
Corporate Governance

The Scottish Salmon Company PLC will continue to pursue sound corporate governance to drive shareholder value and promote sustainable business conduct.

The Scottish Salmon Company PLC is incorporated in Jersey and listed on the Norwegian stock exchange "Oslo Børs" and is subject to Norwegian securities legislation and stock exchange regulations. The Group has adopted the Norwegian Code of Practice for Corporate Governance, last revised 30 October 2014 (the "Code of Practice"), and seeks to comply where possible with the Code of Practice. The Code of Practice is available at www.nues.no.

Application of the Code of Practice is based on the "comply or explain" principle and any deviation from the Code of Practice is explained under each item. The corporate governance framework of the Group is subject to annual review by the board of directors (the "Board" or the "Board of Directors") and the updated report is found in the Group's annual report, in accordance with the requirements for listed companies and the Code of Practice.

Corporate values, ethical guidelines and corporate social responsibility

The Company's core values "Pride", "Passion" and "Provenance" are incorporated in the corporate culture and business conduct, and the Board has drawn up a document which sets out the ethical guidelines of the Group. In addition, the Group has developed a Corporate Social Responsibility (CSR) programme that responds to the business and social realities and which reaches out to staff, local schools and communities as referred to in section 5 of the annual report.

The Company is currently in the process of further developing its ethical guidelines and procedures for CSR, work is ongoing to include goals and reporting measures for future evaluation purposes.

Business

The business purpose of the Group is defined in the Articles of Association Clause 1 (2) "Business" as:

"the production, refinement, sale and distribution of seafood and goods used in seafood production, either directly or through participation in other companies and including other activities related thereto."

The Group has developed clear objectives and strategies for its business within the scope of the definition of its business. A description of the key objectives and strategies can be found in the Directors' Report on page 18.

Equity and Dividends

At 31 December 2017 the Group had an equity ratio of 58.6%, which the Board regards as an appropriate level in the context of its objectives, strategy and risk profile.

The objectives will be achieved through sound business development and continuous growth and aims to give shareholders a competitive return on capital relative to the underlying risk. However, the Group's bank facilities include certain covenants that currently restrict the timing and amounts of dividends.

As of 31 December 2017, there are no mandates granted to the Board to increase the Group's authorised share capital of 300,000,000 shares, 193,482,271 of which are issued and outstanding. Unissued shares can be issued by the Board according to Jersey law and the Articles of Association. Further shares will be issued pursuant to the equity incentive scheme.

Equal Treatment of Shareholders and Transactions with Close Associates

The Scottish Salmon Company PLC has one single class of shares and all shares carry equal voting rights. Each share carries one vote and all shareholders are treated equally.

All transactions with close associates are disclosed in the notes to the Financial Statements. In the event of any transactions between the Group and shareholders, a shareholder's parent company, directors, key personnel or close associates of any such parties, such transactions will be carried out at arm's length and at market terms. Material transactions with close associates will be subject to independent third party valuation in accordance with the Code of Practice.

The Group's internal guidelines require all members of the Board and Executive Management to notify the Board if they have any material direct or indirect interest in any transaction entered into by the Group.

Freely negotiable shares

The shares of The Scottish Salmon Company PLC are freely negotiable. There are no restrictions on the negotiability of the shares in the Articles of Association.

General Meetings

The Scottish Salmon Company PLC will seek to ensure that as many shareholders as possible can exercise their rights by participating in general meetings and that general meetings will be an effective forum for the views of shareholders and the Board. Clauses 11 and 12 of the Articles of Association of the Group regulate the convening of and proceedings at general meetings.

The Group intends to hold its Annual General Meeting no later than the end of June each year. Extraordinary General Meetings can be called by the Board at any time.

Notices of general meetings, including all appendices, will be made available on the Group's website www.scottishsalmon.je, at a minimum of 21 days prior to the meeting. The Board will seek to ensure that 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.

Shareholders will be requested to give advance notice of attendance at general meetings but the giving of such notice will not be a condition for admission to general meetings.

Shareholders who are not able to participate in general meetings will be given the opportunity to vote by proxy. A proxy form will be included in notices of general meetings, and the Group will appoint a person that will vote on behalf of shareholders as their proxy unless the shareholder has appointed another person. The proxy form allows for separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election. To be valid, forms of proxy must be submitted within a deadline set by the Board in the notice and the proxy form, normally three business days before the meeting.

The right to attend and to vote in general meetings may only be exercised for shares registered in the shareholders' register by a deadline set by the Board in the notice and the proxy form not more than 48 hours before the time fixed for the meeting.

The Board and the Chairman of the general meeting will ensure that the general meeting is given the opportunity to vote separately for each candidate nominated for election to the Group's corporate bodies.

The Board does not as a general rule intend to propose an independent chair for general meetings. As such, the Chairman of the Board will normally chair all general meetings. The Board will propose an independent chair for the meeting if any of the matters to be considered calls for such an arrangement.

Following a general meeting, an announcement will be made that the meeting has been held and that the results of voting will be available within 15 days after the date of the meeting.

Deviation from the Code of Practice

The Code of Practice recommends that all members of the Board, the Nomination Committee and the Auditor should attend general meetings/Annual General Meetings.

The Chairman of the Board will be available at all general meetings. Whether all members of the Board, and thus also representatives from the Nomination Committee, will be present at general meetings will be assessed on a case by case basis, as the Board believes it depends on the matters being considered whether there is a need for such participation. The Group's Auditor will normally be available at Annual General Meetings, but not necessarily at Extraordinary General Meetings.

Nomination Committee

The Group's Nomination Committee shall have at least two members and consist of two non executive directors. The Nomination Committee will have a minimum of one meeting per year. In 2017, the Nomination Committee held one meeting. The members of the Nomination Committee are appointed for a period of up to three years and may be re-appointed. As of 31 December 2017, the members of the Nomination Committee were:

- Viacheslav Lavrentyev
- Robert M Brown III

Both Nomination Committee members are independent of the Company's Executive Management.

The Nomination Committee's work is determined by Terms of Reference approved by the Board in May 2017. The Nomination Committee is responsible for identifying and nominating candidates for the Board based on the current and future Group needs. Shareholders may submit proposals for candidates to the Board by sending an email to nominations@scottishsalmon.je (available from the website www.scottishsalmon.je/contacts). Candidates for election are presented in the notice for the Annual General Meeting. The Nomination Committee is also responsible for nominating candidates for the Executive Management of The Scottish Salmon Company Limited. There is no separate remuneration of the committee members.

Deviation from the Code of Practice

The Code of Practice states that the Nomination Committee should be appointed at a general meeting and should be independent of the Board and the Executive Management with at least one member not on the Board. Further, the Nomination Committee should be laid down in the Group's Articles of Association.

The Group has opted that the Board appoint the members of the Nomination Committee from amongst the non executive directors in compliance with Jersey company law. The Board believes that the Nomination Committee represents all shareholders' interests and all appointments to the Board will subsequently require ratification by shareholders at the next general meeting. The Nomination Committee is not laid down, nor is it required to be laid down under Jersey law, in the Company's Articles of Association.

Corporate Governance

Corporate Assembly and Board of Directors: Composition and Independence

The Group is not required by Jersey law to, and does not, have a corporate assembly.

Pursuant to the Articles of Association Clause 15 (5), the number of Directors shall not be subject to any maximum, but shall not be less than three. As at 31 December 2017, the Board consisted of five Directors, comprising of four men and one woman.

The composition of the Board is intended to ensure that the Board can attend to the common interests of all shareholders and meets the need for expertise, capacity and diversity, and that the Board can function effectively as a collegiate body. All the members of the Board are independent of the Executive Management of The Scottish Salmon Company Limited, whilst Executive Management of The Scottish Salmon Company Limited are not represented on the Board. All members of the current Board are considered to be independent of the majority shareholder.

The Chairman of the Board is elected by the Directors. One third of the Directors will retire at each Annual General Meeting either by choice or by determination of length of service. Directors retire by rotation in accordance with the provisions of the Articles of Association with the longest serving Directors retiring each year. In the event of equal lengths of service, the retiring Director is chosen by lot. Retiring Directors are eligible for reappointment.

Members of the Board are encouraged to own shares in The Scottish Salmon Company.

The annual report will provide information to illustrate the expertise and capacity of the members of the Board, which is also available from the Group's website www.scottishsalmon.je.

The Work of the Board of Directors

The Board produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board has adopted instructions for its own work that regulates its areas of responsibilities. The instructions were approved by the Board in November 2010. The Board ensures that it is fully informed about the financial position of the Group at all times and is responsible for the reviewing and approving of the plans and budgets for the Group's business activities. In order to ensure an independent approach by the Board, another Director will take the chair of the Board meeting when the Board considers matters of a material nature in which the Chairman has, or has had, an active involvement.

The Board will meet a minimum of six times a year, whereof at least four meetings will consist of physical meetings. In 2017, the Board had seven meetings in addition to one operational meeting where no decisions were made.

| Name | Role | Date of Appointment | Participation at Board Meetings 2017 | Shareholding in the Group (direct or indirect) |
|-----------------------|------------------------|---------------------|--------------------------------------|--|
| Robert M Brown III | Chairman | 10 October 2010 | 8 out of 8 | 191,611 |
| Viacheslav Lavrentyev | Non Executive Director | 11 October 2010 | 8 out of 8 | - |
| Merete Myhrstad | Non Executive Director | 11 October 2010 | 8 out of 8 | 65,000 |
| Martins Jaunarajs | Non Executive Director | 28 March 2014 | 8 out of 8 | - |
| Douglas Low | Non Executive Director | 1 November 2016 | 8 out of 8 | 40,000 |

Audit Committee

The Audit Committee is a subcommittee of the Board and its work is determined by the Terms of Reference approved by the Board in November 2010. The Audit Committee will, on behalf of the Board, monitor financial reporting, the performance and independence of the external auditors and the Group's systems and controls. The Audit Committee consists of two Board members, appointed by the Board. As at 31 December 2017, the committee members were:

- Merete Myhrstad
- Martins Jaunarajs

The Audit Committee shall have at least five meetings per year and in 2017 six meetings were held. The Auditor and Chief Financial Officer usually attend all Audit Committee meetings. At least once per year the Audit Committee has a meeting with the external auditors without Executive Management present.

Remuneration Committee

The Board has also established a Remuneration Committee, which proposes remuneration for Board members and Executive Management of The Scottish Salmon Company Limited. The work of the Remuneration Committee is determined by the Terms of Reference approved by the Board in May 2017. The Remuneration Committee shall have at least two members appointed by the Board for up to three years. As at 31 December 2017, the Remuneration Committee had three members:

- Robert M Brown III
- Viacheslav Lavrentyev
- Douglas Low

The Remuneration Committee shall have at least two meetings each year and in 2017 nine meetings were held.

Risk Management and Internal Control

One of the key responsibilities of the Board is to ensure that the Group has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Group's activities. The internal controls and systems also encompass the Group's corporate values, ethical guidelines and guidelines for Corporate Social Responsibility.

The Board attaches great importance to the Group's risk management and control systems. These systems form an integrated part of the management's decision making process.

Risks can be divided into two main categories, financial risk (such as currency, liquidity etc) and operational risk (such as development of the sales price, biological risk, feed utilisation etc). Further details can be found in the Board of Directors' Report and Note 27 to the Group Financial Statements.

The Board alongside Executive Management of The Scottish Salmon Company Limited is responsible for establishing and maintaining adequate internal control over financial reporting. The Audit Committee monitors the financial reporting and related internal control, including the application of accounting principles and judgements in financial reporting. Executive Management and the Audit Committee have regular meetings with the external auditor present to discuss issues related to the financial reporting.

The main trading entity within the Group prepares its Financial Statements within a standard ERP system and these are consolidated into the Group's results manually. This process is reviewed by the Group's auditor for each set of published Financial Statements.

Furthermore, the Audit Committee requests that the auditors present a review of the internal control procedures, including identified weaknesses and proposals for improvement, to the Board at least once a year. In consultation with Executive Management they have assessed the effectiveness of the Group's internal controls relevant to financial reporting. Based upon this assessment the Board is of the opinion that the Group's internal control of financial reporting was adequate.

Remuneration of the Board

Remuneration paid to members of the Board is voted upon at the Annual General Meeting. The remuneration reflects the duties required and there is no additional remuneration for Board members appointed to Board committees. A member of the Board may take on specific assignments for the Group in addition to their appointment, if this is disclosed to the full Board. The remuneration for such additional duties shall be approved by the Board and any additional remuneration will be specifically identified in the annual report. Board remuneration is not performance related and no Director has share options in the Group. Further details in relation to the remuneration of the Board of Directors can be found in Note 7 to the Group Financial Statements.

Remuneration of Executive Management

The Board has established guidelines for the remuneration of Executive Management which are intended to help to ensure convergence of the financial interests of Executive Management and the shareholders. In 2015, the Group introduced an Employee Equity Incentive Scheme for selective employees consistent with its wish that remuneration of Executive Management be composed of both a fixed salary and benefits, short term incentive scheme and options to acquire shares. The Board's statement regarding remuneration of Executive Management can be found in Note 7 to the Group Financial Statements and are also available from www.scottishsalmon.je.

Deviation from the Code of Practice

The Code of Practice states that a statement in respect of the remuneration of executive personnel should be presented in a separate appendix to the agenda for the Annual General Meeting and that guidelines for the remuneration of executive personnel should be disclosed. Further that separate votes should be held on these aspects at the Annual General Meeting.

The Group complies with the relevant requirements under Jersey Law with regard to executive remuneration. Further the Board believes adequate information is disclosed in this report to facilitate understanding of the nature of remuneration.

Information and Communication

The Board has adopted an investor relations policy in respect of its reporting of financial and other information and contacts with shareholders outside of general meetings. This policy is based upon the key principles of openness and equal treatment, and can be found on the Group's website www.scottishsalmon.je.

The Group publishes an annual overview of the dates for major events such as its Annual General Meeting and publication of interim reports etc. All information distributed to the Group's shareholders is published on the Group's website, www.scottishsalmon.je, at the same time as it is sent to shareholders via Oslo Børs distribution services www.newsweb.no.

Further to changes in the Continuing Obligations for companies listed on the Oslo Børs, effective 1 January 2017, The Scottish Salmon Company PLC will publish financial information by producing half yearly reports and annual reports. Consequently, the Group no longer produces or publishes quarterly financial information, however it will provide a quarterly operational update.

Takeovers

The Code of Practice recommends that the Board establish guiding principles for how it will act in the event of a takeover bid.

If a takeover bid occurs, the Board will follow the overriding principle of equal treatment for all shareholders, and will seek to ensure that business activities are not disrupted unnecessarily. The Board will strive to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board will not seek to prevent takeover bids unless it believes that the interests of the Group and the shareholders justify such actions. The Board will not exercise mandates or pass any resolutions with the intention of obstructing any takeover bid unless this is approved by the general meeting following the announcement of the bid. If a takeover bid is made, the Board will issue a statement in accordance with statutory requirements and the recommendations in the Code of Practice. In the event of a takeover bid, the Board will consider obtaining a valuation from an independent expert. Any transaction that is in effect a disposal of the Group's activities will be submitted to the general meeting for its approval.

Auditor

The auditor of the Group is Campbell Dallas Audit Services. The auditor submits an annual plan for the audit to the Audit Committee. The auditor participates in Board meetings as and when required. The Board holds a meeting with the auditors at least once a year at which management are not present. The auditor presents a review of the internal control procedures, including identified weaknesses and proposals for improvement, to the Board at least once a year. There are guidelines in respect of the use of the auditor by Executive Management for services other than the audit. Under the guidelines, the auditor is required to provide the Board with an annual overview of all services in addition to audit work that has been undertaken. The auditor has been requested to provide an annual written confirmation that it continues to satisfy the requirements for independence. Information on the remuneration paid to the auditor, including details of the fee paid for audit work and any fees paid for other specific assignments, is included in a note to the Financial Statements. At each Annual General Meeting, the Board shall inform the Annual General Meeting of all services provided by the auditor and their remuneration.