



ANNUAL REPORT
ON CORPORATE
GOVERNANCE 2017

APPENDIX I

ANNUAL CORPORATE
SUSTAINABILITY REPORT
2017

GOOD CORPORATE GOVERNANCE IN EXALMAR

Corporate Governance has allowed Pesquera EXALMAR SAA progressing towards the consolidation of an ethical way of doing business, where the managing bodies act considering the needs and expectative of all the stakeholders of the company.

In a market such as Peru, with high presence of family businesses and an undeveloped capital market, the Company saw in Good Corporate Governance a way to establish the appropriate mechanisms for the professionalization and sustainability of the company in the long term, taking a great leap forward from a family business to a corporation.

It is important to emphasize the change experienced in Exalmar: from being a 100% family company to opening its capital through a private equity in 2007. Then, it made an IPO at the end of 2010 and finally issued debt in the international capital market in 2013. The strategic financial decisions adopted and the share in the capital market generated changes and opportunities for future growth and promoted the implementation of Good Corporate Governance practices. The company always stood out for presenting information about its administration to the senior management as well as to financial entities; that is, the culture naturally incorporated transparency, through the dissemination of information. This bu-

siness philosophy, which also represents one of the pillars of Good Corporate Governance, facilitated the incorporation of the rest of the principles related to the Rights of Shareholders, Shareholders' General Meetings, Board of Directors, and Senior Management, and Risk and Compliance.

Although many companies in the country see this as distant and expensive, with complicated processes that do not add value, in Exalmar the incorporation of these practices in the company management has brought benefits and the main one is the permanence in the long term. Investors see Exalmar as a company permanently concerned with improving its good practices, and this results in greater interest for investors, as well as a diversification of financial sources, especially from foreign banks, with the possibility of obtaining credits under much more competitive conditions than those we could access before.

**PROCESS OF IMPLEMENTATION OF PRACTICES
AND ACTIONS TAKEN**

Exalmar is committed to adopt the best practices of Good Corporate Governance, protecting the rights of investors and other stakeholders. In 2015,

Exalmar was recognized by the Lima Stock Exchange as one of the companies with the highest standards of Good Corporate Governance, being the first and, until now, the only company of the fishing sector to obtain this recognition.

The process of implementation of Good Corporate Governance practices has been naturally carried out through the commitment of the main shareholder and Senior Management. In 2015, the services of the specialized consultant firm Mercado de Capitales, Inversiones y Finanzas Consultores (MC&F), expert in Good Corporate Governance and accredited guarantor before the Lima Stock Exchange, were taken, in order to make a diagnosis of the company and to identify key areas of improvement in relation to the provisions of the best standards.

IT IS IMPORTANT TO EMPHASIZE THE CHANGE EXPERIENCED IN EXALMAR: FROM BEING A 100% FAMILY COMPANY TO OPENING ITS CAPITAL THROUGH A PRIVATE EQUITY IN 2007.

APPENDIX I

ANNUAL CORPORATE SUSTAINABILITY REPORT 2017

Strengths and weaknesses were identified for each pillar of Good Corporate Governance and, in the early 2016, the implementation of an action plan for the adoption of improvements was initiated, according to certain prioritization criteria already established, ending by mid-2017.

At the beginning of 2017, the validation of Good Corporate Governance practices was developed by the MC&F consultancy, showing very positive results when reaching 89.0%, higher than the minimum value of 80%, required by the Lima Stock Exchange, and higher than the previous year, which reached a value of 78.6%.

This result shows the important advances developed by the company in terms of Good Corporate Governance, with a high level of compliance with the Principles of the Code of Good Corporate Governance, evidenced in this rating.

In the mid-2017, a diagnosis and evaluation of the Board of Directors was also developed, in order to find improvement opportunities to enhance the performance within the Board of Directors.

Finally, during 2017, a sustainability diagnosis was carried out by a specialized consultancy, as well as a mapping and prioritization of stakeholders, in order to develop and implement a strategy of sustainabili-

ty and relationship with stakeholders since 2018. Some recently implemented actions that have allowed the increase of this qualification are the following:

- **Shareholder rights, promoting excellence in the treatment of investors:**
In the year 2017, 691 actions have been carried out to contact investors through various tools. 26 important events and 15 press releases were sent out; 495 emails, 60 telephone inquiries were answered, among others. Likewise, it participated in events with investors at local and international level, which are detailed below:

DATE	EVENT
January	Santander, Cancún
March	11th Atlantic Seafood Forum
May	BBVA, Nueva York
June	BOFA, Miami
September	Non Deal Roadshow
September	Credicorp, Lima
November	Non Deal Roadshow

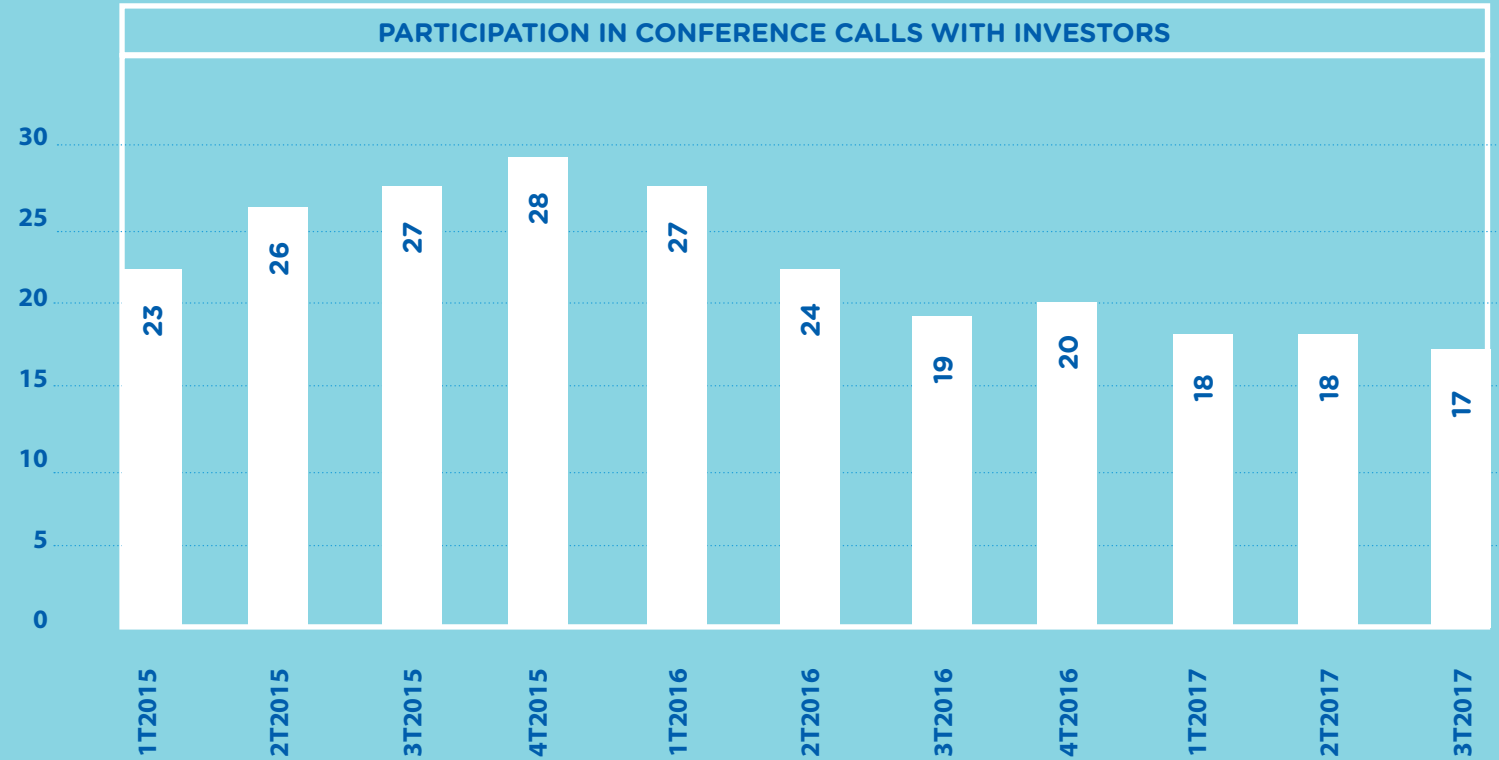
APPENDIX I

ANNUAL CORPORATE SUSTAINABILITY REPORT 2017

We had quarterly telephone conferences with investors after the presentation of financial results, in charge of the General Manager, Rossana Ortiz, accompanied by the Finance and Administration Manager, Raúl Briceño, who participated in the last Conference Call (the third quarter of 2017) with 17 investors. Both the recording and the presentation were promptly published on the website of the Company.

On March 28, 2017, the Company's Annual Compulsory Meeting of Shareholders was held, which was announced on February 28, 2016. With a quorum of 74.7%, the following was approved:

- Approval of Financial Statements and Annual Report of Pesquera Exalmar S.A.A., corresponding to the year 2016.
- Implementation of Profits.
- Appointment of External Auditors for the year 2017 or delegation of their appointment to the Board of Directors.
- Appointment of the Board of Directors for the year 2017, and determination of their remuneration.
- Granting of powers for the formalization of agreements



APPENDIX I

ANNUAL CORPORATE SUSTAINABILITY REPORT 2017

Likewise, in December 2017, a General Shareholders' Meeting was held, with a quorum of 74.7%, approving the following:

- Approval of one or several financing transactions up to an amount to be determined by the General Shareholders' Meeting, including, among others, the issuance of bonds and, if applicable, the exchange of them, or obtaining of loans; and: That the Company negotiates, enters into and undertakes financing transactions up to a maximum principal amount of US \$ 200'000.00, including the issuance of bonds to be placed in the local or international market and/or the exchange of the current obligations denominated "7.375% Senior Notes due 2020".
- Delegation of powers in the Board of Directors of the Company to determine the financing method and to adopt the necessary or convenient agreements to determine all the terms, characteristics and conditions of the financing transaction previously approved.

On the other hand, in May, the first Investor Day was celebrated, when 19 investors visited the company's facilities in Tambo de Mora, Chincha, sharing

a pleasant moment to learn about the productive process in plants of Indirect Human Consumption and Direct Human Consumption, which, together with the Management presentations, were highly instructive for the participants.

Regarding information requests from shareholders, they may be done through the following means:

- By telephone: (511) 441-4420, extension 1051.
- E-mail of the responsible of Investor Relations: ozuniga@exalmar.com.pe
- "Service to the Investor" Department in the website: www.exalmar.com.pe
- In person or by simple letter. Address: Av. Víctor Andrés Belaunde 214, San Isidro, Lima, Peru.

Among other actions carried out:

- Dissemination of the renewed Annual Report and Good Corporate Governance Report.
- Publication of quarterly reports, presentations, press releases, etc.

- Approval of the Shareholder's Meeting Regulations.
- Single-class shares with voting rights. One vote per share
- Separate voting right for independent issues.
- Obligation to report in cases of operations that may lead to dilution.
- Dissemination of announcement and documents related to the Board.
- Right of representation. Model of Power of Attorney with sense of vote.
- Limits of representation in favor of directors and managers.
- Dissemination of dividend policy and strict compliance.
- Procedure for inclusion of agenda items.
- Incorporation of arbitration as a possible means of dispute settlement.

• **Board of Directors and Management Team, promoting an adequate participation of the Board and Management as well as clear policies:**

- The company has a Board of Directors comprised by people with different specialties and competences, with prestige, ethics, sufficient availability and other qualities relevant to the company, so that there are various approaches and opinions.
- There is a Board of Directors comprised by five independent members and two dependant members (Chairman and Vice-Chairman), with a total of seven directors, ensuring plurality and representativeness for all the stakeholders. As at December 31, 2017, the members of the Board of Directors are:

APPENDIX I

ANNUAL CORPORATE SUSTAINABILITY REPORT 2017

BOARD OF DIRECTORS

Víctor Matta Curotto	Chairman
Víctor Matta Dall’Orso	Vice-chairman
María Cecilia Blume Cillóniz	Independent Director
Rodrigo Sarquis Said	Independent Director
Andrés Muñoz Ramírez	Independent Director
Cristian Celis Morgan	Independent Director
Martín Ramos Rizo Patrón	Independent Director

The Chairman has more than 40 years of experience in fisheries sector and the management team is comprised by independent professionals with wide experience. There are also Board Committees, whose sessions are crucial for the achievement of strategic objectives, providing a permanent monitoring of some tasks of special relevance, becoming a very effective support to the Board in order to make better decisions. The Board Committees are the following:

- Good Corporate Governance Committee.
- Audit Committee.
- Nomination and Remuneration Committee.
- Committee of Risks.
- Finance Committee.

Likewise, there is a Regulation of the Board of Directors and its Committees, which details the guidelines governing the operation of the Board, its composition, functions and responsibilities, with the purpose of promoting transparency, in line with Good Corporate Governance practices.

Among other actions carried out:

- Own definition of independence.
- Election of directors once a year.
- Induction program for directors.
- Established session schedule.
- Timely delivery of information to directors.
- Board Committees chaired by independents.
- Positions of Chairman and General Manager are given to different people.
- Prohibition of granting loans to a director without the Board approval.
- Executive body responsible for the implementation of GCG improvements: Investors Relations.
- There are no alternate directors.
- Board diagnosis service.

APPENDIX I

ANNUAL CORPORATE SUSTAINABILITY REPORT 2017

Transparency of Information, practicing transparent communication with its stakeholders, generating relationships of trust:

The company has Internal Rules of Conduct, which establish the regulations to be followed to protect confidentiality of reserved or privileged information on the Company, determining internal responsibilities and procedures for the elaboration and communication of the Facts of Importance.

Likewise, it has a Policy for Classification, Management and Dissemination of Information, which establishes the guidelines and provisions for an adequate classification and management of the Company's information, in order to safeguard its confidentiality and ensure its proper dissemination to the general public, truthfully, transparently, equitably, timely, and in accordance with current legislation.

Among other actions carried out:

- Timely publication of Important Events and Press Releases.
- Participation in events and one-to-one meetings. Publication of quarterly reports, presentations, etc.

- Website renewal. "Investors" section.
- Dissemination of the renewed Annual Report and Good Corporate Governance Report.
- Dissemination of the Annual Sustainability Report.

Risk and compliance, promoting adequate risk management:

The company has a Risk Committee that supervises the execution of the integral risk management strategy, which is chaired by an independent director.

Likewise, it has an Audit Committee, which is chaired by an independent director, who supervises the external and internal audit process and is responsible for the selection, supervision and removal of auditors.

Among other actions carried out:

- Updating of Code of Ethics and Conduct in Businesses.
- Independence of the Internal Auditor, who reports to the Audit Committee.

- Implementation of attention procedure for complaints to the Code of Ethics and Conduct in Businesses, for both collaborators and third parties, by the Internal Auditor.
- External audit firms of recognized prestige.
- Internal training programs on internal procedures and policies.
- Comprehensive Risk Management Policy.
- Beginning of implementation process of the integral risk management, based on the strategic plan 2016-2020.
- The implementation of the Compliance Program for the risks of corruption, money laundering and terrorist financing began. Likewise, the implementation of controls, additional to those ones the Company already had to minimize the aforementioned risks began, which will be complemented by the improvement of the existing controls, as well as a Dissemination and Training Plan at all levels.

COMMITMENT AND CHALLENGES FOR 2018

Exalmar is committed to the adoption of the Best Corporate Governance practices, protecting the rights of investors and other stakeholders. It is not enough to create procedures or manuals that reflect good practices, it is crucial to know and internalize the concept and that it is actually applied at all levels of the organization, starting from the Board. This is the great challenge, the challenge that allows moving from a family business to a corporation, ensuring sustainability and promoting the development of the stock market.

In 2018, it is expected to continue with the implementation of a working plan based on the diagnosis made by the Board, searching for the excellence in matters of Good Corporate Governance, as well as for the development and implementation of a sustainability strategy and relationship with the stakeholders.