the General Meeting.

Participation and execution

The Board of Directors and representatives of the nomination committee shall, as a general rule, be present at General Meetings. The auditor will attend the ordinary General Meeting and any extraordinary General Meetings to the extent required by the agenda items or other relevant circumstances.

The chairman of the board will normally be chairing the General Meetings. The Board of Directors will seek to ensure that an independent chairman is appointed if considered necessary based on the agenda items or other relevant circumstances.

The company will aim to prepare and facilitate the use of proxy forms which allows separate voting instructions to be given for each item on the agenda, and nominate a person who will be available to vote on behalf of shareholders as their proxy.

7. Nomination committee

The nomination committee is governed by the Articles of Association section 10. The nomination committee shall consist of three members who shall be shareholders or shareholder representatives, and of which at least two members must be independent of the Board and Management of the company. The members shall be elected by the General Meeting for a term of two years. The nomination committee shall give its recommendation to the General Meeting on election of and compensation to members of the Board of Directors, in addition to election of members of the nomination committee. The proposals shall be justified.

The nomination committee currently consists of the following three members: Arnstein Wigestrund (committee leader), Vegar Urnes and Nigel Wilson. The current members have been elected by the General Meeting with a term until the company's ordinary General Meeting in 2017. All members are independent of the Board of Directors and executive management.

8. Board of directors: composition and independence

Pursuant to the Articles of Association section 5, the company's Board of Directors shall consist of three to nine members. The Board of Directors currently consists of the following five members: Helge Midttun, Kjersti Kanne, Brita Eilertsen, Harald Arnet and Kristian Gjertsen Lundkvist. The chairman of the board has been elected by the General Meeting. The term of office for members of the Board of Directors is two years at a time.

All members of the board are considered independent of the company's executive management and material business contacts. Furthermore, Helge Midttun (Chairman), Kjersti Kanne and Brita Eilertsen are considered independent of the company's main shareholders. The Board of Directors does not include executive personnel.

The company's annual report will provide information to illustrate the expertise of the members of the Board of Directors and their record of attendance at board meetings, as well as identify which members are considered as independent or employee representative.

9. The work of the Board of Directors

The rules of procedure for the Board of Directors

The Board of Directors is responsible for the over-all management of the company, and shall supervise the company's day-to-day management and the company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board of Directors. In addition, the Board of Directors has adopted supplementary rules of procedures, which provides further regulation on inter alia the duties of the Board of Directors and the chief

executive officer, the division of work between the Board of Directors and the chief executing officer, the annual plan for the Board of Directors, notices of board proceedings, administrative procedures, minutes, board committees, transactions between the company and the shareholders and confidentiality.

The Board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The chief executive officer shall at least once a month, by attendance or in writing, inform the Board of Directors about the company's activities, position and profit trend.

The Board of Directors' consideration of material matters in which the chairman of the board is, or has been, personally involved, shall be chaired by some other member of the board.

The Board of Directors shall evaluate its performance and expertise annually, and make the evaluation available to the nomination committee.

The audit committee

The company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the Board of Directors. The members of the audit committee are appointed by and among the members of the Board of Directors. A majority of the members shall be independent of the company's executive management, and at least one member shall have qualifications within accounting or auditing. Board members who are also members of the executive management cannot be members of the audit committee. The principal tasks of the audit committee are to:

- prepare the Board of Directors' supervision of the company's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the company's auditor regarding the audit of the annual accounts; and
- review and monitor the independence of the company's auditor, including in particular the extent to which services than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

The audit committee currently consists of the following 2 members: Harald Arnet and Brita Eilertsen.

The remuneration committee

The company's remuneration committee is governed by a separate instruction adopted by the Board of Directors. The members of the remuneration committee are appointed by and among the members of the Board of Directors, and shall be independent of the company's executive management.

The principal tasks of the remuneration committee are to prepare:

- the Board of Directors' declaration on determination of salaries and other remuneration for executive management in accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a; and
- other matters relating to remuneration and other material employment issues in respect of the executive management.

The remuneration committee currently consists of the following 2 members: Helge Midttun and Kjersti Kanne.

10. Risk management and internal control

In October 2016, the Board of Directors of NRC Group ASA engaged an external advisor to conduct a compliance and corporate governance review of the NRC Group businesses in Norway and Sweden. The construction industry in general involves an inherent risk of bribery, competition law violations and misconduct in the supply chain of subcontractors (Norwegian: Arbeidskriminalitet). The purpose of the review has been to ensure that adequate policies and procedures are in place to address the risks related to NRC Group's activities, and further to safeguard that all employees, suppliers and business partners adhere to NRC Group's ethical requirements.

As an initial part of the compliance review, a thorough risk analysis of NRC Group's subsidiaries in Norway and Sweden has been conducted, including a review of existing routines and policies. To manage the identified specific risks pertaining to each subsidiary, a tailor-made compliance program has been designed, taking also into consideration the group companies' existing policies and procedures. Going forward, an action plan to implement the recommended mitigating measures has been outlined and is expected to conclude in 2017. The implementation seeks to operationalize the policies and procedures within the organisation's business operations and to create awareness among the employees through training, systematic communication and compliance program testing.

The Board of Directors should on an ongoing basis assess the company's risks. Each year, as a minimum, the Board of Directors should have a thorough assessment of the significant parts of the group's business and outlook, in order to identify risks and potential risks, and remedy any incident that have occurred. The Board of Directors may engage external expertise if necessary. The objective is to have the best possible basis for, and control of, the company's situation at any given time.

In addition to the annual risk assessment, the management should present quarterly financial statements that will inform the board and shareholders on current business performance, including risk reports. These reports should be subject to review at the quarterly board meetings.

The Board of Directors' annual review

In addition, the Board of Directors aims to undertake a complete annual review of the risk situation, which should be carried out together with the Board of Directors' review of the annual accounts. The auditor should attend this meeting.

The Board of Directors' reporting routines

The Board of Directors should present an in-depth review of the company's financial status in the annual report.

The Board of Directors will seek to ensure that the company has sound internal control and systems for risk management, including with respect to the company's corporate values, ethical guidelines and guidelines for corporate social responsibility, which are appropriate in relation to the extent and nature of the company's activities.

The Board of Directors will annually carry out a review of the company's most important areas of exposure to risk and its internal control arrangements, and evaluate its performance and expertise.

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors shall be decided by the company's General Meeting, and should reflect the Board of Directors' responsibility, expertise, time commitment and the complexity of the company's activities. The remuneration should not be linked to the company's performance.

The nomination committee shall give a recommendation as to the size of the remuneration to the Board of Directors. Pursuant to the instructions for the nomination committee, the recommendation should normally be published on the company's website at least 21 days prior to the General Meeting that will decide on the remuneration.

The company has not granted share options to board members.

Any remuneration in addition to normal fees to the members of the Board is specifically identified in the annual report (note 6).

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the Board of Directors.

12. Remuneration of the executive management

The Board of Directors will in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to key management personnel. The guidelines shall include the main principles applied in determining the salary and other remuneration of the executive management, and shall ensure convergence of the financial interests of the executive management and the shareholders. It should be clear which aspects of the guidelines that are advisory and which, if any, that are binding thereby enabling the General Meeting to vote separately on each of these aspects of the guidelines. The guidelines will be communicated to the ordinary General Meeting.

The Board of Directors aims to ensure that performance-related remuneration of the executive management in the form of share options, annual bonus programmes or the like, if used, are linked to value creation for shareholders or the company's earnings performance over time. Performance-related remuneration should be subject to an absolute limit. Furthermore, the company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

13. Information and communications

General

The Board of Directors has adopted a separate manual on disclosure of information, which sets forth the company's disclosure obligations and procedures. The Board of Directors will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The company will each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary General Meeting and publication of interim reports.

Information to shareholders

The company shall have procedures for establishing discussions with important shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the company's shareholders will be published on the company's web site at the same time as it is sent to shareholders.

14. Take-overs

In the event the company becomes the subject of a take-over offer the Board of Directors shall ensure that the company's shareholders are treated equally and that the company's activities are not unnecessarily interrupted. The Board of Directors shall also ensure that the shareholders have sufficient information and time to assess the offer.

There are no defence mechanisms against take-over bids in the company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the company. The Board of Directors has not established written guiding principles for how it will act in the event of a take-over bid, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare.

In the event a take-over were to occur, the Board of Directors will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

15. Auditor

The Company's external auditor is EY.

The Board of Directors will require the company's auditor to annually present to the audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement, as well as the main features of the plan for the audit of the company.

Furthermore, the Board of Directors will require the auditor to participate in meetings of the Board of Directors that deal with the annual accounts. At least one board meeting with the auditor shall be held each year in which no member of the executive management is present.

The Board of Directors has established guidelines in respect of the use of the auditor by the executive management for services other than the audit.

The remuneration to the auditor will be approved by the ordinary General Meeting. The Board of Directors will report to the General Meeting details of fees for audit work and any fees for other specific assignments.