

Corporate governance report

Chairman's introduction to Corporate governance

Good governance is at the heart of what we do both as a Board and as a Group. As Chairman I am responsible for establishing and embedding the culture of the Board. By setting the tone from the top your Board aims to ensure that values and behaviours are consistent across the Group, both in the way we behave with each other and in the way we interact with our customers, suppliers, shareholders, employees and communities around us. This year we have set out in more detail in the Sustainability report (on page 27) how we have engaged with our key stakeholders. Our strategy as a Group is founded on meeting those high standards. Creating the right ethical culture at James Fisher is vital to the Group's success.

UK Corporate Governance code

Of course the governance landscape is constantly changing. Failures by both business and their advisors have led to a closer look at how companies govern themselves. During 2018 various new regulations were published that the Board has taken into account and has acted on, where appropriate. The UK Corporate Governance Code 2016 (the Code) is the version of the Code which applied to the Company for 2018. During the year ended 31 December 2018 the Company has complied with all the relevant provisions of the 2016 Code.

The UK Corporate Governance Code 2018 has applied to the Company since 1 January 2019. We will report fully on our application of the 2018 Code in our 2019 Annual Report and Accounts. For information on our recent and planned enhancement to employee engagement mechanisms, please see pages 29 and 34.

Culture and values

The Group's Code of Ethics captures the long-held standards that each member of the James Fisher workforce is expected to adhere to in their day-to-day work. We are committed to ensuring the highest ethical standards in our activities and in how these impact on our relationships with our stakeholders. This is the foundation for the Group's values of honesty, integrity and fairness. These values complement and augment the Group's corporate purpose and strategy. Our customers attach great importance to working with a Group which is able to demonstrate those values wherever they do business.

Diversity

This year has seen on-going focus for businesses on diversity. The publication of the update to the Hampton-Alexander review and the McGregor-Smith review, and the requirement for

companies to publish an annual gender pay gap report are clear indicators of the importance of this topic. The Board and I remain very supportive of the initiatives in this area, and are committed to improving diversity throughout the Group. I firmly believe that this should not just be in relation to gender and ethnicity, but also in the wider sense, including diversity of thought, tenure, age, experience, skills, geographical expertise, and educational background. This should not be a "one and done" approach but is something the Board will continue to keep under review. In 2018, and up to the date of this report, the Board has:

- Reviewed and updated the Group's diversity policy (see page 43 for more details).
- Created and published the Board's own diversity policy, setting out its commitment, including in its own composition.
- Approved the publication of the Group's gender pay gap information.

On the date of this report, the Board announced that an additional female Non-Executive Director (Dr Inken Braunschmidt) would join the Board with effect from 1 March 2019, resulting in 25% female representation on the Board.

Board composition

One of my responsibilities is to keep the composition of the Board and its range of skills under review, and there have been some important changes throughout the year. You will have already noted the changes earlier in the year (described in more detail on page 50).

External evaluation of Board effectiveness

In September 2018, I commissioned an externally facilitated review of the Board to provide external input into how the Board and its Committees function, and to provide recommendations for ways to improve their overall effectiveness. Details of the process, outcomes and actions are described on page 42.

AGM

I would encourage all shareholders to attend the AGM, to be held at 11.00am on Thursday 2 May 2019 at the Abbey House Hotel, Abbey Road, Barrow-in-Furness, Cumbria, LA13 0PA, as it provides an excellent opportunity to meet the Executive and Non-Executive Directors.

Malcolm Paul

Chairman

25 February 2019

Our governance structure

The Board

Chaired by Malcolm Paul

Meets regularly, with six scheduled meetings during the year.

The Board is responsible for providing effective leadership to the Group. The Board is responsible for steering the Group's purpose, culture and values, for setting the Group's strategic priorities and overseeing their delivery in a way that enables sustainable long-term growth, while maintaining a balanced approach to risk within a framework of effective controls. It has a schedule of key matters which are reserved for its own decision-making, which is reviewed annually and approved by the Board.

Chairman

Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors.

- Regularly meets with the Chief Executive, the other Executive Directors and other senior management to stay informed.
- Ensures effective communication with our shareholders.

Senior Independent Director

- Provides a sounding board to the Chair and appraises his performance.
- Meets with Directors to review the Chairman's performance. This review is then shared with the Chairman.
- Acts as intermediary for other Directors, if needed.
- Available to respond to shareholder concerns when contact through the normal channels is inappropriate.

Non-Executive Directors

- Contribute to developing our strategy.
- Scrutinise and constructively challenge the performance of management in the execution of our strategy.

Chief Executive

- Responsible for management of the Group as a whole.
- Delivers strategic objectives within the Board's stated risk appetite.

Nominations Committee

Chaired by Malcolm Paul

Meets a minimum of three times a year.

Reviews the structure, size and composition of the Board (including skills, knowledge, diversity and experience) and recommends changes, succession planning for Directors and senior executives.

Identifies and nominates candidates for approval to the Board, to fill vacancies when they arise.

The Nominations Committee report on pages 50 to 51 describes in detail the Committee's role and activities.

Audit Committee

Chaired by Justin Atkinson

Meets a minimum of three times a year.

Assists the Board in its oversight and monitoring of financial reporting, reviews the Group's internal financial controls and systems for risk management and internal controls, monitors the Company's whistleblowing policies and assesses independence and objectivity of external auditor.

The Audit Committee report on pages 45 to 49 describes in detail the Committee's role and activities.

Remuneration Committee

Chaired by Aedamar Comiskey

Meets a minimum of three times a year.

Agrees the remuneration policy for Executive Directors and other senior executives; reviews the appropriateness and relevance of the Group's remuneration policy; and ensures that the provisions of the Code relating to remuneration are fulfilled.

The Directors' remuneration report on pages 52 to 66 describes in detail the Committee's role and activities.

Executive Committee

Consisting of the Executive Directors

Meets according to business requirements.

Empowered, under written terms of reference, to take actions relating to the affairs of the Company in the normal course of business and of a routine nature, subject to such limits as the Board in its discretion determines.

Disclosure Committee

Consisting of the Chairman, the Executive Directors and the Company Secretary

Meets when necessary.

Oversees the Company's compliance with its disclosure obligations.

Group Health and Safety Committee

Chaired by Nick Henry

Meets on a quarterly basis.

Discusses all health and safety issues including incidents, mitigating actions and training requirements and reports recordable safety incidents to the Board.

Group Sustainability Committee

Chaired by Malcolm Paul

Meets on a regular basis.

Identifies, monitors and coordinates the Group's sustainability commitments, working with sustainability "champions" from each trading business.

Group Risk Committee

Chaired by Nick Henry

Meets on a quarterly basis.

Identifies and monitors operational risks throughout the Group, supports the internal control and risk management strategy and policy.

Operating Divisions

Day-to-day business delivery.

Executive Directors meet on at least a quarterly basis with managing directors of principal businesses.

Corporate Functions

Day-to-day business delivery.

Executive Directors and heads of corporate functions meet at the Risk Committee on a quarterly basis.

Induction and training

In 2018 there were a number of new appointments and changes in role. Following his appointment to the Board, Justin Atkinson was given a detailed induction to the Group's business which included briefings on the Group's strategy and business model and the Board's activities over the last year. Induction materials included recent Board and Committee papers and minutes of meetings, the articles of association, matters reserved for the Board and Committee terms of reference. Justin visited sites of some of the Group's larger businesses as part of his induction, including JFD, JF Nuclear, Fendercare and JF Marine Services (JFMS), and held meetings with senior management from key areas of the business. This gave him insight into their businesses and challenges. The Group General Counsel and Company Secretary briefed Justin on core Group policies and on Board and Committee procedures. To prepare for his role as Chair of the Audit Committee Justin also met with the external and internal auditors and the Group Finance Director. As an existing

employee, Fergus Graham already had a strong insight into the business but was briefed on Board and Committee procedures. In my new capacity as Chairman, I have written to some of our larger shareholders. On-going training and development for Directors is available as appropriate and is reviewed and agreed with the Chairman annually. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

The Non-Executive Directors regularly visit major business centres of the Group in order to enhance their knowledge including in relation to the services and products offered, which in turn acts to strengthen their contribution to Board debate. In 2018, visits included JFMS and Fendercare at their UK headquarters, and the Non-Executive Directors also received presentations from management on key strategic plans, including relating to individual businesses and markets, as well as from the Group Human Resources Director.

Topic	Key activities and discussions in 2018	Risk management framework	Key priorities for 2019
Strategy	<ul style="list-style-type: none"> Reviewed and approved the corporate strategy. Reviewed and approved a number of acquisitions. Reviewed and approved major capital investments. Reviewed financial and non-financial key performance indicators (KPIs). Considered and approved the Group's dividend policy. 	<ul style="list-style-type: none"> Financial risk Project delivery 	<ul style="list-style-type: none"> Approve the corporate strategy and keep under review. Consider acquisitions as identified and determine appropriate course of action. Consider further capital investments. Keep financial and non-financial KPIs under review. Keep the Group's dividend policy under review.
Risk and risk management	<ul style="list-style-type: none"> Carried out a robust assessment of principal key risks, monitored and reviewed the internal controls process, and assessed the Group risk profile (see the Principal Risks section starting on page 22 for more detail). Reviewed the potential impact of the EU referendum to the business. Monitored compliance with key Group policies. 	<ul style="list-style-type: none"> Project delivery Operating in emerging markets Contractual risk 	<ul style="list-style-type: none"> Review key risks and ensure that the Group continues to develop and embed best practice for risk management. Continue to monitor compliance with the key Group policies.

Topic	Key activities and discussions in 2018	Risk management framework	Key priorities for 2019
Governance	<ul style="list-style-type: none"> Continued to focus on the composition, balance and effectiveness of the Board, in particular with the appointment of Malcolm Paul as Chairman, David Moorhouse as Senior Independent Director, Justin Atkinson and Fergus Graham. Reviewed the key operational roles and identified gaps in experience needed to deliver the strategy. Reinforced compliance with Code of Ethics, a document which sets out the Group's culture and values, all in accordance with the principles of good corporate governance. Drafted and consulted on the remuneration policy which was presented to shareholders for approval at the AGM in 2018. Engaged with our individual shareholders at the AGM. Engaged with institutional shareholders, investors and other stakeholders throughout the year. Separate Non-Executive Director sessions held with the Chairman to discuss leadership and other Board matters. Reviewed and approved the 2017 Annual Report and Accounts. The Board agreed that, taken as a whole, the 2017 Annual Report was fair, balanced and understandable. Considered the impact of the UK Corporate Governance Code 2018 and, in particular, reviewed workforce engagement methods. 	<ul style="list-style-type: none"> Recruitment and retention of key staff 	<ul style="list-style-type: none"> Ensure that the Company continues to develop and embed best practice in responsible business behaviour. Maintain and enhance the Group's culture and values and key policies and procedures. Continue to strengthen internal controls and reporting. Further understanding and planning actions in response to new regulations over the period. Review the initial recommendations from the designated Non-Executive Director for employees.
Organisational capacity	<ul style="list-style-type: none"> Monitored health and safety performance across the Group and reviewed the lessons learned to keep our employees and others affected by our operations safe. Regular Board updates received on actions improving health and safety. Reviewed the governance framework and continued training and awareness drives for key policies. Supported by the Nominations Committee, monitored senior executive talent management and development plans with succession planning for all key positions in mind. 	<ul style="list-style-type: none"> Health safety and environment Contractual risk Recruitment and retention of key staff 	<ul style="list-style-type: none"> Recruit a new Chief Executive. Continue to monitor senior executive talent management and development plans to provide succession for all key positions. Continue to enhance the diversity across the Group. Continue to hold meetings with people in the senior talent pipeline to further improve information flow.
Board development	<ul style="list-style-type: none"> Continued to focus on the composition, balance and effectiveness of the Board. Reviewed Board composition and discussed and acted on the recommendations of the Nominations Committee. Undertook an external evaluation of the Board, its Committees and individual Directors. Following the evaluation an action plan was developed. 	<ul style="list-style-type: none"> Recruitment and retention of key staff 	<ul style="list-style-type: none"> Enhance the Board's strategic understanding of key markets as the Group continues to grow. Use Board visits to promote understanding of markets and the business development opportunities they offer. Annual evaluation of Board performance — to be led internally.

Board and Committee meetings attendance

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Total number of meetings during 2018	6	3	2	4
Executive Directors				
Nick Henry	6	N/A	N/A	N/A
Stuart Kilpatrick	6	N/A	N/A	N/A
Fergus Graham	6	N/A	N/A	N/A
Non-Executive Directors				
Malcolm Paul	6	3	N/A	4
Aedamar Comiskey	6	3	2	4
David Moorhouse	6	3	2	4
Michael Salter ¹	4	2	1	2
Justin Atkinson ²	5	3	1	3
Former directors:				
Charles Rice ³	3	1	-	2

1. Michael Salter was unable to attend the meetings in January and February 2018 due to travel restrictions following an operation.
2. Justin Atkinson was appointed on 1 February 2018.
3. Charles Rice ceased to be a Director on 3 May 2018.

To enable the Board to discharge its duties, the Chairman ensures that all Directors receive accurate, timely and clear information on all relevant matters in advance of the Board meetings, including comprehensive financial and business reports covering the Group's principal activities. All Directors received papers for all meetings and had the opportunity to comment in advance of meetings they were unable to attend.

Internal Board evaluation

At the end of each year, the Board undertakes an annual evaluation of its own performance and that of the Remuneration, Nominations and Audit Committees and of each individual Director against the framework of Board effectiveness produced by the FRC.

The 2018 performance evaluations were designed to assist the Board in identifying strengths and weaknesses and areas for further improving performance and required each Director to complete in confidence a detailed questionnaire relating to key aspects of Board performance, and performance of the Board's principal Committees. The review included an analysis of the Board's and Committees' performance in key areas including corporate governance, structure and procedures, strategy, and effectiveness, risk management and control and communications with shareholders and other stakeholders. The results of the evaluation were collated by the Group General Counsel and Company Secretary and reported to the Board via the Chairman with recommendations for further consideration and action as appropriate.

The 2018 review concluded that the Board functions well as a unit and provides a good balance of support and challenge to management.

The annual review of individual Directors' performance was

conducted internally. The Chairman's performance was reviewed by the other Non-Executive Directors led by the Senior Independent Non-Executive Director and taking into account the views of the Executive Directors. The performance of the Executive Directors was reviewed by the Non-Executive Directors with the Chairman in attendance. The Chairman and the Executive Directors reviewed the performance of each of the other Non-Executive Directors. The Board considers that each Director continues to contribute effectively and to demonstrate commitment to the role.

External Board evaluation

In 2018, the Board determined that, in addition to the internal evaluation, it would also undertake an externally facilitated evaluation, it being three years since the last externally facilitated evaluation. The Nominations Committee sought proposals from a number of firms and elected to engage Independent Audit Limited (IA) (a specialist consultancy which has no other business or connection to the Group or individual Directors) to conduct the evaluation. Having been provided with a comprehensive briefing by the Chairman and Group General Counsel and Company Secretary, IA conducted an evaluation process from September 2018 to January 2019, involving:

- access to all Board and Committee papers and minutes presented in 2018, to enhance IA's understanding of how the Board and its Committees operate.
- attendance and observation at the Board and Audit Committee meetings in October 2018.
- individual interviews with each Director and the Group General Counsel and Company Secretary, for which an interview script was developed to ensure consistency, with bespoke questions to allow for additional information reflecting function, role, tenure and experience.

IA found that the Board and Committees operated well as a cohesive and committed team, and with dedication demonstrated by all Directors. Their report identified certain challenges facing the Board looking ahead, including managing a period of transition in the composition of the Board, focusing on the long-term strategy and ensuring an effective pipeline for executive succession. An action plan has been put in place to address these challenges.

Diversity and inclusivity

As a Board, we are highly supportive of the initiatives we have in place to promote diversity and inclusivity beyond our board room and throughout our business. We will achieve this aspiration by recruiting, retaining and developing diverse and talented people and creating an inclusive environment where everyone can be the best they can be. Our gender diversity information can be found on page 34.

We recognise that diverse teams perform better and acknowledge that having a diverse Board is important. We believe that diversity on the Board goes beyond gender and includes a variation in skills, experience and background. The Committee believes we have a good balance of diversity amongst our Non-Executive Directors, with several having extensive experience of engineering, technology and other highly relevant skills derived from serving in a range of major executive and non-executive positions throughout their careers. We will continue to appoint on merit whilst working hard to broaden the diversity of our talent pool, taking on board the recommendations of the Hampton-Alexander review and the McGregor-Smith review to improve gender and ethnicity balance respectively in the leadership of FTSE companies. Where possible, we use search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms which includes recommendations on gender diversity on appointments to boards and best practice for search processes.

During 2018 the Board established a Board diversity policy which can be found on our website. This sets out the Board's commitment to diversity in its own composition and the wider workforce, and sets targets for Board composition looking ahead.

Following the appointment of Dr Inken Braunschmidt (and the retirement of David Moorhouse) female representation on the Board will equate to 25% of the Board. The percentage of women amongst our senior management is 15%. In the light of this, the Committee discussed approaches to address this in both the shorter and longer-term.

Support

Should Directors judge it necessary to seek independent legal advice about the performance of their duties with the Company, they are entitled to do so at the Company's expense. Directors also have access to the advice and services of the Group General Counsel and Company Secretary.

The Group General Counsel and Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters and for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. The Group General Counsel and Company Secretary also advises the Directors on any important changes in legislation, regulation

and best practice. The appointment and removal of the Group General Counsel and Company Secretary is a matter requiring Board approval.

Financial and business reporting

The Board considers that the Annual Report and Accounts taken as a whole present a fair, balanced and understandable assessment of the Group and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. More information about how this assessment was made is set out in the Audit Committee report on page 46.

The going concern assessment set out in the Directors' report on page 67; the viability statement is set out in the principal risks section of the Strategic report on pages 8 and 9; and the Strategic report on pages 1 to 35 sets out an explanation of the Company's business model and the strategy for delivering the Company's objectives.

Risk management and internal controls

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and for ensuring that the Company maintains sound risk management and internal control procedures. More information in relation to those principal risks, the Group's approach to mitigating them, and the risk management and internal control procedures within the Group are set out in the Strategic report on pages 22 to 25.

On behalf of the Board, the Audit Committee monitors the Group's risk management and internal control process and reviews its effectiveness on an on-going basis. This is part of an established process, in accordance with the Code and the Financial Reporting Council's (FRC) associated Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, for the identification, evaluation and management of the significant risks facing the Group, which operates and is reviewed continually throughout the year. The Group's internal control systems are designed to provide the Board with reasonable assurance as to the effective and efficient operation of the Group and to ensure the quality of internal and external reporting and compliance with all applicable laws and regulations. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable and not absolute assurance.

As part of its internal control procedures, the Group maintains policies and processes for whistleblowing, anti-bribery and corruption and to uphold its zero-tolerance approach to any form of modern slavery. More information in relation to those policies are included in the principal risks and uncertainties section of the Strategic report on pages 22 to 25.

The Board has carried out a robust assessment of the overall effectiveness of the Group's system of internal controls and risk management procedures, and of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This included a process of self-certification by the management teams of each

trading business in which they were asked to confirm that their businesses have complied with Group policies and procedures. In addition, it involved reviewing the results of the work of the Group's internal audit function and the risk and management processes identified above.

Relations with shareholders and other stakeholders

The Company recognises the value of regular contact and communications with all of its stakeholders, including its shareholders, customers, suppliers, employees and the communities who have been identified as being affected by the Group's activities. Details in relation to the Company's stakeholder engagement, including specific engagement with its shareholders, is set out in more detail in the section on stakeholder engagement on page 27.