

**CERMAQ SHAREHOLDER RESOLUTION REGARDING A CORPORATE SOCIAL RESPONSIBILITY
REPORT
(MAY 2009)**

RESOLVED, that shareholders request the company disclose its social, environmental and economic performance to the public by issuing annual sustainability reports, sometimes known as a corporate social responsibility report.

Norwegian Translation:

Generalforsamlingen bes vedta følgende, Generalforsamlingen anmoder selskapet om å offentliggjøre påvirkning på samfunnsmessige, miljømessige og økonomiske forhold gjennom å utarbeide og publisere årlige bærekraftrapporter, også kjent som Corporate Social Responsibility (CSR) rapporter.

Supporting Statement:

Disclosure of key information is a founding principle of our capital markets. Investors increasingly seek disclosure of companies' social and environmental practices in the belief that they impact shareholder value. Many investors believe companies that are good employers, environmental stewards, and corporate citizens will more likely prosper over the long term and be accepted in their communities. The link between sustainability performance and long term shareholder value is awakening mainstream financial companies to new tools for understanding and predicting capital markets. According to environmental research consultant Innovest, major investment firms including ABN-AMRO, Neuberger Berman, Schroders, T. Rowe Price, and Zurich/Scudder subscribe to information on companies' social and environmental practices to help make investment decisions.

Cermaq's largest shareholder is the state of Norway, managed by the Ministry of Trade and Industry. The Ministry declares as an ownership principle: "Maintaining high ethical standards in all respects is necessary in order to uphold the legitimacy of the company."¹ To maintain such high standards requires that performance be documented. The Ministry published recommendations in 2006 for companies where it holds a sizeable ownership position, explaining, "Considerations with respect to the environment, restructuring, diversity, ethic, research and development must be taken into account by the board of directors in the interests of promoting long-term development." A report on how Cermaq obliges these recommendations would serve as a vehicle to measure compliance.

Cermaq is the world's second largest farmed salmon producer and second largest aquaculture feed producer. Within Cermaq's industry, the first and third largest salmon farming companies, namely Marine Harvest and Chile's Aquachile have published sustainability reports. Nutreco, which leads Cermaq in feed production, has also published such reports. In other words, among the leaders in Cermaq's industry Cermaq stands alone. Given the state's clear goals of promoting sustainable industry, the absence of a report is conspicuous.

Moreover, sustainability reports are becoming common.

In Norway, companies that publish sustainability reports, some with Norwegian state ownership, include Norsk Hydro ASA, Norsk Skog and Statoil Hydro.ⁱⁱ

A number of Cermaq's current or prospective customers publish such reports, including Ahold, Marks & Spencer, and Delhaize.ⁱⁱⁱ

The Global Reporting Initiative, described by some as the leading international sustainability reporting convention, lists 1000 organizations with reports.^{iv}

Many global organizations, such as the European Union Framework for Corporate Social Responsibility, support corporate sustainability reporting. The national governments of Australia, Japan and the United Kingdom recommend sustainability reporting. In addition, companies listed on the Johannesburg and Paris Stock Exchanges are now required to report non-financial information related to corporate social and environmental performance.

Cermaq's website greets viewers with this: "Sustainable Aquaculture: Cermaq's vision is to be one of the global leaders in the aquaculture industry, with main focus on sustainable production of feed to, and farming of salmonid species (salmon and trout). We are committed to creating value for our shareholders through sustainable aquaculture."^v

We believe that such statements are inadequate unless accompanied by detailed reporting. In fact, ample evidence from the company's own financial reports argues that environmental practices have contributed to serious shareholder losses, notably from disease in Chile. The company's ability to expand in Canada also turns on environmental issues, notably the alleged spread of sea lice from company farms to wild salmon. In Norway, important environmental groups contest the company's ability to expand based on impacts to wild salmon.

The Code of Corporate Governance asks that board directors make efforts to meet and exchange communication with shareholders. We applaud the board for its August 2008 visit to British Columbia, where it met partners of the Pure Salmon Campaign, including First Nations, environmental groups, and representatives of the eco-tourism industry. We believe that such meetings would be informed by a rigorous accounting of the company's sustainability record.

We also applaud the company's decision to "gradually introduce external reporter in accordance with the Global Reporting Initiative" and Cermaq's establishment of new sustainability indicators. But we believe it is beyond time for a full commitment to such reporting. Given the company's implicit agreement that such reporting serves shareholders, half-measures will be inadequate.

**CERMAQ SHAREHOLDER RESOLUTION REGARDING BOARD OVERSIGHT OF DISEASE AND ENVIRONMENTAL MANAGEMENT
(MAY 2009)**

RESOLVED, that shareholders urge the board to consider establishment of a committee or assign the audit committee to examine the company's management of operations as they relate to disease management with special consideration accorded to general environmental stewardship.

Norwegian Translation:

Generalforsamlingen oppfordrer styret til å vurdere opprettelse av en komité, eller bemyndige revisjonskomiteen eller tilsvarende egnet komité, med ansvar for å vurdere selskapets operasjoner i forhold til sykdomshåndtering, i henhold til et generelt miljømessig forvalteransvar.

Supporting Statement:

Our company's future now turns on whether the company can find a lasting solution to the outbreak of disease.

In Chile, the ISA virus has led the industry to reduce production by more than 50%, and prompted an unprecedented intervention by the Chilean government to establish a new regime for industry organization, expand regulatory staff, and coordinate application of chemicals, among other steps. Chile's governmental efforts are evolving, as steps taken to date have apparently resulted in little progress. Industry leaders speak of recovery in ever expanding time horizons.

In Canada, sea lice threaten wild salmon runs. Numerous peer reviewed studies confirm what is generally accepted in Norway. In fact, a report in *Science* predicts extinction of wild salmon in areas of BC salmon farming. Reduction and threatened extinction of wild salmon has led to political troubles for our company. Wild salmon serves as a resource for First Nations, many of whose representatives vocally criticize Cermaq's operations in Canada. Eco tourism leaders also decry company operations as wild salmon attracts fisherman and feed the iconic grizzly bear, both key attractions for this industry. For these and other reasons, the provincial Canadian government has largely frustrated Cermaq's ambitions to expand operations.

In Scotland, disease problems threaten. In early January, Scottish authorities reported outbreaks of ISA in the Shetlands. As Intrafish noted (Jan. 19), "Scotland's salmon industry was ravaged by an ISA outbreak a decade ago."

We believe the special issue of disease obliges our board to pay urgent attention and that a special committee can serve as reasonable vehicle. Ideally, we believe that a special committee should retain one or more expert staff independent of management to provide relevant research and consultation. Moreover, we urge that one or members of the special committee conduct site visits to the company's chief sites of operation.

The Norwegian Code for Corporate Governance provides ample foundation and encouragement for such a committee. The code observes that "There is a clear international trend for more extensive use of board committees ... The board of directors should consider appointing board committees in order to help ensure thorough and independent preparation of matters relating to

financial reporting.” A key focus should be “an annual review of the company’s most important areas of exposure to risk and its internal control arrangements.” In addition to an annual risk review, the board should equip itself “with any additional information that may be necessary to ensure that the board has taken into account all matters related to the company’s internal control.” Such a committee can help the board, as opposed to management, fulfill its obligation to “lead the company’s strategic planning, and make decisions that form the basis for the executive management to prepare for and implement investments and structural measures.” Moreover, a review “should pay attention to instances of material shortcomings or weaknesses in internal control that come to light during the course of the year which have had, could have had or may have had a significant effect on the company’s financial results or financial standing.”

To date, Cermaq management has demonstrated imperfect attention to disease issues. On May 24, 2007, Cermaq CEO Geir Isaksen was quoted saying “the solution is sustainable operation” in an Intrafish article reporting on the third consecutive year of stagnant salmon production in Chile due to lice and disease despite 20 percent annual increases in smolt releases.¹

Two months later, on July 30, 2007, the media outlet *Aqua.cl* reported the preliminary detection of a variant of Infectious Salmon Anaemia (ISA) on an Atlantic salmon farm in Chiloé, Chile.² One week later, on August 8th, the World Organisation for Animal Health (OIE) was notified by the Chilean Ministry of Agriculture (Ministerio de Agricultura) of the ISA outbreak in Chile.³

At the time Isaksen cautioned against “overreaction” to fish health problems in Chile⁴ and chided the media by saying, “the way it’s been reported you’d think it was about to wipe out the industry there.”⁵

Eighteen months later, at the end of 2008, the Mainstream Group reported a fourth quarter EBIT pre fair value loss of NOK 135.7 million compared to a profit of NOK 11.0 million in the fourth quarter 2007 and Mainstream Chile, heavily impacted by ISA costs, had write downs of NOK 111 million on live stocks and NOK 47 million on frozen stocks.⁶

Cermaq responded to the outbreak by implementing a number of company specific actions above and beyond the new regulatory measures being introduced in Chile, such as lowering densities, greater use of vaccines and moving smolt production into onshore facilities.⁷ The company’s website currently touts Cermaq’s commitment “to creating value for our shareholders through sustainable aquaculture.”⁸ However, as recently as March 2009, CEO Isaksen is reported to have told the North Atlantic Seafood Forum that while the international industry has the knowledge to prevent disease crises, it does not always have the organization or motivation to enact best practices.⁹ This reality is well supported by the circumstances and outcome of the 2007 ISA outbreak in Chile and questions Cermaq’s rhetoric regarding its commitment to sustainability.

We note that in response to this resolution, the board believes that the whole board should undertake the evaluation of the company’s operations in relation to disease and environmental

¹ <http://www.intrafish.no/global/news/article135432.ece>

² <http://www.aqua.cl/noticias/index.php?doc=18919>

³ <http://www.puresalmon.org/pdfs/ISA-backgrounder.pdf>

⁴ <http://www.intrafish.no/global/news/article141119.ece>

⁵ <http://www.intrafish.no/global/news/article140617.ece>

⁶ <http://www.thefishsite.com/fishnews/9134/cermaq-brought-down-by-fish-disease>

⁷ <http://www.cermaq.com/cermaq/cermaqen.nsf/0/CC403B275CFB3463C12574F80042BD76>

⁸ <http://www.cermaq.com/>

⁹ <http://www.intrafish.no/global/news/article242174.ece>

management. We do not view this as a reason to reject the proposal, but merely to designate this as a committee of the whole. Finally, our proposal simply urges the board to consider such a committee, which the board has now done. We think the board should welcome shareholder support for a goal it has endorsed. By supporting this resolution, shareholders can join with the board to emphasize support for a critical evaluation of this urgent subject.

ⁱ <http://www.regjeringen.no/en/dep/nhd/selected-topics/ownership/State-Ownership/The-Governments-Ownership-Policies.html?id=448277&epslanguage=EN-GB>

ⁱⁱ <http://www.globalreporting.org/Home>

ⁱⁱⁱ <http://www.globalreporting.org/Home>

^{iv} <http://www.globalreporting.org/Home>

^v <http://www.cermaq.com/> Last accessed April 20, 2009.