



VIKING
SUPPLY SHIPS AB (PUBL)
CORPORATE GOVERNANCE REPORT
2015



VIKING SUPPLY SHIPS

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REPORT CORPORATE GOVERNANCE AT VIKING SUPPLY SHIPS AB

CORPORATE GOVERNANCE

VIKING SUPPLY SHIPS AB IS A SWEDISH PUBLIC LIMITED COMPANY LISTED ON NASDAQ OMX STOCKHOLM, UNDER THE SMALL CAP SEGMENT. VIKING SUPPLY SHIPS AB IS GOVERNED THROUGH THE ANNUAL GENERAL MEETING (AGM), THE BOARD OF DIRECTORS AND THE CEO IN ACCORDANCE WITH THE SWEDISH COMPANIES ACT, THE ARTICLES OF ASSOCIATION AND THE SWEDISH CORPORATE GOVERNANCE CODE. THE COMPANY IS MAJORITY-OWNED BY KISTEFOS AS (VIA VIKING INVEST AS), WHICH ACCOUNTED FOR 70.4% OF THE SHARE CAPITAL AND 63.3% OF THE VOTING RIGHTS AT DECEMBER 31, 2015.

This Corporate Governance Report has been prepared in accordance with the provisions in the Swedish Corporate Governance Code (the "Code") and Chapter 6, § 6–9 of the Swedish Annual Accounts Act and Chapter 9, § 31 of the Swedish Companies Act, and pertains to the 2015 fiscal year. The auditor has expressed an opinion as to whether the preparation of the Corporate Governance Report and disclosures in accordance with Chapter 6, § 6, second paragraph 2–6 of the Annual Accounts Act (for example, the principal features of the company's system for internal control and risk management in conjunction with financial reporting) correspond with the other sections of the Annual Report. Viking Supply Ships AB's Articles of Association and other additional information on corporate governance at Viking Supply Ships AB are available at www.vikingsupply.com. The company's governance, management and control are based on external laws and regulations, as well as internal regulations, policies and instructions. Viking Supply Ships AB Board of Directors and management strive for the company to comply with the demands placed on the company by the stock market, shareholders and other stakeholders. By being transparent and accessible, Viking Supply Ships AB strives to provide shareholders' and other stakeholders with insight into decision channels, delegation of responsibility, authorities and control systems. In addition, the Articles of Association constitute a central control document. The Articles of Association

stipulate where the Board has its registered head office, its operational focus, its authorized signatories, as well as information on the number of shares and share capital. The highest governing body in Viking Supply Ships AB is the General Meeting of Shareholders, where the company's shareholders exercise their influence. The Board of Directors manages, on behalf of the shareholders, the company's interests and transactions. Viking Supply Ships AB's Board of Directors is led by the Chairman of the Board, Christen Sveaas. The Board appoints the CEO. Distribution of responsibility between the Board of Directors and the CEO is regulated in the Board's formal work plan and the instructions for the CEO, both of which are established annually. Administration by the Board of Directors and the CEO, as well as the company's financial reporting is reviewed by an external auditor, appointed by the Annual General Meeting.

APPLICATION OF THE CODE

The Board of Directors and management believe that the company complies with and applies all regulations included in the Code, with the exception of the composition of the Nomination Committee. The Code stipulates that the Chairman of the Board may not be the Chairman of the Nomination Committee. The Chairman of the Nomination Committee of Viking Supply Ships AB is Christen Sveaas, who is also Chairman of the Board.

CORPORATE GOVERNANCE STRUCTURE AT VIKING SUPPLY SHIPS AB



SHAREHOLDERS

Viking Supply Ships AB's Series B shares have been listed on Nasdaq OMX Stockholm under the Small Cap segment since 1991. The share capital amounts to SEK 177,444,318, distributed among 177,444,318 shares with a quotient value of SEK 1. There are a total of 11,634,946 Series A shares and 165,809,372 Series B shares. Series A shares carry ten votes each and Series B shares carry one vote each. The number of shareholders at 31 December, 2015 was 3,451 (3,501). Both types of shares entitle right to dividend. For further information on the share and shareholders, see pages 68 - 70.

GENERAL MEETING OF SHAREHOLDERS

Viking Supply Ships AB's highest decision-making body is the General Meeting of Shareholders. The company's Annual General Meeting (AGM) is to be held within six months of the close of the fiscal year. Notice of the AGM is to be issued not earlier than six weeks and not later than four weeks prior to the meeting. All shareholders included in the shareholders' register which have registered for participation in time are entitled to participate and vote at the meeting. Those shareholders who cannot attend in person may be represented by proxy. The AGM was held on 9 April, 2015 in Gothenburg. The meeting was attended by 33 shareholders, representing 87% of the votes. At the meeting, the entire Board of Directors, Group management and the company's auditors were present. The AGM was attended by the heads of the respective business area, Heléne Mellquist (TransAtlantic) and Christian Berg (Viking Supply Ships), who gave an account of developments in their respective business areas. The resolutions passed by the AGM included following:

- No decision regarding dividend was made
- The company name was changed from Rederi AB Transatlantic to Viking Supply Ships AB.
- The fees for the Board of Directors will total SEK 1,100,000, distributed among Board members elected by the meeting, including the Chairman
- Guidelines governing remuneration of senior executives
- Procedures for the appointment and work of the Nomination Committee

At the AGM, Christen Sveaas, Folke Patriksson, Håkan Larsson and Magnus Sonnorp were re-elected, and Bengt A. Rem was elected as a new Board member to replace Tom Ruud, who had declined re-election. In addition to these Board members elected by the AGM, Christer Lindgren will remain as the labor-union representative. Christen Sveaas remained as Chairman of the Board and Folke Patriksson as the Deputy Chairman.

During the meeting, shareholders were provided the opportunity to submit questions to the CEO and Board of Directors. Resolutions at the meeting are usually passed with a simple majority, but certain motions require a higher proportion of the votes represented at a General Meeting. It was not possible to follow or participate in the meeting from another location using communication technology and no change has been planned in this regard for forthcoming meetings.

NOMINATION COMMITTEE

The AGM resolved to establish a Nomination Committee comprising three members representing the three largest shareholders in terms of voting rights on 30 September, 2015. At the AGM in April 2015, the Nomination Committee's Chairman, Christen Sveaas, reported on the work of the Nomination Committee. In its work, the Nomination Committee took into account the demands that can be placed on the Board of Directors resulting from the company operations and development phase, as well as competency, experience and background of the Board members. Independence issues were also highlighted, as well as issues pertaining to gender. The task of the Nomination Committee is to prepare proposals concerning Board membership and the Chairman of the Board, as well as remuneration of Board members and proposals for rules for the Nomination Committee ahead of the 2016 AGM. The composition of the Nomination Committee was announced on Viking Supply Ships' website and through a press release published on 6 October 2015. The Nomination Committee comprises Christen Sveaas, Chairman of the Board (representing Kistefos AS/Viking Invest AS), Bengt A. Rem representing Kistefos AS/Viking Invest AS, Lena Patriksson Keller representing Enneff Rederi AB/Enneff Fastigheter AB, as well as Anders Bladh representing Ribbskottet AB. Notably, Ribbskottet AB is

BOARD OF DIRECTORS

Composition of the Board of Directors and number of meetings during the mandate period	Board		Independent of major shareholders
	Elected	meetings	
Christen, Sveaas, Chairman	2010	7/9	No
Folke Patriksson, Deputy Chairman	1972	9/9	No
Tom Ruud	2011	2/9	No
Bengt A. Rem	2015	7/9	No
Magnus Sonnorp	2010	9/9	Yes
Håkan Larsson	1993	8/9	Yes
Christer Lindgren, Employee representative	2010	5/9	Yes



not the third largest shareholder, but certain shareholders have abstained from their right to appoint a member to the Nomination Committee. The members of the Nomination Committee represent approximately 80% of the voting rights (at 31 December 2015) of all shares in the company. The Code stipulates that the Chairman of the Board of Directors may not act as the Chairman of the Nomination Committee. However, the Nomination Committee for the company comprises the Chairman of the Board who represents the company's largest shareholder, Viking Invest AS. The Chairman of the Board has also been appointed the Chairman of the Nomination Committee. This has been deemed to be appropriate. The Code stipulates that if more than one boardmember is represented in the Nomination Committee, only one of these can be dependent to the major shareholders in the company. Bengt A. Rem, who represents the largest shareholder in the Board of Directors, is also part of the Nomination Committee. Basis the above considerations on ownership structure, this has been deemed to be appropriate. The Nomination Committee's proposals, its reasoned statement about the proposed Board, as well as supplementary information on the proposed Board members, were announced in conjunction with the Notice convening the AGM and are presented jointly with a report on the Nomination Committee's work at the 2016 AGM.

BOARD OF DIRECTORS

The Board of Directors is to consist of not less than five and not more than ten members and not more than five deputies according to the Articles of Association. The Board members are elected annually at the AGM, with a period in office from the AGM until the next AGM. The AGM decides the exact number of Board members. At the AGM on 9 April, 2015, Christen Sveaas, Folke Patriksson, Bengt A. Rem, Håkan Larsson and Magnus Sonnorp were elected to the Board. Christen Sveaas was elected Chairman of the Board. Folke Patriksson was elected as Deputy Chairman. In addition to the AGM elected Board members, Christer Lindgren remained as the labor union representative. The number of AGM elected Board members who are considered independent in relation to the company, according to requirements of the Code, is estimated to be two and those dependent in relation to major shareholders is three. No other remuneration was made apart from that resolved on by the AGM. Fees to the Board of Directors are approved by the AGM following a proposal from the Nomination Committee. For more information on fees, see Note 7.

BOARD OF DIRECTORS' WORK

The Board of Directors is elected by the shareholders at the AGM. The Board of Directors' responsibilities and tasks are determined by a formal work plan, in addition to laws and regulations. The work plan is reviewed by the Board on an annual basis, and established through a decision by the Board. The Board's tasks include determining the company's goals, strategies, business plans and budgets, as well as approving major investments and loans raised by Viking Supply Ships AB. Furthermore, it is the Board's task to evaluate the operating management, and to ensure that there are systems in place to monitor and control the established

goals. It is also the Board's task to appoint the CEO, and where applicable, a Deputy CEO. The Finance Policy, Attestation Policy and the Communication Policy, which are established annually, represent important control instruments for the Board. The Board also ensures the quality of the financial reporting through detailed reviews of interim reports, annual reports and year-end reports at Board meetings. The Board addresses different issues in their entirety and, considering the Group's size and complexity, has not regarded sub-committees necessary to prepare certain issues. This means that the Board as a whole constitutes the Audit Committee and Remuneration Committee. The Board usually meets on seven occasions per year and additional meetings are held as necessary. Scheduled meetings are held in connection with quarterly reports and additional meetings are held to address strategic issues and decide on budgets for future fiscal years. Based on this, the Board held 13 meetings during the mandate period, of which seven were scheduled meetings, five were unscheduled meetings and one was the statutory meeting. The Chief Financial Officer (CFO) of Viking Supply Ships AB serves as secretary at the Board meetings. The Board of Directors also receives monthly reports pertaining to the company's financial position. At scheduled Board meetings, reports are also submitted pertaining to the current work in each business area with detailed analyses and action proposals.

CHAIRMAN'S RESPONSIBILITY

The Chairman of the Board is elected by the AGM. The role of the Chairman of the Board is to organize and lead the Board's work in accordance with applicable rules for listed companies, the Code and the Articles of Association. The Chairman is also tasked with supporting the President. The Chairman and the President ensure the preparation of proposals for the agenda for Board meetings. The Chairman conducts a dialogue with the CEO and is responsible for ensuring that other Board members receive the information and documentation needed to make decisions. The Chairman of the Board is also responsible for ensuring the annual review of the Board's work. The Chairman of the Board is Christen Sveaas and the Deputy Chairman is Folke Patriksson. Christen Sveaas owns Kistefos AS which, indirectly via Viking Invest AS, is the majority owner of Viking Supply Ships AB, with 70.4% of the share capital and 63.3% of the voting rights at 31 December, 2015. In addition to his Chairmanship of Viking Supply Ships AB, Christen Sveaas is the Chairman of the Board of Kistefos Holding AS and a number of other companies.

PRESIDENT

The President (and CEO), Christian W. Berg, succeeded Tom Ruud as President and CEO of Viking Supply Ships AB on 10 April 2015. The CEO is responsible for the continuous management of the operations based on the terms of reference issued by the Board of Directors. The CEO's responsibilities include decisions regarding current investments and divestments, HR, financial and accounting issues, continuous contact with the company's stakeholders, as well as ensuring that the Board receives the information required to make well-substantiated decisions. The CEO reports to the Board of Directors. The CEO directs the work of the Group

management and reaches decisions in consultation with the other members of management. For more information, see Note 7.

GROUP MANAGEMENT

The CEO has appointed a Group Management team that had four members during 2015. In addition to CEO, Christian W. Berg the Group Management team included Ulrik Hegelund as CFO, Tord Ytterdahl as CEO for Viking Supply Ships A/S and Magnus Lander as CEO for TransAtlantic AB. The Group Management is responsible for planning, controlling and following up daily operations. The Group Management held regular meetings to monitor the business operations, follow-up on financial development and other operational, development and strategy issues. The Group Management ensures that the right competency exists in the organization in relation to the company's strategies. Authorities and responsibilities for the CEO and the Group Management are defined in the policies, job descriptions and attestation instructions. For more detailed information about the CEO and the Group Management, see page 21.

AUDITORS

The auditors are elected by the AGM and at the Meeting in April 2015, the auditing firm of Ernst & Young AB was elected for a period in office until the 2016 AGM. Authorized Public Accountant Staffan Landén was elected Auditor-in-Charge. The auditors' task is to review the President's and Board's management of the company and the quality of the company's financial reports, as well as review the Annual Report. The company's auditors participate once per year at a Board meeting to submit a report on the year's accounting and their view of the company's internal control system. Information on remuneration of auditors is found in Note 8.

GUIDELINES GOVERNING REMUNERATION OF SENIOR EXECUTIVES

The 2015 AGM adopted the guidelines governing remuneration of senior executives, encompassing the CEO and Group Management, which comprised five members during its period in office, and which are based on the following general principles: The principles for remuneration of senior executives from a short- and long-term perspective are designed to attract, motivate and create favorable conditions for retaining competent employees and managers. To achieve this, it is important to maintain fair and internally balanced conditions that are also competitive in market terms with respect to structure, scope and level. The employment terms and conditions for senior executives are to contain a well-balanced combination of fixed salary, pension benefits and other benefits, as well as special terms for remuneration in the event of termination of employment. Payment of variable remuneration is also possible. The total annual cash remuneration to senior executives is to be determined on the basis of competitiveness. The total level of remuneration is to be reviewed annually to ensure that it is in line with comparable positions in the relevant market. Remuneration is to be based on performance and positions. The company's remuneration system is to contain various forms of remuneration aimed at creating well-balanced compensation that verifies and

supports the achievement of short and long-term goals. The fixed salary shall be set individually and be based on the individual's responsibility and role, as well as the individual's competence and experience in the relevant position. The CEO and other senior executives may receive variable remuneration should the Board resolve to this effect. Such variable remuneration is to be based on extraordinary performance in relation to defined and measurable goals, be capped in relation to basic salary and must always be justified specifically in a joint Board discussion. As mentioned above, the outcome of variable remuneration is to be based on measurable goals. The variable remuneration is to be based on (i) outcomes in relation to the company's financial key data, as well as earnings and cash flow and (ii) fulfillment of established individual goals. Variable remuneration may not exceed a payment equivalent to 60% of the fixed salary for the respective senior executive. Pension provisions for senior executives are to be market aligned in relation to what is generally applicable to corresponding positions in the market and must be based on defined contribution pension solutions. The retirement age for senior executives is 65. Pension provisions are to be based only on fixed salary. Defined contribution pension payments must be implementable up to the equivalent of 25% of the fixed salary. Other benefits, such as company car, compensation for preventive healthcare and sickness insurance, are to comprise a small portion of the total compensation, correspond to market levels and contribute to the executive's possibilities of fulfilling his or her work assignment. The period of notice for senior executives is six months when the executive resigns and, in the event of notice from the company, six to 12 months. The CEO is subject to period of notice of up to six months if notice is served by the company. Severance may be payable but is capped at 12 monthly salaries, see Note 7.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

The Board in its entirety has decided to deal with auditing matters and one meeting was held with the Group's auditors during the year. Planned and completed audits were discussed at this meeting. The audit encompasses such issues as risk assessment, risk management, financial control, accounting issues, Group policies and administrative issues. Considerable emphasis is placed on follow-ups and implementing measures. The auditors also keep the Board informed of current developments in relevant areas. The Board also decided to address remuneration issues within the framework of Board duties. Remuneration of the President was addressed, as were the principles for remuneration of senior executives. Remuneration related to the Board of Directors' work is approved by the AGM.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING

This description of internal control and risk management is submitted by the Board of Viking Supply Ships AB and is prepared in accordance with the Swedish Corporate Governance Code. The Board of Directors of Viking Supply Ships AB has overall responsibility for the internal control pertaining to the financial reporting. Good



internal control is based on efficient Board work. The Board's formal work plan and instructions for the CEO are aimed at establishing a clear role and distribution of responsibilities to efficiently manage operational risks. Based on established procedures and also on the auditor's review of the internal control, company management reports regularly to the Board of Directors, should the observations have any impact on the financial statements. The Group Management is responsible for the system of internal controls that is required to handle significant risks in operating activities. This is aimed at ensuring that the operation is conducted appropriately and efficiently, that the financial reporting is reliable and that rules, regulations and ordinances are complied with. The company has prepared procedures for the assessment of risks in the financial reporting, as well as to attain a high reliability in the external reporting and that the reporting is prepared in accordance with laws and other requirements on listed companies.

RISK ASSESSMENT AND CONTROL ACTIVITY

Viking Supply Ships AB's assessment of financial reporting aims to identify and evaluate the significant risks that influence the internal control with respect to the financial reporting in the Group's companies, business areas and business processes. Considerable emphasis has been placed in formulating the controls to prevent and recognize errors in these areas. The key control instruments for the financial reporting primarily comprise the company's Finance Policy. See page 25, Risks and uncertainties.

CONTROL ENVIRONMENT

The Board of Directors has overall responsibility for the internal control of financial reporting. The Board has established a formal work plan to clarify the Board's responsibilities and to regulate the distribution of work among Board members. Responsibility for maintaining an efficient control environment is based on an organization with distinct decision routes and clear instructions and with common values, where each employee has insight into his/her role in maintaining good internal control.

INFORMATION AND COMMUNICATION

Viking Supply Ships AB's Board of Directors has established a Communication Policy, which states what is to be communicated, by whom and the manner in which the information is to be issued to ensure that the external information is correct and complete. In addition, there are instructions governing how financial information is to be communicated between management and other employees. Viking Supply Ships AB's shareholders and other stakeholders can monitor the company's operations and its development on the website (www.vikingsupply.com), where current information is published on a continuous basis. Events deemed as having a potential impact on the share price are published through press releases. Financial information is provided through quarterly reports and year-end reports, as well as through the company's annual report.

FOLLOW-UP

The Board continuously evaluates the information submitted by company management and the auditors. The work includes ensuring that measures are implemented which address inadequacies and preparing proposals for measures arising from the external audit.

INTERNAL AUDIT

The Board has not found any reason to establish an internal audit function considering the size of the Group and the centralization of the finance administration. Significant guidelines that are important to financial reporting are continuously updated and communicated to the employees concerned.

FEES AND REMUNERATION

Fees and remuneration to the CEO and the Group management are described in more detail in Note 7.

KEY POLICIES

In addition to those listed above, the Board's responsibilities include ensuring that the Group's policies are kept updated and are observed. The Group has policies on such issues as investments, financing and foreign currency matters, anti-corruption, approval and authorization of and attestation instructions for financial undertaking, communication/investor relations, as well as ethics and a code of conduct. As part of the Group's responsibility, there are also health, safety, environmental and quality policies (HSEQ policy) for the company's operations at sea and on land.

BOARD SIGNATURES

GOTHENBURG, 1 JUNE, 2016

CHRISTEN SVEAAS
Chairman

FOLKE PATRIKSSON
Deputy Chairman

BENGT A. REM
Board member

HÅKAN LARSSON
Board member

MAGNUS SONNORP
Board member

CHRISTER LINDGREN
Employee representative

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Viking Supply Ships AB (publ), corporate registration number 556161-0113 The Board of Directors is responsible for the Corporate Governance Report for the year 2015 on pages 14-19 and its preparation in accordance with the Annual Accounts Act. We have read the Corporate Governance Report and based on that reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Gothenburg, 1 June, 2016

Ernst & Young AB

Staffan Landén
Authorized Public Accountant





VIKING SUPPLY SHIPS

Viking Supply Ships AB (publ) is a Swedish company with headquarter in Gothenburg, Sweden. Viking Supply Ships A/S is a subsidiary of Viking Supply Ships AB (publ). In addition Viking Supply Ships AB (publ) has the subsidiary TransAtlantic AB. The operations are focused on offshore and icebreaking primarily in Arctic and subarctic areas as well as on shipping services mainly between the Baltic Sea and the Continent. The company has in total about 500 employees and the turnover in 2015 was MSEK 1,977. The company's B-shares are listed on the NASDAQ Stockholm, Small Cap segment. For further information, please visit: www.vikingsupply.com



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