

Rules of procedure for the board of directors of Kitron ASA

The board will discharge its duties in accordance with the Norwegian Public Limited Companies Act. The principal regulations are to be found in chapter six of this Act. Rules relating to the duties of the board can also be found in the Norwegian Accounting Act. It is also Kitron's intent to practice good corporate governance in accordance with the Norwegian Code of Corporate Governance as adopted by the Oslo Børs. Most of the duties mentioned below are legal requirements, but certain clarifications are internal rules for Kitron ASA. These procedures apply equally to deputy board members and observers, if any.

The board has the following duties

1. Appointment of the CEO (section 6-2) and determination of the CEO's remuneration (section 6-19). The board may grant the power of procuration to the CEO.
2. Where the division of labour between board and management is concerned, the duty and responsibility of the board is to exercise overall leadership of the company and to instruct and supervise the executive management.
3. The chairman of the board has a particular responsibility for ensuring that the board functions satisfactorily and that its duties are discharged in the best possible way. This includes assessing the performance of each board member, evaluating the board's resources and determining how many meetings are sufficient for carrying out its work.
4. The board makes annual assessments of the management and its performance on the basis of clearly defined criteria related to the company's goals and strategies. This assessment will also include an evaluation of collaboration between board and management. The results of these assessments will subsequently be an important element in remuneration and incentive programmes. The latter are detailed in the annual report.
5. The board must approve investments and other transactions in accordance with the attached Authorisation table.
6. The board will annually adopt plans and budgets for the business (section 6-12). This is done through a consideration of the company's strategy and budgets.
7. The board shall ensure that the company is well organised and that plans and budgets are prepared, executed and that results are evaluated. The board should lead the company's strategic planning and resolve structural measures and investments. The board must keep itself continuously informed about the company's financial position. It is the duty of the board to verify that the company's operations, financial reporting and asset management are subject to satisfactory internal controls (section 6-12). This assurance includes, but is not limited to quality assurance of the financial reporting, examine the internal control policies and procedures, review of the risk analysis and risk management practices, regular contact with the company's elected auditor and oversee the process for selecting an auditor.
8. The board has a duty to act if the equity in the company is below an acceptable level in relation to the risk and scope of the business (section 3-5).

9. The board is responsible for supervising the executive management (section 6-13).
10. The board shall resolve and sign the annual report and financial statements (section 3-5 of the Accounting Act).
11. The board is responsible for implementing and conducting Kitron's corporate governance policies and procedures in accordance with the Norwegian Code of Corporate Governance as adopted by the Oslo Børs ("the Code"). Certain aspects of the Code are dependent on resolution by the general meeting.
12. The code of conduct that applies for Kitron's employees shall also apply to the members of the board.
13. Kitron's Insider Manual for trading in Kitron shares applies to the board members.
14. The board may elect sub-committees as and when appropriate and instruct these committees.

The CEO's work and duties in relation to the board:

1. The CEO is responsible for the operational management of the company, and must act consistently and diligently in accordance with the guidelines and instructions issued by the board. (section 6-14)
2. The CEO shall present matters which are unusual in relation to the company's normal operations or are of material significance to the board for consideration and resolution. (section 6-14) If any doubts arise over whether an issue should be considered by the board, it must be submitted to the chairman for decision.
3. The CEO may resolve and act on any matter in accordance with specific authorisation from the board and when a board decision cannot be obtained without incurring a significant disadvantage or cost to the company. (section 6-14)
4. The CEO shall inform the board of Kitron ASA about all events, trends other circumstances in the subsidiaries which could be significant for the group as a whole. Any board member may request an account of any matter from the CEO. (section 6-15)
5. The company's bookkeeping and preparation of the financial statements shall be conducted in accordance with the applicable laws, regulations and rules. Assets shall be managed diligently and carefully. (section 6-14)
6. The CEO shall report monthly in writing to the board about the financial result and status and other important events and circumstances of the group. (section 6-15) The monthly report shall be issued by the last work day of the following month. The report shall also contain a cash forecast for minimum 3 months.
7. The CEO is responsible for reporting to the board on (1) risk management system, (2) internal control system and (3) key risks and controls. This includes an annual risk review and updates through the year.

8. In cooperation with the chairman, the CEO will ensure that all matters to be discussed by the board have been prepared in a satisfactory manner. (section 6-21)
9. The CEO has the right and duty to attend board meetings unless he is released in connection with a specific matter. (section 6-19)
10. The CEO will ensure that all decisions taken by the board are transmitted to those who need the information, so that the board's decisions are implemented.

Calling and conducting a board meeting

1. As a general rule, all meetings will be held as regular, convened meetings. If practical or other considerations make it necessary, a board meeting can be conducted by way of telephone conference or by circulating a written resolution.
2. The board is competent when a majority of the board members are present or take part in the consideration and resolution of a matter (section 6-24).
3. The chairman is responsible for calling board meetings, and to chair the board meetings. If the chairman is not present, the deputy chairman shall chair the meeting. Otherwise, the board members present will elect a board member to chair the meeting.
4. If the chairman is or has been personally involved in a matter of a material character the board's consideration of such matters shall be chaired by the deputy chairman or another appropriate member of the board unless deemed inappropriate by the board in the specific case.
5. The chairman may delegate the calling of board meetings and other administrative matters relating to the board's work to the CEO and/or the secretary of the board.
6. As a general rule, notice of a board meeting will be issued one week before it is due to take place. As far as possible, all documentation relating to the items on the agenda must accompany the notice.
7. All issues for inclusion on the agenda of a board meeting must be reported to the CEO or chairman so that they can be included in the notice of the meeting and treated as ordinary subjects. Only urgent matters which have arisen since the notice was issued can be raised under "other matters".
8. Minutes must be kept for all board meetings. The minutes shall be prepared and sent to all board members within one week after the meeting. Objections or other comments on the minutes must be reported as soon as practical to the secretary to the board. The minutes for each board meeting must be signed by all the board members at the next meeting.
9. In addition to the minutes, the secretary shall maintain an updated follow-up list showing all matters where the board has requested a follow-up action by the CEO.

Annual board meeting schedule (minimum)

1. Latest 15 February:
 - Interim report fourth quarter and preliminary result for the year (auditor present)
 - Self-evaluation of the board
 - Forecast for first quarter
 - Evaluation of the management
 - Review of remuneration policy for the management
2. Latest 31 March:
 - Approve annual report
 - Call Annual general meeting
 - Forecast for first half.
3. Latest 15 May:
 - Interim report Q1
 - Input to strategy process
 - Annual general meeting
 - Audit plan
4. Latest 15 June:
 - Review of risk areas and policies related to risk management
 - Market review
5. Latest 15 August:
 - Interim report first half/second quarter
 - Forecast for third quarter and the full year
6. Latest 15 September
 - Strategy
7. Latest 15 November:
 - Interim report Q3
 - Budget frames and other input to budget process
 - Operation excellency
 - Board schedule and Financial calendar for the following year
 - Forecast for the year
8. Latest 15 December:
 - Budget
 - Forecast for the year
 - Auditor's review of findings in interim review
 - Review of corporate governance and policies related to corporate governance

Appendix: Authorisation table