

Group Contract Committee Policy

1. PURPOSE

The main purpose of the Board Contract Committee (hereafter called BCC) and the Group Contract Committee (hereafter called GCC) is to ensure that material agreements with customers and suppliers are entered into according to the Contract Policy and other relevant policies and guidelines.

In addition, the BCC and GCC shall ensure that key risks are identified and that measures to mitigate these risks are established.

The BCC and GCC are an integral part of the risk management system in Scale Aquaculture. This procedure outlines the responsibilities and guidelines of the BCC and GCC.

2. DEFINITIONS

Board Contract Committee (BCC) – Contract committee established as sub-group appointed by the Board of Directors

Group Contract Committee (GCC) – Contract Committee established on Scale Aquaculture Group level.

Responsible Officer – Managing Director or Director representing the entity or department that negotiates and/or prepares the contract with the customer/supplier on behalf of a Scale Aquaculture company.

Project margin – Project contribution in % of revenue. Project contribution shall be calculated as revenue minus all costs directly attributable to the project, including but not limited to:

- Cost of materials
- Cost of subcontractors / services
- Personnel
- Project management
- Operating expenses

Project buffer – Calculated margin to cover unforeseen costs.

3. RELEVANCE AND RESPONSIBILITY

All potential commercial contracts with customers and suppliers including tenders, offers and individual negotiated contracts related to potentially large contracts or frame agreements with a contractual values according to the Group Authorization Guidelines shall be presented to, and approved by, the BCC and GCC respectively.

In addition, each entity must abide to internal procedures, hereunder procedures of the Board and relevant authorization thresholds. The Head of the respective Division in Scale Aquaculture Group shall give a recommendation to the GCC and the Group CEO shall give a recommendation to the BCC. The recommendation to be included as part of the Project Evaluation Form.

Tenders, offers or agreements that include elements implying higher risk than those made in the ordinary course of business, whether it is related to the product, customer or supplier dimension, should also be approved by the BCC or GCC as the case may be, even if the value of the contract is lower than the established threshold for BCC and GCC. For such cases, it is the Responsible Manager in cooperation with the Head of Division that is responsible for evaluating and defining the risk profile

of the agreement and requesting an approval by the GCC. The Responsible Manager may also ask the Chairman of the BCC or GCC for an assessment of the risks, and thus an evaluation whether an approval from the BCC or GCC is required or not. Please note that all potential contracts need to be presented to and approved according to the Group's Authorization Guidelines prior to the presentation for the BCC or GCC.

The Group CFO is responsible to summon the BCC and GCC as the case may be and to ensure that relevant procedures are followed. The Responsible Officer is responsible for acquiring required approval according to this procedure from the BCC or GCC before contractual obligations are established with any party.

4. PROCEDURE

4.1. Members of the GCC

The BCC consists of 3 members:

- Chairman of the BoD
- One member of the Board of Directors
- Group CEO

The GCC consists of 3-5 members:

- Chairman: Group CEO
- Member: Group CFO
- Member: CCO
- Presenter: Responsible officer

If the Group CEO is not present, the Group CFO may act as chairman of the GCC and if the Chairman of the Board is not present in the BCC and member of the Board may act as chairman of the BCC.

The Chairman decides if other persons should be invited to the BCC or GCC meeting. The size and complexity of the contract and the availability of participants will govern who is invited to participate on a case by case. Approval requires majority vote. Each member of the BCC and GCC has one vote. The Chairman has veto right.

4.2. Scope

The BCC and GCC shall:

- Examine large tenders, offers and individual contracts
- Examine tenders, offers and individual contracts involving special / non customary risk elements
- Establish and approve contract standards and agreements
- Pre-qualification of suppliers' delivery terms
- Examine and evaluate cash implications of contracts and agreements

Special attention should be given to understanding the risk aspects of the agreement to clarify whether the risks are within acceptable limits and / or ensure that adequate risk mitigation measures are planned.

Please note that strategical assessments and decisions must be made prior to a contract is presented to the BCC or GCC for approval. This responsibility lies with the Group CEO or Head of Division as the case may be; the focus of the BCC and GCC remains the commercial and risk aspects of the contract itself. In case the contract requires Capital Expenditure in order to fulfil the contractual obligations such Capex needs to be approved in accordance with the Group Capex Policy prior to the BCC or GCC meeting.

In case the contract requires bank- or other types of guarantees from our side, required capacity needs to be assigned from the Group CFO department prior to the contract is approved by the BCC or GCC and in any case before the tender or offer are presented to the customer

The BCC and GCC will base its work on the review undertaken by the Head of Division. Hence, it is important that the Project Evaluation Form includes the recommended resolution from the Head of Division preferably including a justification of the recommendation.

Examples of risk areas are:

- Contractual terms, responsibility, sales and delivery terms, transfer of risk, etc.
- Credit risk and payment terms
- Price regulations, if any
- Foreign exchange rates
- Total exposure contracted purchase not directly related to customer contracts
- Other risk issues

Furthermore, the BCC and GCC should assess the risk mitigation measures planned in connection with fulfilling the contract, including:

How to manage inherent risk in the contract

- Possible risk reducing measures to be implemented
- Evaluating risks that cannot be secured satisfactory
- Evaluating other risk issues related to the contract

The likely financial impact of the major risks should both be quantified and assessed regarding probabilities.

4.3. Required Information and Documentation

The Responsible Officer should prepare supporting information and documentation in order to provide the BCC and GCC with the necessary insight in the issue at hand and the risks attached thereto. As a minimum the following should be presented:

- Complete Project Evaluation Form (PEF)
- Validated financial calculations including total amount, pre calculated contribution, capex, bank guarantees, payment terms, cash flow forecast, etc.

Validation should be performed by the business controller or a controller/person appointed by the Head of Division. In addition, the following information should be submitted as appendix if not included in the PEF:

- A short description of the agreement including scope
- Inquiry form received from the customer (e.g. tender documents)
- Draft of the contract / offer
- Technical information about the project
- A description of risks identified
- A description of planned risk mitigation measures.

The documentation should be sent by e-mail to Group CFO. The Group CFO examines the documentation in collaboration with the Responsible Officer of the project, before distributing to the other members of the BCC or GCC.

4.4. The meeting

The Responsible Officer submits a request for a meeting to the Group CFO. The Responsible Officer should notify the Group CFO and request a timeslot with respect to a GCC meeting as early as

possible and preferably already when a request for tender that is expected to exceed the relevant thresholds is received.

If the contract is expected to exceed the threshold for BCC approval, this should be stated. Such contracts, offers, bids etc, needs to be submitted to the BCC for consideration preferably 14 days and minimum 9 days prior to submission date as an approval from the Board of Directors of Scale Aquaculture Group is required. The responsible officer cannot expect the board to be available for an extraordinary board meeting at very short notice. It must be expected at least 7 days' notice period. In addition, the company and the Group will need some time to prepare the supporting documents before a tender is presented to the board for consideration and approval.

Required information and documentation regarding the agreement to be approved, including the checklist, should be received by the Group CFO at latest 2 working days before the meeting in the GCC. The Group CFO distributes the received information and documentation to the other members. The following standard agenda should be applied:

1. Description of the agreement / case to be handled in broad terms
2. Financial implications, hereunder cash flow
3. Major risks identified
4. Risk mitigation measures planned
5. Recommended resolution from the Head of Division
6. Q&A
7. Decision

The Chairman, or a person appointed by the Chairman, prepares the minutes from the meeting. The minutes should present a brief description of the issue, major risks identified, risk mitigation measures planned, and the decision made. The minutes from the meeting should be distributed to all attending the meeting. Furthermore, a copy of the minutes of the meeting should be filed in the GCC archive.

4.5. Handling of issues in the Group Contract Committee

The BCC and GCC shall conclude whether to:

- Approve
- Reject
- Give conditional approval, including:
 1. Request for guarantees from the customer / supplier
 2. Specific revisions to be made before agreements are entered or tenders are submitted
 3. Specific actions to be implemented before an agreement is entered or a tender is submitted
 4. Determine whether the tender has to be re-evaluated before signing the contract
 5. Determine whether the terms of the agreement are acceptable

5. REFERENCES

- Contract policy
- Group Authorization Limits
- Project Evaluation Form

6. DOCUMENT RESPONSIBILITY

Responsible manager	Svein Vestermo (Interim Group CEO)
Responsible for policy	Svein Vestermo (Group CFO)
Approved by	Board of Directors
Date for approval	
Date of validity	
Reviewed by	
Date of latest review	