

DNV GL GROUP AS

**REPORT ON
CORPORATE
GOVERNANCE
2016**

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INTRODUCTION

DNV GL considers sound corporate governance to be paramount to secure trust in DNV GL and a cornerstone for achieving the greatest possible value creation over time in the best interests of DNV GL's customers, employees, shareholders and other stakeholders.

The Board has decided to report annually on corporate governance according to principles that apply to listed public limited companies in Norway, and to apply these corporate governance principles to the extent relevant for DNV GL Group AS as a private limited company with two shareholders.

This report was approved by the DNV GL Group AS Board of Directors on 24 April 2017.

REPORTING STANDARDS

This report is based on the Norwegian Code of Practice for Corporate Governance ('the Code of Practice'). The Code of Practice contains 15 individual sections with recommendations on corporate governance. The Code of Practice requires that the reporting company describes (i) how it fulfils the recommendations, (ii) on which sections it deviates, and (iii) explanations for deviations.

The DNV GL Corporate Governance report is a detailed elaboration on each of the 15 individual sections of the Code of Practice.

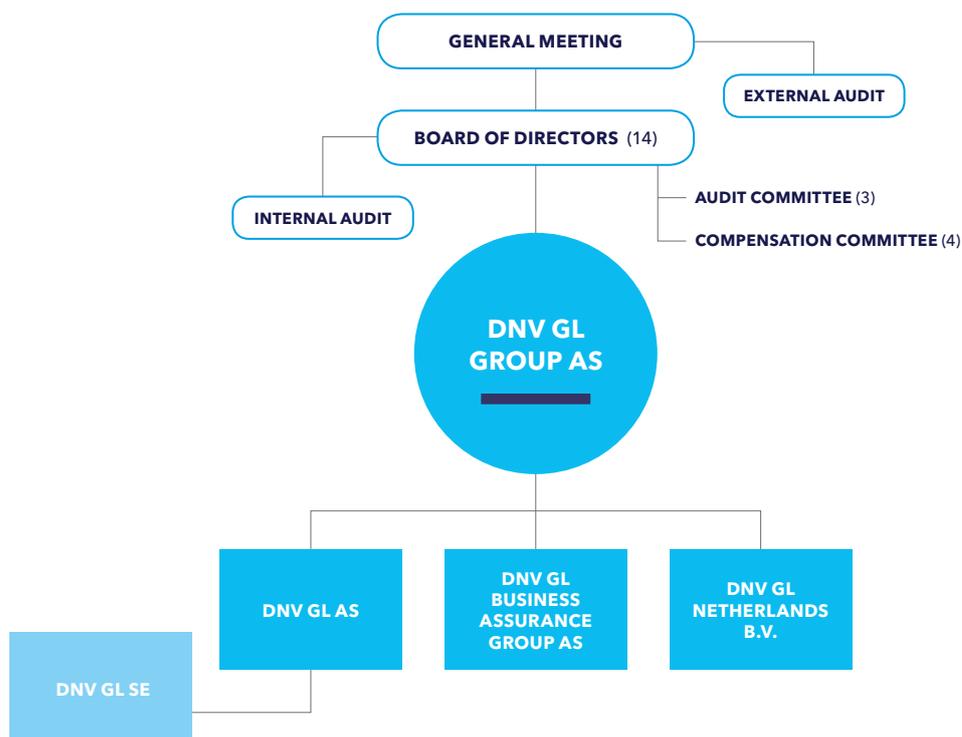
The full Code of Practice with comments is available on the website of the [Norwegian Corporate Governance Board](#). For more details on how the reporting requirements for listed companies in the Norwegian Accounting Act (LOV-1998-07-17-56) are included in the report see page 18.

DNV GL CORPORATE GOVERNANCE STRUCTURE

The group management company of the DNV GL group of companies is DNV GL Group AS ('DNV GL Group' or the 'Company'), registered in Norway and governed by the Norwegian Private Liability Companies Act. The Company is owned by Det Norske Veritas Holding AS ('DNV Holding') with 63.5% and Mayfair Beteiligungs fonds II GmbH & Co. KG ('Mayfair') with 36.5% and is a result of the combination of the two legacy organizations; DNV group and GL group. The Company was established as the group management company for the DNV GL group of companies ('DNV GL' or the 'group') from September 2013.

The majority owner DNV Holding is a private limited company registered in Norway and fully owned by Stiftelsen Det Norske Veritas. Stiftelsen Det Norske Veritas issues a separate annual corporate governance report available on; www.detnorskeveritas.com.

The minority owner Mayfair is a private company registered in Germany controlled by Mayfair Vermögensverwaltungs SE. As a private company, Mayfair does not issue a separate corporate governance report.



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IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Corporate Governance Policy - deviations from the Code of Practice

The Board has decided that it will comply with the Code of Practice to the extent relevant for a private company without public ownership.

This report includes information on;

- (a) the recommendations of the Code of Practice to which DNV GL complies,
- (b) information on where the Code of Practice is not considered relevant for DNV GL, and
- (c) explanations of sections in relation to which DNV GL deviates from the Code of Practice.

As DNV GL is a private limited company and thus has no public ownership, parts of the Code of Practice are either not applicable for the Company, or the reporting has adjusted accordingly. The following sections of the Code of Practice are to a large extent not applicable:

- » Section 5 (Freely Negotiable Shares)
- » Section 6 (General Meetings)
- » Section 14 (Take-Overs)

All adjustments and deviations are explained in the relevant sections in this report.

Corporate Values, Ethical Guidelines and Corporate Sustainability

DNV GL places great emphasis on its corporate values. DNV GL's purpose is "to safeguard life, property and the environment". The vision is "Global impact for a safe and sustainable future". The values that support the vision are: "We build trust and confidence. We never compromise on quality or integrity. We are committed to teamwork and innovation. We care for our customers and each other. We embrace change and deliver results."

The basis of the company's ethical guidelines is the DNV GL Code of Conduct. The purpose of the Code of Conduct is to ensure that all DNV GL's services and activities are carried out in compliance with all applicable laws and regulations and it provides a framework for ethical, responsible and sustainable conduct beyond compliance. The Code of Conduct describes the requirements and expectations for business and personal conduct and applies to all employees of DNV GL Group AS and its subsidiaries, as well as to temporary employees, hired contractors acting on behalf of the Group, and anyone who holds a position of trust in the Group, including the Board of Directors and its sub-committees.

Corporate sustainability is embedded in the core of DNV GL's operations and strategic positioning. Corporate sustainability in DNV GL is understood as delivering long-term value in financial, environmental, social, and ethical terms.

Sustainable operations are to be ensured through the three pillars; business activities for customer, in own operations and in collaboration through partnerships.

DNV GL has been a signatory to the United Nations Global Compact since 2003, and is committed to adhering to its principles in the areas of human rights, labour rights, environmental standards, and anti-corruption. It requires that the company makes the principles an integral part of its business strategy, day-to-day management and organizational culture, and sphere of influence and that the principles are integrated in the decision-making process of the Board.

DNV GL is also committed to report per the Global Reporting Initiative ('GRI'). GRI is a reporting standard created through a multi-stakeholder approach for sustainability reporting. The purpose is to measure, understand and communicate the economic, environmental, social and governance performance of organizations. DNV GL reports externally and annually per the GRI Standards, Comprehensive level and a third party conducts limited assurance of the report.

DNV GL has established a governing document on external annual sustainability reporting which regulates the responsibilities for the stakeholder engagement process.

The Board owns the Code of Conduct. Other relevant governing documents are owned by the Group CEO and are cascaded throughout the organization per mandates and KPIs. The corporate sustainability performance in DNV GL's operations is a line responsibility. The Board maintains the overall responsibility for the Group's sustainability performance and risk management and monitors this on a regular basis.

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BUSINESS

The overall purpose of DNV GL is "To safeguard life, property and the environment". The corresponding business purpose of DNV GL Group is set out in the Statutes of the Company, Section 2 as follows: "The purpose of the company is to, directly or indirectly through other companies, provide services in relation to safeguarding life, property and the environment, and all matters associated therewith."

DNV GL is a world leader in ship- and offshore classification, a leading independent service provider in the oil and gas sector, a powerhouse in renewables and power transmission, one of the world's top three management system certification bodies and a world-leading provider of software solutions for business-critical activities such as design and engineering, risk assessment, asset integrity and optimization, QHSE and ship management.

DNV GL's main objectives and strategies are described in the Board of Directors' report which is available on DNV GL's website, www.dnvgl.com.

3

EQUITY AND DIVIDENDS

As of 31 December 2016, DNV GL Group had a total equity of NOK 17,509 mill. The Board continually reviews DNV GL's capital situation considering DNV GL's objectives, strategies and risk profile. The Board considers the total equity to be satisfactory.

Around 5% of annual revenues generated in DNV GL's business are used to develop DNV GL's ability to fulfil its purpose over time through research and development programmes on all levels of the group.

The Board's intention is to distribute as dividend fifty per cent of the annual net profits subject to assessments of expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility. In 2016, no dividend was distributed to the shareholders.

Being a closely owned private limited company, the Code of Practice's reference to mandates to increase share capital is not relevant for DNV GL Group.

4

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

DNV GL Group has one class of shares, and each share confers one vote at the General Meeting. As DNV GL Group only has two shareholders, the relationship between them is governed by a shareholders' agreement entered into as part of the Business Combination Agreement in December 2012.

The shareholders' agreement provides for related parties transactions to be subject to certain veto rights in the Board and/or the General Meeting. All transactions between DNV GL Group and any of the shareholders or other related parties shall be at arm's length terms. One applicable measure to demonstrate arm's length would be to obtain independent third party valuation.

Examples of relations between DNV GL and the shareholders are the lease of the premises for the Group headquarters in Høvik from Det Norske Veritas Eiendom AS, the lease of the premises for the head offices of DNV GL Maritime in Hamburg from a company controlled by the shareholders of Mayfair, and the management services provided by DNV GL to Stiftelsen Det Norske Veritas and its wholly owned subsidiaries.

Agreements between DNV GL and a Board member or the Group Chief Executive Officer, if any, are subject to Board approval. Agreements between DNV GL and third parties in which a Board member or the Group Chief Executive Officer may have a special interest are also subject to Board approval.

It is stated in the Board's instructions for the Audit Committee that the Audit Committee shall review all transactions between DNV GL and its close relations, including members of the Board and the management of DNV GL.

Per the Limited Liabilities Companies Act, Section 6-27 a member of the Board of Directors may not participate in the discussion or decision of issues which are of such special importance to that Board member or to any party closely related to him/her that he/she must be regarded as having a major personal or financial interest in the matter. The same applies to the Group Chief Executive Officer. The Board members are required to disclose to the Board any interest they or their closely-related parties may have in the outcome of any particular matter.

With respect to DNV GL's other employees, DNV GL's Code of Conduct set out rules for transactions with companies in the DNV GL Group. Employees must not have any financial or other interest, directly or indirectly, in any business or activity which could call into question the employee's or DNV GL's integrity and impartiality.

5

FREELY NEGOTIABLE SHARES

The shares in DNV GL Group are in principle freely negotiable, but are in practice subject to certain restrictions included in the shareholders' agreement of combined ownership, such as rights of first refusal.

6

GENERAL MEETING

As DNV GL Group is owned by two shareholders only, the Code of Practice's recommendations for general meetings are not relevant. The General Meeting's tasks are in accordance with the Limited Liabilities Companies Act. The shareholders' voting in respect of certain specific items is regulated in the shareholders' agreement.

7

NOMINATION COMMITTEE

The Code of Practice's recommendations regarding nomination committees are not considered relevant to DNV GL Group.

The two shareholders' have agreed that six members of the Board are to be appointed by DNV Holding and three members are to be appointed by Mayfair.

The members elected by DNV Holding are the same members elected by the Council of Stiftelsen Det Norske Veritas as members of the Board of Stiftelsen Det Norske Veritas; an election which is prepared by a Nomination Committee appointed by the Council. The procedures of Stiftelsen Det Norske Veritas and the Council's Nomination Committee are described in the Corporate Governance Report prepared by the Board of Stiftelsen Det Norske Veritas. The Council's Nomination Committee's mandate encompasses an obligation to consider the composition of the whole Board of DNV GL Group, seek access to the DNV GL Group Board's self-assessment report, and communicate with Mayfair and others as it deems necessary.

Gender diversity will be observed in the nomination process as well as expertise and experience of Board Member candidates securing competence within the DNV GL business relevant economic, environmental and social aspects such as human resources, safety and health, environmental and climate, business ethics and integrity, supply chain as well as stakeholder management.

8 THE BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

The Board of Directors

The Board consists of 14 members and currently has the following composition:

Leif-Arne Langøy	Chairman	LAPAS AS
Dr. Wolfhart Hauser	Vice-Chairman	First House plc
Sami Badarani	Member	
Mette Bandholtz Nielsen	Member	DNV GL (Denmark)
Liv Aune Hagen	Member	DNV GL (Norway)
Rebekka Glasser Herlofsen	Member	Wallenius Wilhelmsen Logistics ASA
Nina Ivarsen	Member	DNV GL (Norway)
Clemens Keuer	Member	DNV GL (Germany)
Liselott Kilaas	Member	Aleris AS
Christelle G. V. Martin	Member	Engie
C. Thomas Rehder	Member	Carsten Rehder GmbH & Co KG
Morten Ulstein	Member	Borgstein AS
Markus Wandt	Member	Maryland GmbH
Xu, Bei Betty	Member	DNV GL (China)

Mette Bandholtz Nielsen, Liv Aune Hagen, Nina Ivarsen, Clemens Keuer and Bei Betty Xu are elected by and among the DNV GL employees worldwide; two from Norway, one from Germany, one from Europe (excluding Norway and Germany) and one from the World outside of Europe. Detailed information about the individual directors can be found in the DNV GL Annual Report 2016.

The employee representation scheme is in accordance with Norwegian corporate law and approval obtained from the Norwegian Working Democracy Committee, a public body with representation from both employer and employee organizations.

In the Board's own view, the Board is composed so that it can attend to the common interests of all stakeholders and meet DNV GL Group's need for expertise and capacity. The processes for consultation between the Board and stakeholders on economic, environmental, and social topics are designed to manage both risks and opportunities with key stakeholders. Important stakeholder groups, including customers, employees and owners, are represented on DNV GL's Board of Directors.

The Board consists of members with very long operational top management experience and competence within the DNV GL business relevant economic, environmental and social aspects such as human resources, safety and health, environmental and climate, business ethics and integrity, supply chain as well as stakeholder management on a national as well as an international level. Emphasis is also placed on the Board's need to function effectively as a collegial body.

The tenure of the members of the Board ranges from 1 to 8 years, with an average of 3.5 years. The Board of Directors receives regular information from DNV GL's management and experts on stakeholder concerns or preferences identified by the company in a range of global stakeholder engagements.

The measures to develop and enhance the Board's collective knowledge of economic, environmental, and social topics are mostly taken through integrating these matters in the regular decision-making of the Board. Training in sustainability matters, including socioeconomic developments, HR, Occupational Health and Safety, Climate and Compliance, is conducted through various topics being on the Board's agenda each year. This training is given by DNV GL subject matter experts and heads of functions as well as by external speakers.

As a private limited company, DNV GL Group is not subject to Board gender diversity requirements, but it is the Company's ambition to comply with the gender diversity requirements applicable to Norwegian public limited companies. However, for the time being DNV GL Group does not fulfil this ambition as 3 out of 9 shareholder-appointed Board Members are female. Under-represented social groups as referred to in the GRI Standard are currently not represented on the Board of Directors.

TABLE BOARD OF DIRECTORS MEMBERS BY NATIONALITY, GENDER AND AGE GROUP (%)

BoD members by nationality	GENDER		AGE GROUP	
	Female	Male	< 50 years	> 50years
Chinese	7.1%		7.1%	
Danish	7.1%			7.1%
French	7.1%	7.1%		14.3%
German		28.6%	7.1%	21.4%
Norwegian	28.6%	14.3%	14.3%	28.6%

The shareholders have agreed that the chairperson is to be elected by DNV Holding, and the vice-chairperson is to be elected by Mayfair. The directors are elected for two year terms or until removed by the General Meeting.

Being a privately held company, the Code of Practice's recommendation that Board Members should be encouraged to own shares in the Company is not relevant for DNV GL Group.

The Board's independence

All directors are considered autonomous and independent of DNV GL's executive management as well as DNV GL's major business contacts. The Board does not include executive personnel.

In accordance with the shareholders' agreement and the Statutes, three members shall be appointed by Mayfair and six by DNV Holding. Mayfair is the family office of the families of former Vice Chairman Günter H. W. Herz and Daniela Herz. Member of the Board Markus Wandt is an investment director at Maryland GmbH, which is the investment arm of Mayfair. Vice-Chairman Dr. Wolfhart Hauser and member of the Board Sami Badarani are external members.

The members nominated by DNV Holding; chairperson Leif-Arne Langøy, Rebekka Glasser Herlofsen, Christelle G. V. Martin, C. Thomas Rehder, Liselott Kilaas, Morten Ulstein, as well as the members elected by and among the employees; Mette Bandholtz Nielsen, Liv Aune Hagen, Nina Ivarsen, Clemens Keuer, and Bei Betty Xu are all board members or board observer of Stiftelsen Det Norske Veritas and Det Norske Veritas Holding AS.

DNV GL Group does therefore not fully comply with the Code of Practice's recommendation that at least two members shall be independent of the company's major shareholders. However, the members elected by DNV Holding are elected to the board of Stiftelsen Det Norske Veritas by its Council. The guidelines for the Council's Nomination Committee specifically instruct the Committee to consider that the Board should be composed so that no specific industry, stakeholder group or customer group has dominance in the Board. Further details on Stiftelsen Det Norske Veritas are to be found in the Corporate Governance Report from the Board of Stiftelsen Det Norske Veritas.

DNV GL Group does not have a corporate assembly.

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THE WORK OF THE BOARD OF DIRECTORS, THE CHIEF EXECUTIVE OFFICER AND THE GROUP EXECUTIVE MANAGEMENT

Board Responsibilities

The Board of directors of DNV GL Group is responsible for the overall management of DNV GL and for supervising the Company's and the DNV GL group's activities in general.

The Board directs and oversees the activities of DNV GL. The Board determines the objectives and strategies for DNV GL in collaboration with the Group Chief Executive Officer and the executive management team. The Board approves DNV GL's business plan, financial plan and budgets, and has established policies and guidelines for DNV GL's operations including economic, environmental and social topics. The Board appoints the Group Chief Executive Officer. Matters to be handled by the Board are further outlined in the Board's instructions.

The Board's work in 2016 is described in the Board of Director's report. The Board of Directors approves the Board of Directors' report, including the annual sustainability reporting. The Group Chief Executive Officer reviews and approves the sustainability report as part of the annual report and ensures that all material topics are covered. Both the Board of Director's report and the Board's instructions are available on DNV GL's website; www.dnvgl.com.

The Board's instructions also cover the following items: instructions for the Group Chief Executive Officer, board meeting procedures, and rules on minutes of meetings, working committees, impartiality, confidentiality, code of conduct and group governance.

Board Meetings

The Board adopts an annual meeting and activity plan. The plan includes agenda items for each meeting. Ordinarily, the plan stipulates six meetings per year. Additional meetings are held when considered necessary. The Board meetings are generally held at the DNV GL Headquarters at Høvik, but the shareholders have agreed that one meeting per year should be held in Hamburg.

The Board held six ordinary meetings and in addition four extraordinary meetings in 2016. The participation in the board- and board committee meetings in 2016 was close to 100%. The December meeting was held in Hamburg (Germany) and the August meeting was held in London (UK). The extraordinary meetings in July, August and September 2016 were executed by way of video and telephone conference.

Notice of the Board meetings together with the agenda is prepared by the Group Chief Executive Officer and the Chairperson of the Board. Notice of the meeting, agenda and supporting documentation, including information on DNV GL's financial status, are made available to the Board members well in advance of each meeting. The Board's instructions state that the Chairperson, in the beginning of each meeting or agenda item, shall inform the Board of discussions the Chairperson has

had with the Group Chief Executive Officer prior to the Board meeting regarding relevant issues. To ensure a more independent consideration of matters of a material character in which the Chairperson of the Board is, or has been, personally involved, the Board considers if the deliberations of such matters should be chaired by some other member of the Board.

In addition to the Board Members, the Board meetings are attended by the Group Chief Executive Officer, the Secretary to the Board and other persons from the executive management as designated by the Chairperson and the Group Chief Executive Officer. Normally, the Group Chief Financial Officer attends the meetings. The Chairperson may also invite other persons and experts to attend meetings of the Board.

The Board is bound by the rules regarding disqualification/ conflicts of interest as they appear in the Private Limited Liability Companies Act. The guidelines for efficient practice of these rules are further specified in the Board's instructions.

Board Committees

The Board has set up two permanent working committees, the Compensation Committee and the Audit Committee. The Board committees are not delegated decision-making authority, and are solely working committees that prepare items of business to be reviewed and considered by the whole Board. All matters including economic, environmental and social impact matters will be decided on by the Board of Directors. Both committees are authorised to obtain external advice as they deem necessary to carry out their tasks.

The Audit Committee

The Audit Committee acts as a counselling and preparatory committee on matters regarding the Board's supervisory function with respect to financial reporting, internal control, internal audit, compliance, risk management and statutory audits.

The Audit Committee is appointed by and among the Board members. The Audit Committee currently consists of the following three members;

Sami Badarani

Member of the Board and Chairman of the Audit Committee from 15 August 2016

Liselott Kilaas

Member of the Board and its Audit Committee from 1 August 2016
Aleris AS

Rebekka Glasser Herlofsen

Member of the Board and its Audit Committee
Wallenius Wilhelmsen Logistics ASA

The Head of Internal Audit is the Secretary of the Audit Committee. The composition of the Audit Committee meets the requirements of the Code of Practice with respect to both expertise as well as independence from the company. The Audit Committee's mandate and tasks are set out in the Board's instructions for the Audit Committee.

The Compensation Committee

The Compensation Committee acts as a counselling and preparatory committee on matters regarding employment terms and conditions for the Group Chief Executive Officer, management development and succession planning for senior executives, and other matters involving compensation policies and strategies.

The Compensation Committee shall consist of the Chairperson of the Board, who shall also chair the committee, and three members appointed by and from among the Members of the Board. The Compensation Committee currently consists of;

Leif-Arne Langøy

Chairman of the Board of Directors
and the Compensation Committee
LAPAS AS

Dr. Wolfhart Hauser

Vice-Chairman of the Board of Directors
and member of the Compensation Committee
First House plc

Markus Wandt

Member of the Board of Directors
and member of the Compensation Committee
Maryland GmbH

Morten Ulstein

Member of the Board of Directors
and its Compensation Committee
Borgstein AS

All the members of the Compensation Committee are independent of the executive management. The Group Chief Human Resources Officer is the Secretary of the Compensation Committee. The Compensation Committee's mandate and tasks are set out in the Board's instructions for the Compensation Committee.

The Board's Self-Evaluation

In accordance with the Board's instructions, the Board will once a year evaluate its own performance and expertise. The results of such self-evaluation should be made available to the shareholders, including the Nomination Committee of the Council of Stiftelsen Det Norske Veritas, in due time for the shareholders' nomination of Board Members. The Board did not perform any self-evaluation in 2016.

The Group Chief Executive Officer and the Group Executive Management

The Group Chief Executive Officer (Group CEO) of DNV GL is appointed by the Board of Directors and conducts the day-to-day management of DNV GL. He is the Chairman of the Board of the three sub-holding companies; DNV GL AS, DNV GL Netherlands B.V. and DNV Business Assurance Group AS. The Group CEO's management team is called the Executive Committee. The Executive Committee is presented in the DNV GL Annual Report. The Board members of DNV GL Group's fully owned subsidiaries are executive directors.

There is a clear division of duties between the Board and the Group CEO. The Group CEO is responsible for ensuring that DNV GL is organized, run and developed in accordance with the statutory legislation, the Statutes and decisions adopted by the Board. The functions and duties of the Group CEO are set out in the Board's instructions and in separate instructions for the Group CEO in the DNV GL Management System.

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RISK MANAGEMENT AND INTERNAL CONTROL

Control Environment

DNV GL has implemented a management system that is updated regularly and subject to ISO certification. The DNV GL Management System has mandatory corporate principles that are valid for all companies owned by DNV GL Group. DNV GL Business Assurance Group maintains its own management system due to its accreditation as a certification body.

The DNV GL Management System is split into various chapters addressing the Group Principles. Significant policy documents like purpose, vision and values, code of conduct, expectations to leaders, organizational structure, roles and responsibilities and delegation of authority that are applicable to all units in the group are found in DMSG 0 (Group Principles). Documents found under Group Principles are subject to approval by the Board of Directors.

Significant business support functions like HR, Legal, Compliance, Controllershship, Accounting & Reporting, and IT and Information Management have their group wide policies and procedures included in the DNV GL Management System. Quality management and Health, Safety and the Environment are important areas in the management of DNV GL and are all represented with detailed procedures in the management system. Each Business Area has its own section of the management system including policies and procedures for production and commercial management of the respective Business Area.

Organizational Structure

The organizational resources are grouped in five Business Areas, all of which, except Business Area Software, have a geographical organizational structure. The Business Area Chief Executive Officers report directly to the Group Chief Executive Officer.

The organizational structure reflects the customer focus and the need for serving the market in the most cost effective way, while maintaining a corporate unity and identity where this is in the best interest of meeting DNV GL's purpose. The distribution of responsibility, authority and tasks is clearly communicated throughout the group.

Authority and Delegation (Delegation of Authority)

The DNV GL authority and delegation policy with the authorization matrix is a mandatory Group Principle which must be

adhered to by all entities in DNV GL. The document clearly defines who in the DNV GL organization has the authority to approve or make decisions within selected significant areas like customer contracts, investments, acquisitions and guarantees. The DNV GL authority and delegation policy with the authorization matrix has been cascaded down into the business areas.

The Group Compliance Organization

The Board acknowledges the importance of a global compliance organization and decided in 2013 on the set up a Group Compliance organization handling risks related to anti-corruption-, anti-trust-, personal data handling- and foreign trade and export legislation. Since then ongoing measures for the implementation have been achieved to prevent, detect and react on compliance issues.

The Group Compliance Officer is responsible for managing compliance risks within DNV GL.

The Group Compliance Officer develops and maintains the Code of Conduct. The Code of Conduct stresses the importance of never compromising on integrity, and guides the employees to pay close attention to business ethics.

The DNV GL compliance process is governed and managed at group level. Binding instructions for all employees in all areas are published in the DNV GL management system, and regional characteristics will be developed as guidelines.

The Group Compliance Officer is continuing to develop a high awareness of compliance matters throughout the organization through a global training program and a routine for the reporting of misconduct, including a quarterly list of reported misconduct and of ongoing investigations related to incidents. The list of cases is reported to the Board Audit Committee and the Group CEO. The Group Compliance Officer has direct access to the Board Audit Committee and the Board of Directors. Any critical concerns will be reported to the Board Audit Committee and the Board of Directors when identified. No critical concern has been reported to the Board Audit Committee or the Board of Directors in 2016.

All employees receive training and are made aware of the legal and ethical boundaries and how to deal with difficult compliance related situations in their daily work.

DNV GL has established an Ombudsman role, with both an internal and an external Ombudsman, available to all employees. The internal Ombudsman acts as a whistle blower hotline and an ethical helpline, i.e. employees and managers can seek advice and guidance from the internal Ombudsman on ethical matters. The external Ombudsman is a qualified external lawyer serving as a whistle blower hotline. He is bound by an extensive statutory obligation of confidentiality in relation to third parties, and to public authorities and the courts. This ensures confidentiality in respect of any contact with the Ombudsman.

Risk Management

Risk Management in DNV GL means the identification, assessment and management of risks which can harm DNV GL's corporate purpose, values, brand and reputation and key business objectives.

DNV GL Group management and the Board of Directors acknowledge the importance of corporate risk management and the value this brings through protecting and enhancing the DNV GL brand and DNV GL performance. Maintaining solid risk management processes and culture throughout the group will improve strategic decision making, reduce profit volatility and protect DNV GL's brand and reputation.

The DNV GL Management System includes policies and procedures related to risk management. The objective of these policy documents is to describe the minimum requirements to the DNV GL Group and the business areas with respect to management of risks to DNV GL and it ensures a common approach to risk management across DNV GL.

Risk Management at Group Level

The DNV GL corporate risk process is governed and managed at group level. A corporate risk register is maintained throughout the year. The risk register is a numbered list of well-defined risks to DNV GL with corresponding probability of occurrences, and associated consequence to DNV GL if occurring.

DNV GL calculates its risk adjusted equity on an annual basis, considering the most important risk factors. Based on value-at-risk methodology, the analysis includes potential losses from normal operations, foreign exchange exposure, financial investments and pension plans assets and liabilities. Booked equity less a maximum calculated loss gives an illustration of DNV GL's total risk exposure and how much can be lost in a worst-case scenario. This exercise gives the Board a measurable overview of the key quantified risks and DNV GL's capacity to take on additional risk.

The Board of Directors formally reviews the risk management status and outlook in connection with the annual plan for the coming year. There is also an update of the risk picture in the quarterly reports. In addition, risk reviews are conducted as part of the strategic plan discussion from a long-term strategic point of view. The group risk reporting includes a broad range of factors including environmental risks, compliance risks, quality, and integrity aspects.

The Board Audit Committee will annually review the risk management reporting process to address the effectiveness of the process.

Stakeholder consultation to support the Board of Directors' review of key risks for the group has not been used.

The risk process includes among others:

- » Update of the Group Risk Register through top management risk workshops and reviews
- » Annual reporting to the Board of Directors on the DNV GL risk exposure as part of the strategy process and the business plan process
- » Annual reporting to the Board of Directors of group risk adjusted equity based on VaR methodology
- » Quarterly review of risk exposure in all DNV GL business areas

- » Maintenance of the risk management framework in DNV GL and that this is properly implemented across the DNV GL organization
- » Assignment of risk owners and definition and implementation of risk mitigation measures

Risk Management at Business Area Level

Each Business Area is responsible for managing their risks and maintaining an updated risk register. Each Business Area will have a Risk Manager, who is responsible for a regular review and update of the Risk Register through business area management risk workshops and regular review of the risk exposure at Operational level.

Risk Management at Operational Level

Group wide minimum requirements have been set as to how risk management should be implemented and maintained at operational level. These requirements include among others:

- » Implementation of adequate processes to ensure that risks are identified at the applicable operational level for operational units of a critical size and risk exposure
- » Implementation of reporting format and requirement for reporting 'top five' risks regularly

All operational units shall follow the DNV GL Management System.

All managers in DNV GL are responsible for assessing the inherent risk exposure in the daily activities of their employees.

Financial Reporting Process

The DNV GL financial statements are prepared in accordance with the Norwegian Accounting Act § 3-9 and Regulations on Simplified IFRS as enacted by the Ministry of Finance 3 November 2014. In all material aspects, Norwegian Simplified IFRS requires that the IFRS recognition and measurement criteria (as adopted by the European Union) are complied with, but disclosure and presentation requirements (the notes) follow the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Standards.

The DNV GL Management System includes procedures for many commercial processes including customer management, project management and support. This will ensure consistent and aligned treatment and reporting of financial transactions, assets and liabilities throughout the group.

DNV GL's reporting requirements and accounting principles are both part of the DNV GL Management System and published on the Intranet. Group wide instructions exist for calculation and reporting of significant estimates and financial transactions to ensure consistency and correct application of accounting principles.

Within legacy DNV there are standardized financial applications in use throughout the group with central financial governance. This includes common charts of accounts, automated controls in the form of data check accounts and check reports designed to ensure that the information is consistent.

Within legacy GL there are several financial applications in use, but with common financial governance and principles applied. Hence, for DNV GL financial information is reported through a group common consolidation application. The process of consolidating and quality control of financial figures used as input to financial statements prepared per generally accepted accounting principles, is centralized in the group accounting department.

To bring together the group's operations, enabling consistency and global standards a major project called Next Generation Finance (NGF) has been initiated. NGF will implement Oracle™ technology to deliver a common global business and finance system across all of DNV GL.

Competence development and training requirements follow the group wide policies for managing individual performance and is a standardised process designed to ensure competence and quality in all significant functional areas within the group including support functions.

Group Internal Audit Function

As part of the DNV GL's internal control system, DNV GL has established a group internal audit function to assist the Board, the Board Audit Committee and management in making an independent and impartial evaluation of the group's key risk areas and control procedures. Group Internal Audit will also contribute to on-going quality improvement in the management system and internal control systems.

The Head of Group Internal Audit has direct reporting access to the Chairman of the Board Audit Committee and reports quarterly a summary of group internal activities to the Committee. Any critical concerns will be reported to the Audit Committee and the Board of Directors when identified. No critical concerns have been reported to the Audit Committee or the Board of Directors in 2016. The annual group internal audit plan is submitted to and approved by the Board of Directors.

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REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of the directors is formally decided by the General Meeting. Since the Board members elected by Det Norske Veritas Holding AS are the same persons representing the majority of the votes in the General meeting as Board members of Det Norske Veritas Holding AS, a mechanism is established for the remunerations to be vetted by the Council of Stiftelsen Det Norske Veritas.

The DNV Council will make recommendations to the Board of Stiftelsen Det Norske Veritas based on a recommendation from the Council's Nomination Committee. Per the Council's

instructions for the Nomination Committee, the Nomination Committee shall include in its recommendation a proposal for remuneration to the members of the Board of DNV GL Group AS.

The proposal shall be based on information regarding levels of remuneration paid to board and committee members of comparable companies and of comparable scope of work and commitment that the DNV GL Group Board and Committee members are expected to devote to the directorship. The remunerations shall not be linked to DNV GL's performance. The Board of Stiftelsen Det Norske Veritas receives the proposal and the proposal is passed on to the General meeting via the board of Det Norske Veritas Holding AS.

See Note 7 to the financial accounts 2016 for a breakdown of remuneration paid to the Directors in 2016.

None of the shareholder-elected Directors works for DNV GL outside of their directorships, and none have any agreement regarding a pension plan or severance pay from DNV GL. If such assignments should become relevant, the instructions for the Board's own work and for the Board's Audit Committee state that any such agreement between a group company and a Board Member is subject to the review of the Board's Audit Committee and to Board approval.

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REMUNERATION OF EXECUTIVE PERSONNEL

The Board of Directors has established guidelines for remuneration for members of the Executive Committee. The guidelines are based on the principles for DNV GL's compensation policy, which states that DNV GL shall have a consistent, transparent and market relevant compensation and benefit framework. The Board of Directors is also responsible for defining the terms of employment for the Group CEO. Based on performance assessment and market comparisons of similar positions, the Board of Directors undertakes a yearly review of the Group CEO's total compensation.

For the other members of the Executive Committee, the Group CEO stipulates compensation structures and adjustments. The Compensation Committee is responsible for validating these structures and adjustments.

The incentive system for executive personnel in DNV GL shall be market relevant, which is ensured by regular benchmarking performed by an external provider. The compensation package consists of base salary, profit share (bonus bank scheme), pension and other benefits. For a more detailed description of executive remuneration, see the Board of Directors' Declaration on executive remuneration 2016 included in the DNV GL Annual Report 2016; Note 7 in the 2016 financial statements.

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INFORMATION AND COMMUNICATIONS

DNV GL will communicate in an open, active and honest manner with its customers, shareholders, employees and other stakeholders.

Guidelines for reporting financial and other information to shareholders and the securities market do not apply to a private limited company. DNV GL Group discloses an annual report with externally audited financial reporting in accordance with the Norwegian Accounting Act. As of 2014, DNV GL Group decided to also disclose half-yearly reports to increase the transparency. DNV GL's Annual Report includes externally verified reporting on its social and environmental performance in addition to financial reporting. The Global Reporting Initiative Standards, Comprehensive level and the Principles of the UN Global Compact are applied in the preparation of the report.

DNV GL's Annual Report is freely available on www.dnvgl.com and is distributed to registered subscribers. The report is also distributed to DNV GL's Technical and National Committees, who represent important stakeholder groups.

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TAKE-OVERS

As a privately held company, DNV GL Group may not be subject to take-over bids as described in the Code of Practice, Section 14. This section of the Code of Practice is therefore not relevant for DNV GL Group.

Further, Stiftelsen Det Norske Veritas indirectly owns 63.5% of DNV GL Group, and the purpose of Stiftelsen Det Norske Veritas as a foundation is fulfilled through its ownership in DNV GL. It is therefore unlikely that DNV GL will be subject to a take-over event.

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AUDITOR

The Board's Audit Committee shall review and monitor the independence and efficiency of the group's statutory auditor.

The rules in the Statutory Auditors Act, Chapter 5A (regarding entities of public interest as defined in the Act), do not apply to DNV GL Group. The Act includes rules on transparency of reporting and on the rotation of responsible auditor.

However, the auditor applies these rules for DNV GL, and the Board's Audit Committee shall ensure that the requirements are met by the auditor.

The auditor shall once per year present a plan for the auditor's work to the Audit Committee.

In connection with the presentation of the annual financial statements and the Board of Directors' Report, the Audit Committee shall discuss material issues related to accounting with management and the independent auditor.

The Audit Committee shall review with the management and the external auditor critical accounting policies and practices to be used by the Company, alternative accounting treatments, and financial controls.

The Audit Committee shall discuss with the external auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's annual financial statements and report, and if applicable, interim financial statements. This includes information on new accounting principles when a change of principles is made; and any disagreements between the management and the statutory auditor.

At least one meeting per year will be held between the external auditor, the Audit Committee, and the Board without the presence of the Group CEO or the executive management.

At least once a year, the auditor presents any findings identified in the audit related to DNV GL's internal control procedures to the Audit Committee, including identified weaknesses and proposals for improvement.

The auditor submits a written statement to the Board on compliance with the independence and objectivity requirements in the Statutory Auditors Act.

Per the Board's instructions, the Audit Committee shall review and monitor the independence of the internal auditor and the independence of the statutory auditor, and in particular to which extent other services than audits delivered by the statutory auditor or the audit firm represent a threat against the statutory auditor's independence. The Board has not established guidelines in respect of the use of the auditor by the executive management for services other than the audit, but this will be subject to continuous follow-up by the Audit Committee.

The statutory auditor for DNV GL Group is Ernst & Young.

The remuneration of the auditor is determined by the General Meeting, and based on input from the Audit Committee. In addition to ordinary auditing of DNV GL Group and subsidiaries, the statutory auditors provided tax consulting services, other attestation services and non-audit services. For details, see Note 7 in the 2015 financial statements.

REPORTING STANDARD

The DNV GL Corporate Governance report is a detailed elaboration on each of the 15 individual sections of the Code of Practice. The Code of Practice provides recommendations, and requires that the company describes how it fulfils the recommendations, on which sections it deviates, and an explanation for the deviations. The full [Code of Practice](#) with comments is available on the web site of the Norwegian Corporate Governance Board.

Norwegian listed public limited companies are also obliged to report on corporate governance per the Accounting Act, Section 3-3b. The DNV GL Corporate Governance report fulfils both reporting obligations as if DNV GL Group were a listed company.

The reporting obligations of the Accounting Act are included or otherwise considered in the individual sections as listed below:

- A** "a statement of the Code and regulatory framework on corporate governance to which the company is subject, or with which it has elected to comply".
[Described in Section 1: Implementation and reporting of Corporate Governance.](#)
- B** "information on where the Code and regulatory framework mentioned in no 1 is publicly available".
[Described in Section 1: Implementation and reporting of Corporate Governance.](#)
- C** "the reasons for any non-conformance with recommendations and regulations mentioned in no 1".
[Described in Section 1: Implementation and reporting of Corporate Governance.](#)
- D** "a description of the main elements of the company's internal control and risk management systems associated with the financial reporting process, and where the entity that is required to prepare accounts also prepares consolidated accounts, the description must include the main elements of the group's internal control and risk management systems associated with the financial reporting process".
[Described in Section 10: Risk management and internal control.](#)

- E** "an account of any provisions in the articles of associations that completely or partially extend or depart from the provisions stipulated in Chapter 5 of the Public Limited Companies Act".
[Described in Section 6: General meetings.](#)
- F** "the composition of the board of directors, the corporate assembly, the committee of representatives and the control committee, and of any committee of such corporate bodies, and a description of the main elements in the prevailing instructions and guidelines for the work of these corporate bodies and of any committees thereof".
[Described in Section 8: Council and Board of Directors - composition and independence, and Section 9: The work of the Board of Directors, Chief Executive Officer and Group Executive Management.](#)
- G** "the provisions of the articles of association that regulate the appointment and replacement of members of the board of directors".
[Described in Section 8: Council and Board of Directors - composition and independence.](#)
- H** "an account of any provisions in the articles of association or authorizations that allow the board to decide that the company may repurchase or issue its own shares or its own equity certificates".
[Described in Section 3: Equity and dividends.](#)

Per the Norwegian Accounting Act, Section 3-3c, large enterprises shall report what the enterprise does to integrate considerations relating to human rights, labour rights and social conditions, the external environment and anti-corruption efforts in their business strategies, in their daily operations and in relation to their stakeholders (the 'Corporate Sustainability Presentation'). The Corporate Sustainability Presentation was introduced in 2013 as a regulatory requirement.

As DNV GL reports in accordance with existing international reporting schemes such as the United Nations Global Compact and the Global Reporting Initiative Standards, it is assumed that DNV GL's reporting is fully compliant with the obligations in the Accounting Act, Section 3-3c.

DNV GL's Corporate Sustainability Presentation is addressed in Section 1, 10 and 13 of this Report on Corporate Governance.

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Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organizations to advance the safety and sustainability of their business. We provide classification, technical assurance, software and independent expert advisory services to the maritime, oil & gas and energy industries. We also provide certification services to customers across a wide range of industries.

Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With origins stretching back to 1864, DNV GL's reach today is global. Operating in more than 100 countries, our professionals are dedicated to helping customers make the world safer, smarter and greener.