

Corporate Governance in Scanship Holding ASA

Scanship Holding ASA (“Scanship” or the “Company”) is a Norwegian public limited company. The company is listed on Oslo Axess and is subject to Norwegian corporate, securities and stock exchange law. The Company seeks to comply with the applicable legal framework, and endorses the Norwegian Code of Practice for Corporate Governance (Norwegian: “Norsk anbefaling for eierstyring og selskapsledelse”), issued by the Norwegian Corporate Governance Board, most recently revised on 30 October 2014, (the “Code”).

This Corporate Governance Policy for the Company is reviewed and revised by the board of directors of the Company (the “Board”) on 25 April 2019 and is based on the Code.

The Board shall ensure that the Company at all times has sound corporate governance. The Company emphasizes independence and integrity in all matters between the Company and members of the Board, management and shareholders. The Company will report annually on the principles and practices related to corporate governance. The report is published as a part of this annual report and will also be available at the Company’s website. The report is built on a «comply or explain» principle, pursuant to which deviations from the Code will be explained.

Main objectives for corporate governance in Scanship

This Corporate Governance Policy is based on the Code, and shall establish a basis for good corporate governance, profitability and long-term value creation for the shareholders of the Company. The manner in which the Company is managed is vital to the development of the Company’s value over time.

Through good governance of its business, the Company intends to create profitability and increased shareholder value. This Corporate Governance Policy contains measures that are, and will be, implemented to ensure effective management and control over the Company’s activities. The primary objective is to have systems for communication, monitoring and allocation of responsibility, as well as appropriate incentives, which contribute to increasing the Company’s financial results, long-term success and returns to shareholders on their investments in the Company. The Company aims to have good control and governance procedures to ensure equal treatment of all shareholders, thereby providing a foundation for trust.

The development of, and improvements in, this Corporate Governance Policy is an on-going and important process that the Board will focus on.

The Business

Scanship is a maritime industry leader in advanced technologies for processing and purifying waste water, food waste, solid waste and bio sludge. Scanship is a supplier to most major cruise liners, and the products are increasingly being requested from the merchant fleet and off-shore industry. Modern cruise ships generate substantial amount of wet and dry waste which should be properly treated. Scanship’s technology processes this into recyclables, clean flue gas and treated waste water which meets the highest international effluent discharge standards. Scanship has main office at Lysaker (Norway) as well as offices in Tønsberg (Norway), Gdynia (Poland) and Miami (USA).

Equity and dividend

The Board and the management of Scanship shall at all times aim at keeping the Company’s equity capital suitable for the Company’s objectives, strategy and risk profile. The Board shall immediately take adequate steps should it be apparent at any time that the Company’s equity or liquidity is less than adequate.

The Board shall establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the General Meeting. The dividend policy approved by the Board states that the Company’s goal is to provide shareholders with a high return over time through a combination of increasing value of the Company’s shares and payment of dividends.

The Board will not propose any payment of dividend if the Company is not in a sufficient financial position. The background for any proposal to authorise the Board to resolve distribution of dividends should be explained.

Authorisations granted to the Board to increase the Company's share capital shall be restricted to defined purposes. If the General Meeting is to consider authorisations to the Board for the issue of shares for different purposes, the General Meeting shall consider each authorisation separately. Authorisations granted to the Board shall be limited in time to no longer than until the next Annual General Meeting. Authorisations granted to the Board to purchase of the Company's own shares shall be valid until the next Annual General Meeting.

Equal treatments of shareholders and transactions with related parties

The Company has one share class. All shares carry equal rights. One share gives one vote at the General Meeting. The Board puts emphasis on disclosing and describing the topics on the agenda and the proposed resolutions in the notice of the General Meeting to allow the shareholders adequate time to prepare for the meeting.

Any decision to deviate from the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital shall be justified. Where the Board resolves to carry out an increase in share capital and deviate from the pre-emption rights of existing shareholders on the basis of an authorisation granted to the Board, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. If such transactions will find place, they will be carried out at market prices.

In the event of material transactions between the Company and its shareholders, a shareholder's parent company, members of the Board, executive personnel or close associates of any such parties, the Board shall arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the General Meeting pursuant to the requirements of the Norwegian Public Limited Liability Companies Act (the "PLC Act"). Independent valuations shall also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders. Members of the Board and executive personnel must notify the Board if they have any significant, direct or indirect, interest in a transaction carried out by the Company.

Any transactions with related parties will be conducted on market terms. Transactions with related parties will be enclosed in note to the Financial Statements.

Freely Negotiable Shares

All shares in the Company carry equal rights and are freely negotiable. No restriction on negotiability is included in the Articles of Association.

General Meetings

The General Meeting is the Company's ultimate corporate body. The Board shall facilitate that the General Meeting shall be an effective forum for communication between the Board and the Shareholders. The Chairman of the Board, the Chief Executive Officer and the External Auditor shall be present at the Annual General Meeting.

The notice calling the Annual General Meeting and Extra-ordinary General Meetings and all supporting documentation shall be made available on the Company's website (www.scanship.no). Notice and supporting documentation shall include the information necessary for shareholders to form a view of matters to be considered.

Each General Meeting appoints a chairperson for the meeting. If significant and unusual topics is on the agenda an independent chairperson will be appointed.

The General Meeting is open for all shareholders, and all shareholders not in attendance can give proxy to vote on his/her behalf. Forms of proxy are sent to the shareholders together with the notice of the meeting. The proceeding in the meeting follow the agenda outlined in the notice. Shareholders can raise a topic in the General Meeting, but must notify the Board of this in writing and in reasonable time before the notice of the General Meeting is dispatched. The General Meeting cannot decide for a higher dividend than the Board has proposed.

The Annual General Meeting is required to decide on the annual Financial Statement, the Board's report and the distribution of dividends. The Annual Meeting should also deal with the Board's declaration regarding compensation to executive personnel.

Nomination Committee

Pursuant to the Company's Article of Association, the Nomination Committee is responsible for the nomination of members to the Board, members of the Nomination Committee and for proposing remuneration to the Board members. The nomination committee shall justify its recommendations. The Annual General Meeting stipulates guidelines for the Nomination Committee in a code of conduct. The Nomination Committee consists of a chairman and one or two additional member(s) elected by the General Meeting. The General Meeting shall also determine the Nomination Committee's remuneration. The members of the Nomination Committee serve for a period of two years unless otherwise determined by the General Meeting. The Company shall provide information of the Nomination Committee and any deadlines for submitting proposals to the committee.

The Nomination Committee shall have contact with shareholders, the Board and the Company's executive personnel as part of its work on proposing candidates for election to the Board.

Board of Directors

The composition of the Board shall ensure that the Board can attend to the common interests of all shareholders and meet Scanship's need for expertise, capacity and diversity. Attention shall be paid to ensuring that the Board can function effectively as a collegiate body.

The composition of the Board shall ensure that it can act independently of any special interests. The majority of the shareholder elected members of the Board shall be independent of the Company's executive personnel and material business connections. In addition, at least two of the members of the Board must be independent of the Company's major shareholder(s). For the purposes of this Corporate Governance Policy, a major shareholder shall mean a shareholder that controls 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question. The Board currently consists of four members of which two are independent.

The Board members are elected by the General Meeting for a term of two years unless otherwise determined by the General Meeting. The members of the Board are proposed by the Nomination Committee and elected by the General Meeting. The Chairman of the Board is appointed by the General Meeting.

The constitution of the Board reflects a strong background that balances specific industry experience with a combination of financial background, management experience and industrial experience.

The work of the Board

The Board's tasks include the overall management and supervision of the Company. The Board prepares an annual plan for its work, emphasising goals, strategies and execution.

The Board normally schedules six regular meetings each year, but typically holds additional meetings as circumstances dictate. Two of the scheduled board meetings deals with strategic Company issues and all the scheduled meetings are dealing with quarterly financial statement. The Board operates according to applicable Norwegian law, and adopts guidelines for the CEO's work and duties to the Board.

The Board shall provide details in the annual report of any Board committees appointed. The Board has not appointed an Audit Committee as smaller companies are exempted from the Audit Committee requirements of the PLC Act, and the Company fulfils the requirements to be exempted.

Risk Management and Internal Control

The Board monitors the Company's risk exposure and the Company constantly strives to maintain and improve its internal control processes.

The executive management make risk evaluations on a continual basis as part of the day to day operations. In connection with major strategic and operational decisions to be made the potential factors to be evaluated will always be an important part of the decision basis. The key risk factors and action plans are integral parts of the various Board presentations to be made by management. On the finance and accounting side the Company's internal control is also subject to an independent review by the external auditor EY, where the findings will be presented annually in a Board meeting. The Board will carry out reviews of the Company's most important areas of exposure to risk and its internal control arrangements.

Remuneration of Board

The remuneration payable to the members of the Board is proposed by the Nomination Committee and determined by the shareholders at the Annual General Meeting. The remuneration to the Board should be designed to attract and retain an optimal Board structure in a competitive environment. The remuneration of the Board shall not be linked to the Company's performance. The Company shall not grant share options to members of the Board. Details of the remuneration are disclosed in the Notes to the Financial Statement.

Members of the Board and/or companies with whom the members are associated shall not take on specific assignments for the Company in addition to their appointments as members of the Board. If they, nonetheless, do take on such assignments this must be reported to the Board and the remuneration for such additional duties must be approved by the Board.

Any remuneration in addition to normal fees to the members of the Board shall be specifically identified in the annual report.

Remuneration of Executive Personnel

It is critical for Scanship to attract and retain engaged executives with significant experience and strong drive for results. A competitive compensation package is primary tool to attract and retain the Executive Personnel as Scanship needs to succeed. The Board shall establish guidelines for the remuneration of the executive personnel setting out the main principles applied in determining the salary and other remuneration of the executive personnel. These guidelines shall be communicated to the Annual General Meeting.

Scanship has a base salary today, but will consider a compensation package also consisting of a number of share options. Share options will be issued each year upon approval of an authorisation by the Annual General Meeting. The number of options granted will be linked to the Company's and the individual's performance. Historically, the policy in relation to share options have been that they are granted with a strike price equal to the market price at the time of grant, vest over a four-year period starting on third anniversary of the grant and expire after five years after the grant. The Company may issue warrants that secure the rights of the option holders.

Information and Communications

The Board shall establish guidelines for the Company's reporting of financial and other information, based on openness and taking into account the requirement for equal treatment of all participants in the securities market. The Company's information and communication policy is designed to inform the stock market and all shareholders of the Company's activities and status in a timely and accurate manner. A financial calendar displaying the dates for the coming years' interim reports and General Meetings for shareholders is posted at www.scanship.no. The Company submits half yearly and annual financial

reports to Oslo Axess. In addition, significant information will be distributed at [www. newsweb.no](http://www.newsweb.no) and the Company's website.

The Company places great emphasis on complying with applicable stock exchange rules by providing the same information to all investors. All press releases and news are published in English. The Company has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

The Company shall ensure that the management becomes aware of important information without undue delay. Information which shall be published on Oslo Børs Newsweb shall with undue delay be communicated to the management who shall publish such information pursuant to the Oslo Børs Continuing Obligations.

Take-overs

The Board has established guiding principles for how it will act in the event of a take-over bid received: During the course of a take-over process, the Board and the management of both the party making the offer and the target company are held responsible to ensure that the shareholders in the target company are treated equally, the target company's business activities are not disrupted unnecessarily and that shareholders are given sufficient information and time to form a view of the offer.

The Board shall not attempt to prevent or impede the take-over bid unless this has been decided by the General Meeting in accordance with applicable laws. The main underlying principles shall be that the Company's shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter take-over offers unless this has been decided by the General Meeting in accordance with applicable law.

If an offer is made for the Company's shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board shall consider whether to arrange a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined as shareholder that controls 10% or more of the Company's shares or votes). Any such valuation should either be enclosed with the Board's statement, or reproduced or referred to in the statement.

Auditor

The auditor shall annually submit the main features of the plan for the audit of the Company to the Board.

The Board has determined the procedures for the external auditor regular reporting to the Board. The Auditor attends at least one meeting each year with the Board which the Company's management is not represented. The Auditor will present to the Board any significant internal control weaknesses and improvement opportunities. Scanship has established guidelines for the right of the management to use the external auditor for services other than auditing. According to the procedure, all assignments shall be approved by the CEO, and if there are significant assessments outside the normal scope of services, this shall also be discussed with the Chairman of the Board. The Board of Directors shall receive an annual statement from the external auditor of services other than auditing provided to Scanship. The Auditors fee is determined at the Annual General Meeting and disclosed in the Financial Statement.