

Statement of policy on corporate governance



Adopted by the board of directors on 28 april 2021

1 Introduction

Pelagia Holding AS (the **Company**) is the parent company in the Pelagia Holding AS group of companies (the **Group**). The Company is a limited liability company established and registered in Norway and subject to Norwegian law and regulations, including the Norwegian Limited Liability Companies Act (*Nw: aksjeloven*) and other applicable legislation and regulations.

The Group's aim is to adhere to all relevant laws and regulations, including applicable recommendation for good corporate governance. This document applies to the extent reasonable for all companies in the Group.

The Norwegian Code of Practice for Corporate Governance (the **Code**) does not apply in its entirety for the Company. However, the Company intends to maintain a high level of corporate governance and will consider the relevant implications of the Code.

The Company has issued an unsecured bond listed at Oslo Børs. Consequently, the Company is reporting on corporate governance pursuant to section 3-3b of the Norwegian Accounting Act (*Nw: Regnskapsloven*).

The board of directors of the Company actively adheres to good corporate governance standards and will at all times ensure that the Company complies with the requirements of section 3-3b of the Accounting Act and applicable corporate governance recommendations and principles. This is done by ensuring that the topic of good governance is an integral part of the decision-making process in matters dealt with by the board of directors.

This statement is considered by the board of directors at a board meeting.

2 Objective

The Company's objective, as laid down in the articles of association, is as follows:

"The company's business is the production and sale of fishmeal/protein concentrate and fish oil and production/processing and sale of pelagic fish for human consumption, as well as ownership of companies operating within the same business"

The Company is a leading producer of pelagic fish products for human consumption, and an important supplier of essential ingredients in all kinds of fish - and animal feed; protein concentrate, fishmeal, and fish oil.

Pelagia operates 28 departments in Norway, United Kingdom, Ireland, Denmark and Ukraine. Twenty-five are 100% owned, while three are partly owned associates, and the operation is divided into three divisions; Food (consumption), Feed (protein concentrate, fishmeal and fish oil) and Health (Dietary supplements and pharmaceutical preparations).

The Company strives to be a reliable partner by acting consistently at all levels; predictable deliveries, high service and offer products and solutions of consistently high quality.

The Company contributes to sustainable development in the pelagic business by at all times complying with applicable regulations in the industry, as well as working diligently to protect the environment. It is the employee's responsibility to familiarize themselves with the environmental effects that their functions have on the nature and use environmentally friendly solutions wherever practically feasible.

More details about the Company's values and its sustainability work, are laid down – amongst other topics – in the Company's ethical guidelines.

3 Shareholders, equity and dividends

The Company has two active and long-term industrial shareholders with leading industry expertise.

The board of directors shall ensure that the Company has a capital structure that is appropriate to the Company's objective, strategy and risk profile.

4 Authorisations to the board of directors

The board of directors does not have an authorisation to repurchase own shares or to increase the share capital by issuance of new shares.

5 Transaction with related parties

In the event of any not immaterial transaction between the Company and shareholders, a shareholder's parent company, members of the board of directors, a member of the Company's management, or close associates of any the mentioned such parties, the board of directors shall consider to arrange for a valuation to be obtained from an independent third party.

6 The board of directors

The composition of the board of directors should ensure that the board of directors can attend to the common interests of the shareholders and meets the Company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body.

The board of directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

Pursuant to section 5 of the articles of association, the Company's board of directors shall consist of 2 to 9 members following the general meeting's resolution. The chairman of the board is elected by the general meeting. Other than this, the articles of association do not include provisions on the appointment and replacement of members of the board of directors.

The Oslo Børs obligations for issuers of bonds stipulates that the Company must have an audit committee. The Company has established an audit committee.

7 Internal control and risk management

7.1 Introduction

The board of directors must ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities.

The board of directors should carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

7.2 The Group's internal control and risk management:

The Group's activities are varied, depending on each unit's position in the value chain, and consequently require differentiated forms of management and follow-up. Good internal management systems are essential for success, and these must be continuously developed in order to accommodate changing economic conditions. The internal control is based on daily and weekly reports that are summarized into monthly reports tailored to the individual company, while at the same time providing satisfactory reporting at Group level. There is an emphasis on the importance of uniform reporting procedures and formats in order to ensure correct reporting from all units and up to an aggregate level.

Review by the board of directors:

A significant volume of the work of the board of directors is ensuring that the Company management is familiar with and understands the Group's risk areas and that risk is managed by means of appropriate internal control. Frequent valuations and assessments are conducted of both the management's and the board of director's understanding of risk and internal control. The audit committee plays an important role in these valuations and assessments.

Description of the main elements of risk management and internal control related to financial reports:

Internal control within the Group is based on the recommendation from the "Committee of Sponsoring Organizations of the Treadway Commissions" (COSO), and covers control environment, risk assessment, control activities, information and communication, and monitoring. The content of these different elements is described in detail below

Control environment:

The core of an enterprise is the employees' individual skills, ethical values and competence, in addition to the environment in which they work.

Guidelines for financial reporting:

On behalf of the CFO, the Group Chief Accountant provides guidelines to entities within the Group. These guidelines place requirements on both the content of and process for financial reporting.

Organisation and responsibility:

The Group Chief Accountant reports to the CFO and is responsible for areas such as financial reporting, budgets and internal control of financial reporting within the Group. The chief officers of the entities which issue the reports are responsible for continuous financial monitoring and reporting. The entities all have management groups and financial functions which are adapted to their organisations and business activities. The entity managers shall ensure implementation of an appropriate and efficient internal control and are responsible for compliance with requirements.

The audit committee shall monitor the process of financial reporting and ensure that the Group's internal control and risk management systems function efficiently. The audit committee shall also ensure that the Group has an independent and efficient external auditor.

The financial statements for all material companies in the Group are audited by an external auditor within the framework established in international standards for auditing and quality control.

Risk assessment:

The Group Chief Accountant and the CFO identify, assess and monitor the risk of errors in the Group's financial reports, together with the managers of each entity.

Control activities:

Entities which issue reports are responsible for the implementation of sufficient control actions in order to prevent errors in the financial reports.

Processes and control measures have been established to ensure quality assurance of financial reports. These measures comprise mandates, division of work, reconciliation/documentation, IT controls, analyses, management reviews and representation on the board of directors in subsidiaries. The Group has implemented digital tools to document the monthly reconciliations at legal entity level including the controls performed and corresponding management reviews.

The Group Chief Accountant provides guidelines for financial reporting to the different Group entities.

The Group Chief Accountant ensures that reporting takes place in accordance with prevailing legislation, accounting standards, established accounting principles and the guidelines from the board of directors.

The Chief Accountant and the CFO continuously assess the Group's and the segments' financial reports. Analyses are carried out in relation to previous periods, between different entities and in relation to other companies within the same industry.

Review by the Group management:

The Group management reviews the financial reports on a monthly basis, with the review including the development in figures for profit/loss and balance sheet.

Reviews by the audit committee, board of directors and general meeting:

The board of directors reviews the Group's financial reports on a monthly basis. The audit committee reviews the Group's financial reports on a quarterly basis. During such reviews, the audit committee has discussions with the management and external auditor. At least once a year, the Board holds a meeting with the external auditor, without the presence of the administration.

The board of directors reviews the interim accounts per quarter and the proposal for the financial statements. The financial statements are adopted by the general meeting.

Information and communications:

The Group strongly emphasises a correct and timely internal communication and reporting through a digitalised platform to support the ongoing internal control activities. The Group aims to build a relevant communication platform to support control and review activities on different levels in the organisation.

7.3 Monitoring

Reporting entities:

Those persons responsible for reporting entities shall ensure appropriate and efficient internal control in accordance with requirements and are responsible for compliance with such requirements.

Group level:

The Group Chief Accountant and CFO review the financial reports issued by the entities and the Group, and assess any errors, omissions and required improvements.

External auditor:

The external auditor shall provide the audit committee with a description of the main elements of the audit from the previous financial year, including and in particular significant weak points identified during internal control related to the process of financial reporting.

The board of directors:

The board of directors , represented by the audit committee, monitors the process of financial reporting.

8 Information and communication

Every year, the Company publishes its financial calendar, showing the dates for presentation of the annual and quarterly reports.

The Company will adhere to the at all times applicable disclosure obligations for the relevant market.

9 Auditor

The board of directors shall ensure that the auditor submits the main features of the plan for the audit of the Company to the board of directors annually or to the audit committee. The board of directors shall invite the auditor to meetings that deal with the annual accounts. At these meetings the auditor shall report on any material changes in the Company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the management of the Company. The board of directors shall at least once a year review the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement. The board of directors shall establish guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit.
