



## **CLEARWATER SEAFOODS INCORPORATED**

*Notice of Annual Meeting of Shareholders  
and  
Management Information Circular*

*Wednesday, May 30, 2018  
Halifax, Nova Scotia*

*April 20, 2018*



## INVITATION TO SHAREHOLDERS

April 20, 2018

Dear Shareholders,

We are pleased to invite you to join our 2018 Annual Meeting of Shareholders to be held:

**Wednesday, May 30, 2018  
10:00 am (Atlantic time)  
Purdy's Wharf Tower II  
1969 Upper Water Street, Suite 1300  
Halifax, Nova Scotia**

The items of business to be considered and voted upon at this meeting are set out in the attached Notice of Annual Meeting and Management Information Circular. In addition, this meeting provides you with the opportunity to meet and to ask questions of the people who are responsible for the performance of Clearwater.

Clearwater is committed to keeping all its Shareholders informed about your investment in Clearwater.

If you are unable to attend, you should complete, sign and return your proxy or voting instruction form to vote your shares. If you have any questions about Clearwater and its business operations, please contact our Investor Relations team at Clearwater Seafoods Incorporated, 757 Bedford Highway, Bedford, Nova Scotia B4A 3Z7, by phone at 1-888-722-5567 or by e-mail at [investorinquiries@clearwater.ca](mailto:investorinquiries@clearwater.ca).

Thank you for your continued support. We look forward to seeing you on May 30<sup>th</sup>, 2018.

Sincerely,

A handwritten signature in black ink, appearing to read "Colin MacDonald".

Colin MacDonald  
Chairman

A handwritten signature in black ink, appearing to read "Ian Smith".

Ian Smith  
Chief Executive Officer

**CLEARWATER SEAFOODS INCORPORATED**  
**757 Bedford Highway**  
**Bedford, Nova Scotia B4A 3Z7**

**NOTICE OF ANNUAL MEETING**

NOTICE IS HEREBY GIVEN THAT:

The annual meeting ("**Meeting**") of the shareholders of Clearwater Seafoods Incorporated ("**Clearwater**" or the "**Corporation**") will be held at Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1300, Halifax, Nova Scotia, on Wednesday, May 30, 2018 at 10:00 a.m. (Atlantic time) to:

- a) *receive the financial statements of the Corporation for the year ended December 31, 2017, together with the report of the auditor thereon;*
- b) *elect directors of the Corporation for the forthcoming year;*
- c) *appoint the auditor of the Corporation for the forthcoming year and to authorize the directors to fix the auditor's remuneration; and*
- d) *transact such further and other business as may properly come before the Meeting or any adjournment thereof.*

Details of the matters proposed to be put before the Meeting are set forth in the management information circular ("**Circular**") accompanying and forming part of this notice of meeting ("**Notice of Meeting**").

Only shareholders of record as of the close of business on April 17, 2018 are entitled to receive notice of the Meeting and to vote at the Meeting.

To assure your representation at the Meeting as a **Registered Shareholder**, please complete, sign, date and return the enclosed proxy, whether or not you plan to personally attend. Sending your proxy will not prevent you from voting in person at the Meeting. All proxies completed by Registered Shareholders must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than **Monday, May 28, 2018 at 10:00 a.m. (Atlantic time)**. A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- a) *by **mail** in the enclosed envelope;*
- b) *by the **internet** or **telephone** as described on the enclosed proxy; or*
- c) *by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.*

**Non-Registered Shareholders** whose shares are registered in the name of an intermediary should carefully follow voting instructions provided by the intermediary. A more detailed description on returning proxies by Non-Registered Shareholders can be found on page 4 of the attached Circular.

If you receive more than one proxy or voting instruction form, as the case may be, for the Meeting, it is because your shares are registered in more than one name. To ensure that all of your shares are voted, you must sign and return all proxies and voting instruction forms that you receive.

DATED at Bedford, in the Halifax Regional Municipality, Nova Scotia, this 20<sup>th</sup> day of April, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

*(signed) Colin MacDonald*

Chairman

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## CLEARWATER SEAFOODS INCORPORATED MANAGEMENT INFORMATION CIRCULAR

(As at April 20, 2018, except as indicated)

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### Part 1 – About the Meeting

#### Information Regarding the Meeting

This management information circular ("**Circular**") is furnished in connection with the solicitation of proxies by or on behalf of the management of Clearwater Seafoods Incorporated ("**Clearwater**" or the "**Corporation**") for use at the annual meeting of shareholders of the Corporation ("**Shareholders**") to be held at Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1300, Halifax, Nova Scotia, on Wednesday, May 30, 2018 at 10:00 a.m., or at any adjournment thereof ("**Meeting**"), for the purposes set forth in the accompanying notice of meeting ("**Notice of Meeting**").

Clearwater is the successor to Clearwater Seafoods Income Fund (the "**Fund**") resulting from a reorganization of the Fund pursuant to a plan of arrangement that was effective on October 2, 2011. Clearwater's business is operated through its wholly-owned subsidiaries, Clearwater Seafoods Limited Partnership ("**CSLP**") and CS ManPar Inc. ("**CS ManPar**"), the managing general partner of CSLP. References to "Clearwater" include its wholly-owned subsidiaries.

#### Notice-and-Access

Clearwater is using notice-and-access delivery procedures under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") and National Instrument 51-102 – *Continuous Disclosure Obligations* to deliver this Circular to Registered Shareholders and Non-Registered Shareholders. This means that Clearwater will post the Circular online for Shareholders to access electronically. Shareholders will receive a package in the mail with a notice explaining how to access and review the Circular electronically and how to request a paper copy at no charge, as well as a voting instruction form ("**VIF**") or a form of proxy, as applicable (collectively with the Notice of Meeting and the Circular, the "**Meeting Materials**"). Notice-and-access gives Shareholders more choice, reduces printing and mailing costs, and is environmentally friendly as it reduces paper and energy consumption.

The Circular will be available at [www.envisionreports.com/clearwater2018](http://www.envisionreports.com/clearwater2018) and on SEDAR. A Shareholder may request a paper copy of this Circular, at no cost, up to one year from the date the Circular was filed on SEDAR. Requests for paper copies should be made as soon as possible, but must be received no later than May 18, 2018, in order to receive a paper copy before the Meeting.

#### Solicitation of Proxies

Solicitation of proxies will be primarily by mail, but may also be by telephone or other means of communication by the directors, officers, employees or agents of the Corporation at nominal cost. All costs of solicitation will be paid by the Corporation. The Corporation will also pay the fees and costs of intermediaries for their services in transmitting proxy-related material in accordance with NI 54-101.

## Appointment and Revocation of Proxies

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### General

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Shareholders may be "**Registered Shareholders**" or "**Non-Registered Shareholders**". If common shares of the Corporation ("**Common Shares**") are registered in the name of an intermediary and not registered in the Shareholder's name, they are said to be owned by a "**Non-Registered Shareholder**". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for voting Common Shares at the Meeting to be followed by Registered Shareholders and Non-Registered Shareholders.

The persons named in the enclosed instrument appointing proxy are officers or directors of the Corporation. **Each Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him at the Meeting other than the persons designated in the enclosed form of proxy.** Shareholders who have given a proxy also have the right to revoke it insofar as it has not been exercised. The right to appoint an alternate proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "*Registered Shareholders*" or "*Non-Registered Shareholders*", as applicable.

If any Shareholder receives more than one proxy or voting instruction form, it is because that Shareholder's shares are registered in more than one form. In such cases, Shareholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

### Registered Shareholders

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Registered Shareholders have two methods by which they can vote their Common Shares at the Meeting; namely in person or by proxy. To assure representation at the Meeting, Registered Shareholders are encouraged to return the proxy included with this Circular. Sending in a proxy will not prevent a Registered Shareholder from voting in person at the Meeting. The vote will be taken and counted at the Meeting. Registered Shareholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Proxies must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than **Monday, May 28, 2018 at 10:00 a.m. (Atlantic time)**. A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- (a) by **mail** in the enclosed envelope; or
- (b) by the **internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

To exercise the right to appoint a person or company to attend and act for a Registered Shareholder at the Meeting, such shareholder must strike out the names of the persons designated on the enclosed instrument appointing a proxy and insert the name of the alternate appointee in the blank space provided for that purpose.

To exercise the right to revoke a proxy, in addition to any other manner permitted by law, a shareholder who has given a proxy may revoke it by instrument in writing, executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited: (i) at the registered office of the Corporation, 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7, Attention: Chairman of the Board of Directors, at any time up to and including the last business day preceding the Meeting at which the proxy is to be used, or at any adjournment thereof, or (ii) with the

chairman of the Meeting on the date of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy is revoked.

## **Non-Registered Shareholders**

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Non-Registered Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Corporation are referred to as "**NOBOs**". Non-Registered Shareholders who have objected to their intermediary disclosing the ownership information about themselves to the Corporation are referred to as "**OBOs**".

In accordance with the requirements of NI 54-101, the Corporation is sending the Meeting Materials using notice-and-access directly to the NOBOs and, indirectly, through intermediaries to the OBOs. The Corporation will also pay the fees and costs of intermediaries for their services in delivering Meeting Materials to OBOs in accordance with NI 54-101.

### ***Meeting Materials Received by OBOs from Intermediaries***

The Corporation has distributed the Meeting Materials using notice-and-access to intermediaries for distribution to OBOs. Intermediaries are required to deliver these materials to all OBOs of the Corporation who have not waived their right to receive these materials, and to seek instructions as to how to vote Common Shares. Often, intermediaries will use a service company (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to OBOs.

OBOs who receive Meeting Materials will typically be given the ability to provide voting instructions in one of two ways:

- (a) Usually, an OBO will be given a VIF which must be completed and signed by the OBO in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary must be followed.
- (b) Occasionally, however, an OBO may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the OBO but is otherwise not completed. This form of proxy does not need to be signed by the OBO but must be completed by the OBO and returned to Computershare in the manner described above for Registered Shareholders.

The purpose of these procedures is to allow OBOs to direct the proxy voting of the Common Shares that they own but that are not registered in their name. Should an OBO who receives either a form of proxy or a VIF wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the OBO should strike out the persons named in the form of proxy as the proxy holder and insert the OBOs (or such other person's) name in the blank space provided or, in the case of a VIF, follow the corresponding instructions provided by the intermediary. **In either case, OBOs who received Meeting Materials from their intermediary should carefully follow the instructions provided by the intermediary.**

To exercise the right to revoke a proxy, an OBO who has completed a proxy (or a VIF, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the OBO with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Common Shares represented by such "non-votes" will, however, be counted in determining whether there is a quorum.

### ***Meeting Materials Received by NOBOs from the Corporation***

As permitted under NI 54-101, the Corporation has used a NOBO list to send the Meeting Materials using notice-and-access directly to the NOBOs whose names appear on that list. If you are a NOBO and the Corporation's transfer agent, Computershare, has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained from the intermediary holding such shares on your behalf in accordance with applicable securities regulatory requirements.

As a result, any NOBO of the Corporation can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided. In addition, telephone voting and internet voting are available, as further described in the VIF. Instructions in respect of the procedure for telephone and internet voting can be found in the VIF. Computershare will tabulate the results of the VIFs received from the Corporation's NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs received by Computershare.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The intermediary holding Common Shares on your behalf has appointed you as the proxyholder of such shares, and therefore you can provide your voting instructions by completing the proxy included with this Circular in the same way as a Registered Shareholder. Please refer to the information under the heading "Registered Shareholders" for a description of the procedure to return a proxy, your right to appoint another person or company to attend the meeting, and your right to revoke the proxy.

Although a Non-Registered Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, a Non-Registered Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

### **Exercise of Proxies**

Where a choice is specified, the Common Shares represented by proxy will be voted for, withheld from voting or voted against, as directed, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed instrument appointing proxy to vote in accordance with the recommendations of management of the Corporation.

### **Voting Shares**

The authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 64,060,448 are issued and outstanding as of the date hereof.

The board of directors of the Corporation ("**Board of Directors**" or "**Board**") has fixed the record date for the Meeting as the close of business on April 17, 2018 ("**Record Date**"). Only Shareholders as of the close



of business on the Record Date will be entitled to vote at the Meeting. Shareholders entitled to vote shall have one vote each on a show of hands and one vote per Common Share on a poll.

Two or more persons present in person representing at least 25% of the Common Shares entitled to be voted at the Meeting will constitute a quorum at the Meeting.

## Principal Shareholders

As of the date hereof, to the knowledge of the directors and officers of the Corporation, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, Common Shares carrying 10% or more of the voting rights attaching to all outstanding Common Shares of the Corporation, except as follows:

Name	Number of Common Shares Owned, Controlled or Directed <sup>(3)</sup>	Percentage of Common Shares
CFFI Seafood Holdings Limited <sup>(1)</sup>	32,753,362	51.13%
3293521 Nova Scotia Limited <sup>(2)</sup>	5,591,575	8.73%
<b>Total</b>	<b>38,344,937</b>	<b>59.86%</b>

Notes:

- (1) CFFI Seafood Holdings Limited ("CFFI Seafood") is controlled by John Risley, Colin MacDonald and Mickey MacDonald. Includes shares held indirectly through CFFI Seafood's subsidiaries. Including direct and indirect holdings, Messrs. Colin and Mickey MacDonald and Risley a group beneficially own and control an aggregate of 39,211,761 Common Shares representing 61.21% of the issued and outstanding Common Shares.
- (2) 3293521 Nova Scotia Limited is controlled by Mickey MacDonald.
- (3) Based on public filings with securities regulatory authorities in Canada and information provided by Messrs. Colin and Mickey MacDonald and Risley.

## Part 2 – Business of the Meeting

### Receive Financial Statements

The financial statements of the Corporation, the auditor's report thereon and management's discussion and analysis for the financial year ended December 31, 2017 will be presented to the Shareholders at the Meeting.

### Election of Directors

The Articles of Incorporation of the Corporation provide that the size of the Board of Directors must consist of not less than three (3) directors and not more than ten (10) directors to be elected annually. The Corporation's by-laws provide that the Board of Directors determines the size of the Board, which is currently fixed at nine (9) directors.

### Majority Voting Policy

The Board of Directors believes that each of its members should carry the confidence and support of its Shareholders and is committed to upholding high standards in corporate governance. The Board of Directors adopted a majority voting policy for the election of directors for non-contested meetings on March 11, 2013 (the "Policy").

Forms of proxy for the vote at a shareholders' meeting where directors are to be elected will enable the shareholder to vote in favour of, or to withhold from voting for, the election of each nominee on an individual basis. At the meeting, the chair of the meeting will call for a vote by a ballot and the scrutineer will record, with respect to each nominee the number of Common Shares voted in his or her favour and the number of Common Shares withheld from voting. Prior to receiving the scrutineer's report on the ballot, the chair of

the meeting may announce the vote result based on the number of proxies received by the Corporation. At the conclusion of the meeting, the Corporation shall issue a news release providing detailed disclosure of the voting results for the election of directors.

In an uncontested election of directors of the Corporation, each director should be elected by the vote of a majority of the Common Shares represented in person or by proxy at any shareholder's meeting for the election of directors. Accordingly, if any nominee for director receives a greater number of votes "withheld" from his or her election than votes "for" such election, that director shall promptly tender his or her resignation to the chair of the Board of Directors following the meeting. In the Policy, an "uncontested election" means an election where the number of nominees for director equals the number of directors to be elected.

The Corporation's Corporate Governance Committee (the "**CG Committee**") shall consider the offer of resignation and recommend to the Board whether or not to accept it. Any director who tenders his or her resignation may not participate in the deliberations of either the CG Committee or the Board. In its deliberations, the CG Committee will consider any stated reasons why shareholders "withheld" votes from the election of that director, the length of service and the qualifications of the director, the director's contributions to the Corporation, the effect such resignation may have on the Corporation's ability to comply with any applicable governance rules and policies and the dynamics of the Board, and any other factors that the CG Committee considers relevant.

The Board shall act on the CG Committee's recommendation within 90 days following the applicable meeting and announce its decision via news release, after considering the factors considered by the CG Committee and any other factors that the Board considers relevant. The Board expects to accept the resignation except in situations where extenuating circumstances would warrant the director to continue to serve on the Board. However, if the Board declines to accept the resignation, it should include in the news release the reasons for its decision.

If a resignation is accepted, the Board may, subject to any corporate law restrictions and the Corporation's constating documents, (i) leave any resulting vacancy unfilled until the next annual general meeting, (ii) appoint a new director to fill the vacancy created by the resignation who the Board considers will have the confidence of shareholders or (iii) call a special meeting of shareholders at which there will be presented a management slate to fill the vacant position or positions.

If a director does not tender his or her resignation in accordance with the Policy, the Board shall not re-nominate that director at the next election.

## **About the Board Nominees**

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The following pages include profiles of the director nominees, each of whom, other than Vicki McKibbin, is currently a director of the Corporation and all are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year. They have all confirmed their willingness to serve as directors, if elected. The term of office of each director elected will be until the next annual meeting of the Shareholders or until the position is otherwise vacated. Mr. Harold Giles, a current director of Clearwater, will be retiring as a director of the Corporation at the close of the Meeting and has therefore not been nominated for re-election.

**Unless the proxy specifically instructs the proxyholder to withhold such vote, Common Shares represented by the proxies hereby solicited shall be voted for the election of the nominees whose names are set forth below.** Management does not contemplate that any of these proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common

Shares represented by the properly executed proxies given in favour of nominees of management named in the enclosed form of proxy may be voted for another nominee at such proxyholder's discretion.

<b>Colin MacDonald</b> <b>Chairman</b> Age: 70 Nova Scotia, Canada Director since October 2, 2011 <b>Not independent</b> (controls (with other parties) a significant shareholder, CFFI Seafood)	<p>Colin MacDonald co-founded Clearwater with John Risley in 1976 and has served in various capacities within Clearwater from that time, including serving as a director of CS ManPar Inc., the managing general partner of CSLP, since July 2002. He is currently Chairman of the Corporation as well as Executive Vice President of Thornvale Holdings Limited, a company he shares equally with Mr. Risley. Prior to this current role, Mr. MacDonald was the CEO of CSLP until May 2010 and he is the former Chairman of Clearwater Seafoods Income Fund from January 2009 - October 2011.</p> <p>Mr. MacDonald has acted as Chair of several community related associations including the IWK Foundation, UNICEF Dinner, The Children's Wish Foundation, Red Cross and others. In addition he has received a number of awards such as the Courage to Give Back Award, Top 50 CEO and Honorary Degrees for his charitable efforts, most notably honorary doctorates from Dalhousie University, St Mary's University, Cape Breton University and University of Prince Edward Island. Mr. MacDonald holds a BSc degree from Dalhousie University and is a graduate of the Harvard University President's Program on Leadership.</p>																		
<table> <tr> <th colspan="2">Board and Committee Meeting Attendance<sup>1</sup></th></tr> <tr> <td>Board</td><td>9 of 9</td></tr> <tr> <td>Other</td><td>3</td></tr> </table>	Board and Committee Meeting Attendance <sup>1</sup>		Board	9 of 9	Other	3	<table> <tr> <th colspan="2">Compensation (\$)<sup>1</sup></th></tr> <tr> <td>Director Fees - cash</td><td>190,000</td></tr> <tr> <td>Director Fees - DSU</td><td>-</td></tr> <tr> <td>Share-based awards</td><td>42,850</td></tr> <tr> <td>Other</td><td>20,540</td></tr> </table>	Compensation (\$) <sup>1</sup>		Director Fees - cash	190,000	Director Fees - DSU	-	Share-based awards	42,850	Other	20,540		
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<b>John Risley</b> Age: 69 Nova Scotia, Canada Director since October 2, 2011 <b>Committees:</b> Finance <b>Not independent</b> (controls (with other parties) a significant shareholder, CFFI Seafood)	<p>John Risley is the co-founder of Clearwater and Thornvale Holdings Limited, serving as Chairman and President of Thornvale. Thornvale is an active investment/holding company with its major investments in seafood harvesting and processing, telecommunications and renewable energy. He is also a director of CS ManPar Inc., the managing general partner of CSLP, since July 2002.</p> <p>Mr. Risley was named an Officer of the Order of Canada and was inducted into the Nova Scotia Junior Achievement Business Hall of Fame in 1997. He has received numerous awards, including Atlantic Canadian Entrepreneur of the Year and a Canada Award for Business Excellence in Entrepreneurship. He is also a graduate of Harvard University's President's Program on Leadership.</p>																		
<table> <tr> <th colspan="2">Board and Committee Meeting Attendance<sup>1</sup></th></tr> <tr> <td>Board</td><td>8 of 9</td></tr> <tr> <td>Finance</td><td>4 of 5</td></tr> <tr> <td>Other</td><td>2</td></tr> </table>	Board and Committee Meeting Attendance <sup>1</sup>		Board	8 of 9	Finance	4 of 5	Other	2	<table> <tr> <th colspan="2">Compensation (\$)<sup>1</sup></th></tr> <tr> <td>Director Fees - cash</td><td>-</td></tr> <tr> <td>Director Fees - DSU</td><td>80,500</td></tr> <tr> <td>Share-based awards</td><td>15,002</td></tr> <tr> <td>Other</td><td>8,355</td></tr> </table>	Compensation (\$) <sup>1</sup>		Director Fees - cash	-	Director Fees - DSU	80,500	Share-based awards	15,002	Other	8,355
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Securities owned, controlled or directed																			
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DSU	42,944																		
<b>Jane Craighead</b> Age: 58 Ontario, Canada Director since May 12, 2015 <b>Committees:</b> Finance and HRDCC <sup>2</sup> (Chair) <b>Independent</b>	<p>Jane Craighead is a Senior Vice President in Global Human Resources at Scotiabank. Her corporate experience also includes similar roles at Alcan and Rio Tinto, a large UK based mining conglomerate. Ms. Craighead is a Chartered Accountant (CA) and Chartered Professional Accountant (CPA) and worked for many years in practice and in consulting. She holds a PhD in Management from McGill University. She is currently a director of CS ManPar Inc., the managing general partner of CSLP, a position she has held since May 2015.</p> <p>She recently completed her term on the Board of Regents at Mount Allison University where she remains a member of the Investment Committee. Ms. Craighead has many years of experience on the HR side of mergers and acquisitions as well as post transaction integration. Ms. Craighead is currently based in Toronto at Scotiabank's corporate offices and has worked internationally. Ms. Craighead has published research on executive compensation and corporate governance. She has also been awarded one of Canada's Top 100 Most Powerful Women by the Women's Executive Network.</p>																		

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<b>Larry Hood</b> Age: 70 Nova Scotia, Canada Director since October 17, 2011 <b>Committees:</b> Audit (Chair) and Corporate Governance <b>Independent</b>	Larry Hood, Chair of the Audit Committee, is a retired assurance partner, having spent his entire 35 year career, with the accounting firm KPMG. Mr. Hood holds a Bachelor of Commerce from Saint Mary's University and is a Chartered Accountant and Chartered Professional Account. During his career Mr. Hood has served many clients, gaining extensive experience in the fishing industry. He has been involved with many community projects and in 2014 he retired from the Board of Governors of Saint Mary's University having served for 17 years on the board as well as chairing and participating on various committees. He is currently a director of CS ManPar Inc., the managing general partner of CSLP, a position he has held since October 17, 2011.																								
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<b>Vicki McKibbin</b> Age: 54 New Brunswick, Canada Director since: New Nominee <b>Independent</b>	Vicki McKibbin is the President of Transportation at Armour Transportation Systems, a diversified transportation services provider connecting Atlantic Canada with the world. Ms. McKibbin holds a Bachelor of Science, First Class Honors in Chemistry from Mount Allison University. She is a Chartered Accountant (CA) and Chartered Professional Accountant (CPA) and holds a Master of Business Administration (MBA) degree from Queen's University.																								
	Ms. McKibbin is a Regent on the Board of Regents at Mount Allison University, where she currently serves as Chair of the Audit Committee. She is a director on the Board of the Canadian Trucking Alliance. She is also a director on the Atlantic Provinces Trucking Association Board, where she is currently Past Chair. Ms. McKibbin has many years of experience in the negotiation and execution of acquisitions as well as post transaction integration. She has helped lead many change management initiatives including several significant system implementations, most recently a corporate-wide transportation management software transition.																								
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	DPSU -																								
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<b>Brendan Paddick</b> Age: 54 Grand Bahamas Island, Bahamas Director since October 2, 2011 <b>Committees:</b> HRDCC <sup>2</sup> , Corporate Governance, Audit and Finance <b>Independent</b>	Brendan Paddick is the Chairman of Columbus Capital Corporation. He is the founder and former Chief Executive Officer of Columbus International Inc. Columbus provides advanced telecommunications services throughout 42 countries in the Caribbean and Latin America. He is currently a director of CS ManPar Inc., the managing general partner of CSLP, a position he has held since June 2006. He is also the Chair of Nalcor Energy and a director of NASDAQ-listed Liberty Latin America.																								
	Mr. Paddick holds Bachelor of Commerce and Master of Business Administration degrees from Memorial University of Newfoundland and graduated from the Advanced Management Program at Harvard University. Mr. Paddick has extensive capital market experience and was selected as one of Canada's Top 40 under 40 and was named Ernst & Young's Atlantic Canadian Business-to-																								

	Business Entrepreneur of the Year in 2011. He is a member of the Atlantic Canada Business Hall of Fame and the JA Newfoundland Business Hall of Fame.			
	<b>Board and Committee Meeting Attendance<sup>1</sup></b>		<b>Compensation (\$)<sup>1</sup></b>	
	Board	9 of 9	Director Fees - cash	-
	Audit	4 of 4	Director Fees - DSU	137,750
	HRDCC <sup>2</sup>	6 of 6	Share-based awards	19,280
	Finance	5 of 5	Other	12,339
	Corporate Governance	4 of 5		
	Other	4		
	Other Boards: Liberty Latin America, Bahamas Telecommunications Corp., Nalcor Energy and Churchill Falls (Labrador) Corporation Limited			
	<b>Securities owned, controlled or directed</b>			
	<b>Common shares (#)<sup>3</sup></b>		<b>Share-based compensation units (#)</b>	
	Directly and indirectly	450,581	DPSU	4,088
			DSU	66,168
<b>Mickey MacDonald</b> Age: 66 Nova Scotia, Canada Director since October 2, 2011 <b>Committees:</b> HRDCC <sup>2</sup> <b>Not independent</b> (controls (with other parties) a significant shareholder, CFFI Seafood)	Michael (Mickey) MacDonald is an entrepreneur who is currently President of Micco Companies, an investment and holding company, and Chairman of the Nova Scotia Boxing Authority. His business interests are diversified across many industries including automotive leasing, retail, food and beverage, fitness and residential land development. He is currently a director of CS ManPar Inc., the managing general partner of CSLP, a position he has held since June 2009.			
	Mr. MacDonald has an Honorary Doctorate of Commerce from Saint Mary's University and has received numerous business and personal awards including the 2008 Nova Scotia Humanitarian of the Year, 2007 Halifax Chamber of Commerce Business Person of the Year, 2006 inductee of the Business Hall of Fame by Atlantic Business Magazine as a five time winner of the Top 50 Atlantic Canadian CEOs, 2005 Nova Scotia Philanthropist of the Year, 2004 Newfoundland Philanthropist of the Year, and Ernst and Young Entrepreneur of the Year.			
	<b>Board and Committee Meeting Attendance<sup>1</sup></b>		<b>Compensation (\$)<sup>1</sup></b>	
	Board	7 of 9	Director Fees - cash	-
	HRDCC <sup>2</sup>	6 of 6	Director Fees - DSU	82,500
	Other	2	Share-based awards	15,002
			Other	1,621
	Other Boards: Newfoundland Capital Corporation Limited			
	<b>Securities owned, controlled or directed</b>			
	<b>Common shares (#)<sup>3</sup></b>		<b>Share-based compensation units (#)</b>	
	Directly and indirectly <sup>6,9</sup>	38,363,578	DPSU	3,317
			DSU	9,013
<b>Stan Spavold</b> Age: 59 Seattle, United States Director since October 2, 2011 <b>Committees:</b> Finance (Chair), Audit and Corporate Governance <b>Not independent</b> (Executive officer of a significant shareholder, CFFI Seafood, and related entities)	Stan Spavold, an FCPA, FCA in Canada and a CPA (California and Washington), joined Clearwater Fine Foods Incorporated (the predecessor company to CFFI Ventures Inc.) ("CFFI") as Executive Vice-President in November of 2002. Along with his role as senior advisor to Mr. Risley, he serves as a Board member and Executive Vice President of CFFI. He has various executive positions in the group including being Board member and Vice Chairman of Cognition Financial Corporation, which is his current employer. Mr. Spavold has a broad executive and financial oversight role at CFFI serving on the boards of the private companies over which CFFI has significant influence or control. Stan also serves on the board of publically traded Norvista Capital Corporation. He is active in a number of community not-for-profit organizations. He is currently a director of CS ManPar Inc., the managing general partner of CSLP, a position he has held since June 2009.			
	<b>Board and Committee Meeting Attendance<sup>1</sup></b>		<b>Compensation (\$)<sup>1</sup></b>	
	Board	9 of 9	Director Fees - cash	139,000
	Finance	5 of 5	Director Fees - DSU	-
	Audit	4 of 4	Share-based awards	21,425
	Corporate Governance	4 of 5	Other	1,373
	Other	4		
	Other Boards: Norvista Capital Limited Partnership			
	<b>Securities owned, controlled or directed</b>			
	<b>Common shares (#)<sup>3</sup></b>		<b>Share-based compensation units (#)</b>	
	Directly and indirectly <sup>7</sup>	76,728	DPSU	4,739
			DSU	-

<b>Jim Dickson</b> Age: 60 Nova Scotia, Canada Director since June 20, 2012 <b>Committees:</b> Audit and Corporate Governance (Chair) <b>Independent</b>	James M. Dickson, Q.C., P.Eng. is Counsel to the law firm Stewart McKelvey, with over 30 years of experience practicing primarily in the areas of mergers and acquisitions, corporate finance and securities. In addition to serving as a Director of Clearwater, Mr. Dickson is a director of CS ManPar Inc., the managing general partner of CSLP, a position he has held since June 20, 2012. Jim is Chair of the Board of Directors of Empire Company Limited and also serves as a Director of Sobeys Inc., and as a Trustee of Crombie REIT. He is past Chair of the Board of Regents of Mount Allison University and is also a past Chair of the IWK Health Centre Foundation. In addition to his legal practice, Jim is a professional engineer and a Registered Trade-mark Agent. Mr. Dickson is a member of the Canadian Bar Association, Nova Scotia Barristers' Society and Engineers Nova Scotia.		
<b>Board and Committee Meeting Attendance<sup>1</sup></b>		<b>Compensation (\$)<sup>1</sup></b>	
Board	9 of 9	Director Fees - cash	57,750
Audit <sup>10</sup>	3 of 4	Director Fees - DSU	57,750
Corporate Governance	5 of 5	Share-based awards	19,280
Finance <sup>10</sup>	1 of 5	Other	11,016
Other	4		
Other Boards: Empire Company Limited			
<b>Securities owned, controlled or directed</b>			
<b>Common shares (#)<sup>3</sup></b>		<b>Share-based compensation units (#)</b>	
Directly and indirectly	10,572	DPSU	4,455
		DSU	53,151

Notes:

- (1) Represents director attendance as committee members (excludes guest attendance). However, compensation includes all meetings that the director was in attendance, whether as a member or a guest. As a guest, Colin MacDonald attended 2 HRDCC meetings, 1 Corporate Governance Meeting and 5 Finance Committee meetings; Jane Craighead attended 2 Corporate Governance meetings and 1 Audit Committee meetings; Larry Hood attended 4 HRDCC meetings and 5 Finance Committee meetings; Stan Spavold attended 5 HRDCC meetings; and Jim Dickson attended 1 HRDCC meeting and 3 Finance Committee meetings.
- (2) Human Resource Development and Compensation Committee.
- (3) The information as to Common Shares beneficially owned or controlled, directly or indirectly, including by associates or affiliates, not being within the knowledge of the Corporation, has been furnished by the respective directors as of April 18, 2018.
- (4) Colin MacDonald beneficially owns 145,484 Common Shares directly and controls an additional 686,353 Common Shares through Colinco Holdings Limited, a company controlled by him, and 16,000 Common Shares beneficially owned by his children.
- (5) John Risley beneficially owns 346 Common Shares directly.
- (6) Mickey MacDonald beneficially owns 18,641 Common Shares directly and controls an additional 5,591,575 Common Shares held through 3293521 Nova Scotia Limited, a company controlled by him.
- (7) Includes 35,000 Common Shares held jointly with Mr. Spavold's spouse.
- (8) Includes 30,000 Common Shares held by Mr. Hood's spouse.
- (9) In addition to the above, Messrs. Colin and Mickey MacDonald and John Risley as group, together with persons with whom they may be acting jointly and in concert, indirectly control 32,753,362 Common Shares through their interests in CFFI Seafood.
- (10) In March 2017, Ms. Craighead left the Audit Committee and joined the Finance Committee, and Mr. Dickson left the Finance Committee and joined the Audit Committee. Their respective attendance records reported above reflect attendance as members of each committee.

## Board Independence

Four of the nine (44%) proposed directors of the Corporation are not considered by the Board to be independent, including Messrs. Colin and Mickey MacDonald, John Risley and Stan Spavold. Colin and Mickey MacDonald and John Risley collectively control CFFI Seafood, an indirect significant shareholder and Stan Spavold is an executive officer of CFFI Seafood and related entities.

Except as disclosed below, no proposed director, or the proposed director's associates or affiliates, beneficially owns, or controls or directs, directly or indirectly, securities carrying 10% or more of the voting rights attached to all Common Shares.

Messrs. Colin and Mickey MacDonald, John Risley and Stan Spavold are executive officers or directors of CFFI Seafood, a significant shareholder of the Corporation. Collectively, Messrs. Colin and Mickey MacDonald, John Risley and Stan Spavold own, control or direct, directly and through companies controlled by them, 39,288,489 Common Shares, representing approximately 61.33% of the outstanding Common Shares as of the date hereof. See "Part 4 – Corporate Governance – Board of Directors and Committees".

## Director Compensation

### Narrative Discussion

This section provides information pertaining to the compensation of the Corporation's directors. The Corporation's director compensation program is designed to attract and retain qualified individuals and align their interests with those of Shareholders. The CG Committee looks at general compensation surveys annually to compare the directors' compensation to generally accepted practices for comparable public entities.

The following standard fees were paid to directors, as applicable, over the past fiscal year:

- \$150,000 for the Chairman of the Board;
- \$45,000 for the fiscal year for directors other than the Chairman of the Board;
- \$15,000 for chairing a committee;
- \$7,500 for each member of each committee; and
- \$2,000 per meeting of the Board and committees attended as a member or as a guest.

The Corporation reimbursed the directors for out-of-pocket expenses for attending these meetings. During the year ended December 31, 2017, the Corporation paid the directors a total of \$51,114 (2016 - \$55,945) for such expenses.

### Director Compensation Table

The following table discloses all forms of compensation paid to the directors of the Corporation for the financial year ended December 31, 2017.

Name	Fees Earned <sup>(1)</sup> (\$)	Share-based awards <sup>(2)</sup> (\$)	Other Annual Compensation <sup>(3)</sup> (\$)	Total (\$)
Colin MacDonald	190,000	42,850	20,540	253,390
Harold Giles	85,750	17,135	11,616	114,501
Brendan Paddick	137,750	19,280	12,339	169,369
Mickey MacDonald	82,500	15,002	1,621	99,123
Stan Spavold	139,000	21,425	1,373	161,798
John Risley	80,500	15,002	8,355	103,857
Larry Hood	123,500	19,280	5,504	148,283
Jim Dickson	115,500	19,280	11,016	145,796
Jane Craighead	121,500	17,135	3,688	142,323

Notes:

- (1) Certain directors elected to receive all or a portion of their fees in the form of DSUs. The amount of compensation elected to be received in the form of DSUs was \$85,750 for Harold Giles, \$137,750 for Brendan Paddick, \$82,500 for Mickey MacDonald, \$80,500 for John Risley, \$67,500 for Larry Hood, \$57,750 for Jim Dickson and \$121,500 for Jane Craighead.
- (2) These consist of DPSUs. The fair value of each DPSU included in the share-based awards column is estimated on the date of the grant using the Monte Carlo option pricing formula. These values do not represent the actual values of the payouts which will be received after the awards vest.
- (3) For all directors, other compensation includes dividend equivalent share-based units granted during 2017 on both DSUs and DPSUs. Other compensation for Colin MacDonald also includes RRSP contributions and a car allowance. See table below for further information.

The table below provides a breakdown of the other compensation received by directors for the financial year ended December 31, 2017, including the value of additional DPSUs granted for performance achievements, dividends on DPSUs and DSUs and other non-share based compensation:

Name	Additional Awards for Dividends			Other Compensation (non share-based awards) (\$)	Total Other Compensation (\$)
	Type	Total Units Granted (#)	Value of Dividends Paid as Additional Units (\$)		
Colin MacDonald	DPSU	159	2,746	17,794	20,540
	DSU	-	-		
Harold Giles	DPSU	63	1,098	-	11,616
	DSU	1,082	10,517		
Brendan Paddick	DPSU	68	1,171	-	12,339
	DSU	1,153	11,168		
Mickey MacDonald	DPSU	56	961	-	1,621
	DSU	73	660		
Stan Spavold	DPSU	79	1,373	-	1,373
	DSU	-	-		
John Risley	DPSU	56	961	-	8,355
	DSU	762	7,394		
Larry Hood	DPSU	71	1,236	-	5,504
	DSU	441	4,268		
Jim Dickson	DPSU	75	1,305	-	11,016
	DSU	998	9,711		
Jane Craighead	DPSU	32	530	-	3,688
	DSU	337	3,158		

## Incentive Plans

### Director Performance Share Unit Plan

Since 2012, the directors have been eligible to participate in a directors' performance share unit plan ("**DPSU Plan**") to promote a further alignment of interests between directors and Shareholders, to associate a portion of the directors' compensation with the returns achieved by Shareholders and to attract and retain directors with the knowledge, experience, and expertise required by the Corporation to act as members of the Board.

The DPSU Plan provides target grants of director performance share units ("**DPSUs**") up to 25% of the value of the director's retainer fees. The number of DPSUs that vest may be increased or decreased from the number originally granted on the grant date based on performance of the Corporation relative to the



performance conditions. See "*Part 3 – Executive Compensation – Securities Authorized for Issuance under Equity Compensation Plans*" for more information on the DPSU Plan, including information on the methodology for determining market value, treatment of dividends, vesting and settlement.

The performance conditions for DPSU grants is the same as those used for PSU grants. See "*Part 3 – Executive Compensation – Compensation Discussion and Analysis*" for more information.

### **Deferred Share Unit Plan**

Directors can also participate in the Corporation's deferred share unit plan ("**DSU Plan**"), which was developed to provide the directors with compensation opportunities that are consistent with shareholder interests. The DSU Plan allows a director's fees to be received in deferred share units ("**DSU**") and/or retention deferred share units ("**RDSU**"). See "*Part 3 – Executive Compensation – Securities Authorized for Issuance under Equity Compensation Plans*" for more information on the DSU Plan, including information on the methodology for determining market value, treatment of dividends, vesting and settlement.

### **Fair Value**

The fair value of each DSU and RDSU is calculated using the Black-Scholes option pricing formula. The fair value of each DPSU is calculated using the Monte Carlo option pricing formula. Both Black-Scholes and Monte Carlo are established pricing methodologies that are widely used by the financial industry and by public companies for securities valuations and each is supported as an appropriate methodology under International Financial Reporting Standards ("**IFRS**"). Both pricing models include assumptions on expected volatility, expected life, expected termination rate, expected dividend yield and risk-free interest rate. The Monte Carlo option pricing formula provides the ability to estimate performance against a peer group. Refer to the Corporation's 2017 annual financial statements on SEDAR for further information.

## Outstanding Share-based awards

The following table sets out the outstanding share-based awards granted to the directors as at December 31, 2017:

	Type of Award	Total Share-Based Awards (#)	Number of shares or units that have not vested (#)	Number of shares or units that have vested <sup>(1)</sup> (#)	Market value of share-based awards that have not vested <sup>(2)</sup> (\$)	Market value of vested share-based awards not paid out or distributed <sup>(1)(2)</sup> (\$)
Colin MacDonald	DSU	-	-	-	-	-
	DPSU	9,479	6,681	2,798	48,973	11,485
	Total	9,479	6,681	2,798	48,973	11,485
Harold Giles	DSU	59,120	-	59,120	-	433,450
	DPSU	3,791	2,672	1,119	19,585	4,593
	Total	62,911	2,672	60,239	19,585	438,043
Brendan Paddick	DSU	66,168	-	66,168	-	485,010
	DPSU	4,088	2,969	1,119	21,761	4,593
	Total	70,256	2,969	67,287	21,761	489,603
Mickey MacDonald	DSU	9,013	-	9,013	-	66,062
	DPSU	3,317	2,339	979	17,142	4,018
	Total	12,330	2,339	9,991	17,142	70,079
Stan Spavold	DSU	-	-	-	-	-
	DPSU	4,739	3,341	1,398	24,487	5,741
	Total	4,739	3,341	1,398	24,487	5,741
John Risley	DSU	42,944	-	42,944	-	314,777
	DPSU	3,317	2,339	979	17,142	4,018
	Total	46,261	2,339	43,922	17,142	318,794
Larry Hood	DSU	26,068	-	26,068	-	191,080
	DPSU	4,265	3,006	1,259	22,034	5,169
	Total	30,333	3,006	27,328	22,034	196,249
Jim Dickson	DSU	53,151	-	53,151	-	389,599
	DPSU	4,455	3,056	1,398	22,404	5,741
	Total	57,606	3,056	54,550	22,404	395,339
Jane Craighead	DSU	24,908	-	24,908	-	182,576
	DPSU	2,233	2,233	-	16,367	-
	Total	27,831	2,233	24,908	16,367	182,576

Notes:

- (1) The DPSUs that vested as of December 31, 2017 were settled in March 2018 with Common Shares. The payout values of these DPSUs were as follows: \$7,255 for Colin MacDonald; \$2,901 for Brendan Paddick; \$2,538 for Mickey MacDonald; \$3,626 for Stan Spavold; \$2,538 for John Risley; \$3,265 for Larry Hood; \$2,901 for Harold Giles; and \$3,626 for Jim Dickson. The payout value of awards is determined by multiplying the number of vested units on the vesting date (December 31, 2017) by the volume weighted average trading price of a Common Share for the five days prior to the settlement date of March 29, 2017 of \$4.63 per share.
- (2) The market value of awards is determined by multiplying the number of outstanding units held at December 31, 2017 by the closing price of Common Shares on the TSX on that date of \$7.33.

The following table provides information on the number of outstanding DPSUs granted under the DPSU Plan and the related vesting periods:

Name	Date Granted	Units Awarded	Vesting Period
Colin MacDonald	April 29, 2016	2,932	January 1, 2016 - December 31, 2018
	May 31, 2017	3,616	January 1, 2017 – December 31, 2019
Harold Giles	April 29, 2016	1,173	January 1, 2016 - December 31, 2018
	May 31, 2017	1,446	January 1, 2017 – December 31, 2019
Brendan Paddick	April 29, 2016	1,283	January 1, 2016 - December 31, 2018
	May 31, 2017	1,627	January 1, 2017 – December 31, 2019
Mickey MacDonald	April 29, 2016	1,026	January 1, 2016 - December 31, 2018
	May 31, 2017	1,266	January 1, 2017 – December 31, 2019

Name	Date Granted	Units Awarded	Vesting Period
Stan Spavold	April 29, 2016	1,466	January 1, 2016 - December 31, 2018
	May 31, 2017	1,808	January 1, 2017 – December 31, 2019
John Risley	April 29, 2016	1,026	January 1, 2016 - December 31, 2018
	May 31, 2017	1,266	January 1, 2017 – December 31, 2019
Larry Hood	April 29, 2016	1,319	January 1, 2016 - December 31, 2018
	May 31, 2017	1,627	January 1, 2017 – December 31, 2019
Jim Dickson	April 29, 2016	1,368	January 1, 2016 - December 31, 2018
	May 31, 2017	1,627	January 1, 2017 – December 31, 2019
Jane Craighead	April 29, 2016	747	January 1, 2016 - December 31, 2018
	May 31, 2017	1,446	January 1, 2017 – December 31, 2019

Notes:

- (1) The Board has authorized grants of DPSUs for 2018, with the number of DPSUs granted to be finalized at a later date. The vesting period of these DPSUs will be from January 1, 2018 - December 31, 2020.

### *Incentive Plan Awards Value Vested During the Year*

The following table sets out the value of the directors' share-based awards that vested during 2017:

Name	Share-based awards - Value vested during the year (\$) <sup>(1)</sup>	
Colin MacDonald	DSU	-
	DPSU	11,485
	Total	11,485
Harold Giles	DSU	96,267
	DPSU	4,593
	Total	100,860
Brendan Paddick	DSU	148,918
	DPSU	4,593
	Total	153,511
Mickey MacDonald	DSU	83,160
	DPSU	4,018
	Total	87,178
Stan Spavold	DSU	-
	DPSU	5,741
	Total	5,741
John Risley	DSU	87,894
	DPSU	4,018
	Total	91,912
Larry Hood	DSU	71,768
	DPSU	5,169
	Total	76,937
Jim Dickson	DSU	67,461
	DPSU	5,741
	Total	73,202
Jane Craighead	DSU	124,658
	DPSU	-
	Total	124,658

Notes:

- (1) The value vested during the year for the DPSU awards is determined by multiplying the number of units that vested on the vesting date (December 31, 2017) by the closing price of the Common Shares on the vesting date (\$7.33/share). The DPSU awards were settled in March, 2018. Refer to tables above for further information. The value vested for the DSU awards is determined by multiplying the number of outstanding units that vested on the vesting date, which is upon completion of the associated service period by the participant, by the closing price of the Common Shares on the vesting date.

## Appointment of Auditor

KPMG LLP, Chartered Accountants, has been the auditor of the Corporation since its incorporation and was the auditor of the Corporation's predecessor (the Fund) since completion of its initial public offering in 2002. Management recommends the re-appointment of KPMG LLP. At the Meeting, Shareholders will be asked to vote for the appointment of KPMG LLP as auditor of the Corporation until the next annual meeting of the Shareholders, at a remuneration to be fixed by the Board of Directors.

**It is intended that all proxies received will be voted in favour of the appointment of KPMG LLP as auditor of the Corporation, unless a proxy contains instructions to withhold the same from voting. Greater than 50% of the votes of Shareholders present in person or by proxy are required to approve the appointment of KPMG LLP as auditor of the Corporation.**

## Part 3 – Executive Compensation

### Compensation Discussion and Analysis

#### Background

This section describes how decisions are made as they relate to determining the appropriate level of executive compensation paid, payable, awarded, granted or otherwise provided, directly or indirectly, by the Corporation to each Named Executive Officer, as defined in Form 51-102F6 (each, an "**NEO**"). The Corporation's NEOs during 2017 were Ian Smith, Chief Executive Officer, Teresa Fortney, Vice President, Finance and Chief Financial Officer, Greg Morency, President, Global Markets, Ron van der Giesen, President, Global Supply Chain, and David Kavanagh, Vice President and General Counsel.

The Human Resource Development and Compensation Committee ("**HRDCC**") was established by the Board for the purposes of monitoring and providing guidance and recommendations on the level of executive compensation. The HRDCC provides advice on terms and conditions of employment so as to ensure they are designed to advance the growth and profitability objectives of the Corporation and to attract senior employees for long-term organizational commitment.

The HRDCC currently consists of Jane Craighead (Chair), Harold Giles, Brendan Paddick and Mickey MacDonald, all of whom are independent within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**") except Mickey MacDonald. The members of the HRDCC have substantial board and executive leadership experience and have been involved with implementing and reviewing compensation policies at their respective organizations. Ms. Craighead, Chair, has many years of experience in human resources and has published research on executive compensation and corporate governance.

#### Executive Compensation-Related Fees

In 2017, the HRDCC retained Mercer Canada to complete an Executive Compensation Market Study and Review, including advice on benchmarking of compensation and consideration of the Corporation's compensation program as compared to the market. For the year ended December 31, 2017, Mercer Canada billed the Corporation an aggregate of \$55,000 for such services.

Refer to "*Part 2 – Business of the Meeting – Election of Directors – About the Board Nominees*" and the HRDCC report in "*Part 4 – Corporate Governance*" for further information.

The Corporation's executive compensation program is designed to provide a competitive level of compensation, to reward individual performance and to provide incentives to executives to achieve and exceed performance-based goals. Performance goals are substantially based on improving the Corporation's financial results and therefore, individual goals are aligned with shareholder interests.

## **Elements of Compensation**

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The major elements of the Corporation's executive compensation program are (1) base salary, (2) an annual incentive plan and (3) share-based compensation plans. Both the annual incentive and share-based compensation plans are based on the performance of the individual and the Corporation.

For all NEOs other than the CEO, the compensation policies and guidelines are recommended by the CEO and approved by the HRDCC. The compensation for the CEO is recommended by the HRDCC and approved by the Board.

Personal benefits and other perquisite benefits provided to senior management are reflective of generally accepted and competitive practices in the industry.

No NEO or director of the Corporation is permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

## **Base Salary**

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Base salary compensates NEOs for discharging their duties in respect of their position descriptions. Salaries are reviewed from time to time taking into consideration corporate as well as individual performance, the requirements of their position, the executive's skills and experience, job complexity and competence compared to executives in similar roles in comparable companies. Each of these factors is reviewed in accordance with the contribution expected of the individual executive officer.

## **Annual Incentive Plan**

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An annual incentive plan is a fundamental part of the Corporation's compensation program. The method of determining performance-based compensation for NEOs, as determined by the HRDCC, takes into account certain quantitative factors such as the Corporation's performance against its budget, as well as various qualitative elements. Personal achievement, including extraordinary performance beyond the normal expectations for an individual's position, is also taken into account. Bonus payments can be lower or higher based on corporate performance and individual achievement.

The annual bonus amounts are determined through annual audited financial statements for the year end and, as a result, are paid after the end of that year. For 2015 and 2016, annual bonuses were based on target-adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA), free cash flow levels and individual achievement. For 2017, annual bonuses were based on target adjusted EBITDA. The NEOs, except the CEO, were eligible for a target bonus of 40-45% of their annual salary. The CEO was eligible for a target bonus of 75% in 2015 and 2016, and 100% in 2017 of his annual salary.

For 2015, 2016 and 2017, actual bonuses for all NEOs (including the CEO) could have ranged from no bonus paid to 150% of target based on corporate performance and individual achievement. Bonus payments for all NEOs in 2015 were based upon hitting 117% of the corporate performance target for adjusted EBITDA, 100% of the corporate performance for free cash flow, as well as individual achievement. In 2016 and 2017, performance targets were not achieved and, accordingly, no bonus payments were made to NEOs in respect of that year. Refer to the Corporation's 2017 annual financial statements and Management Discussion and Analysis for further information on the calculation for free cash flow and adjusted EBITDA.

## Share-Based Compensation Plans

Share-based compensation plans are an integral part of the Corporation's balanced compensation program. The Corporation has adopted the following share-based compensation plans for NEOs to connect individual achievement and corporate performance: (A) the executive long-term performance incentive plan ("**LTIP**") and (B) the DSU Plan.

Target grants can be lower or higher based on individual achievement. For 2015 and 2016 the method of determining share-based compensation at vesting for NEOs, as determined by the HRDCC, takes into account total shareholder return relative to an industry peer group. For 2017, the method of determining share-based compensation at vesting for NEOs, as determined by the HRDCC, takes into account performance against targets for cash from operations and return on assets ("**ROA**"). The plan aligns executive and shareholder interests in long term share value performance.

For grants made in April 2015 and 2016 for the years ended December 31, 2015 and 2016, the Corporation is using a peer comparator group to assess performance at the end of the three year performance period. The comparator group for all share-based awards was composed of eight companies from around the world with an industry, scope and size comparable to Clearwater, taking into account certain criteria such as market capitalization, revenue and assets. This peer group is only used for share-based awards. The associated peer group for grants from 2015 and 2016 by grant period is as follows:

Peer Group	Date Granted	
	April 2015	April 2016
Havfisk ASA	√	√
Marine Harvest	√	√
Sanford Ltd	√	√
Pesca Nova SA	√	√
Thai Union	√	√
Pacific Andes	√	√
Austevoll	√	√

Due to consolidation in the industry, the HRDCC determined that the above peer group and approach was no longer a good measure of performance for the grant made in 2017. Accordingly, it was determined that for awards made in 2017, vesting at the end of the performance period will depend on performance during the performance period against targets set for Cash from Operations and ROA. Cash from Operations and ROA are each weighted at 50% and performance against annual targets is averaged for the three years in the performance period to determine the appropriate level of vesting. Performance for each of Cash from Operations and ROA must achieve a threshold level of performance or vesting for the metric will be nil.

In addition to being eligible for grants under the LTIP and DSU Plan, upon commencement of his employment, the CEO received share appreciation rights ("**SARs**") in respect of the Common Shares of the Corporation as follows:

- (a) 255,000 SARs at a strike price of \$0.01/Common Share;
- (b) 250,000 SARs at a strike price of \$0.80/Common Share; and
- (c) 200,000 SARs at a strike price of \$1.00/Common Share.

The SARs vested over a three year period and have no expiry. As of December 31, 2012, 555,000 of these SARs had vested and were subsequently cash settled in March 2013. The remaining 150,000 SARs vested as of December 31, 2013 and as of December 31, 2017, 66,667 SARs at a strike price of \$1.00/Common Share and 83,333 SARs at a strike price of \$0.80/Common Share remain outstanding.

### **Long Term Incentive Plan**

The LTIP provides annual target grants that vary from 30% to 45% of the NEOs' annual salaries, except the CEO. The CEO was eligible for a target bonus of 50% of his annual salary for 2015 and 2016, and a target bonus of 100% of his annual salary in 2017. Based on individual achievement, the number of performance share units ("**PSUs**") and/or retention share units ("**RSUs**") actually granted can range from zero to 150% of the target grant.

See "*Part 3 – Executive Compensation – Securities Authorized for Issuance under Equity Compensation Plans*" for more information on the LTIP, including information on the methodology for determining market value, treatment of dividends, vesting and settlement.

### **Deferred Share Unit Plan**

The DSU Plan was developed to provide the directors and certain NEOs with compensation opportunities that are consistent with shareholder interests. The DSU Plan provides for the grant of DSUs and/or RDSUs. See "*Part 3 – Executive Compensation – Securities Authorized for Issuance under Equity Compensation Plans*" for more information on the DSU Plan, including information on the methodology for determining market value, treatment of dividends, vesting and settlement.

### **Fair Value**

The fair value of each SAR, DSU and RDSU is calculated using the Black-Scholes option pricing formula. The fair value of each PSU and RSU is calculated using the Monte Carlo option pricing formula. Both Black-Scholes and Monte Carlo are established pricing methodologies that are widely used by the financial industry and by public companies for securities valuations and each is supported as an appropriate methodology under IFRS. Both pricing models include assumptions on expected volatility, expected life, expected termination rate, expected dividend yield and risk-free interest rate. The Monte Carlo option pricing formula provides the ability to estimate performance against a peer group. Refer to the Corporation's 2017 annual financial statements for further information.

## **Assessment of Risks Associated with Compensation Policies and Practices**

The HRDCC has assessed the Corporation's compensation plans and programs for its executive officers to ensure alignment with the Corporation's business plan and to evaluate the potential risks associated with those plans and programs. The HRDCC has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Corporation.

The HRDCC considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans. Programs have generally been implemented by or at the direction of the HRDCC.

## **Indebtedness of Directors and Executive Officers**

Except as set out below, no current or former director, proposed nominee for director, executive officer or employee of the Corporation or any of its subsidiaries, or associates or affiliates of any of these persons, have been indebted to the Corporation or its subsidiaries, or indebted to another entity which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries, at any time since January 1, 2017, being the beginning of the Corporation's last financial year, other than "Routine Indebtedness" as that term is defined in applicable securities legislation.

The following table discloses the indebtedness since the beginning of the financial year ended December 31, 2017, of each individual who is, or was at any time during the financial year, a director or executive



officer of the Corporation, is a proposed nominee for election as director, or is an associate of any such director, executive officer or proposed nominee.

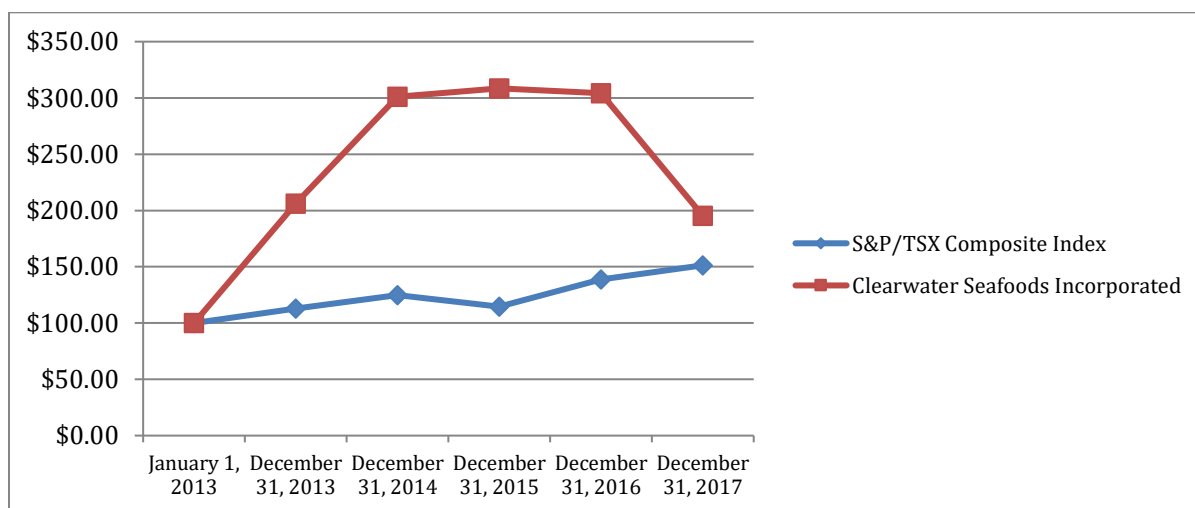
Name and Principal Position	Involvement of the Corporation or Subsidiary	Largest Amount Outstanding During the Financial Year Ended December 31, 2017	Amount Outstanding as at March 31, 2018	Financially Assisted Securities Purchases During the Financial Year Ended December 31, 2017	Security for Indebtedness	Amount Forgiven During the Financial Year Ended December 31, 2017
<b>Other Programs</b>						
Greg Morency, President, Global Markets <sup>(1)</sup>	Loan by subsidiary	US\$269,292	Nil <sup>(2)</sup>	N/A	N/A	US\$152,500

Notes:

- (1) The position of President, Global Markets, was eliminated effective November 15, 2017 following a corporate restructuring. As a result, Greg Morency is no longer an executive officer of the Corporation.
- (2) Three interest free loans in the amounts of US\$152,500, US\$88,400 and US\$28,392 were made to Mr. Morency in connection with liabilities he incurred as a result of his relocation to the United States in early 2016. Following Mr. Morency's termination, the outstanding loan of US\$152,500 was forgiven effective November 15, 2017. The loans for US\$88,400 and US\$28,392 were offset against Mr. Morency's severance.

## Performance Graph

The following graph compares the total cumulative return, including distributions, to Shareholders for \$100 invested in Common Shares on January 1, 2013 with the total cumulative return, including distributions, of the S&P/TSX Composite Index over the five-year period ended December 31, 2017. On December 31, 2017, the closing price of the Common Shares on the TSX was \$7.33.



	Jan-13	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Clearwater Seafoods Incorporated	\$100.00	\$206.13	\$300.97	\$308.49	\$304.31	\$195.41
S&P/TSX Composite Index	\$100.00	\$112.99	\$124.92	\$114.53	\$138.67	\$151.28



With the exception of the 2016 and 2017 financial years, the above graph and table demonstrate a general improvement in the Corporation's share performance over the past several years due to improving financial results including free cash flow and adjusted EBITDA, the Corporation's performance targets for compensation. As a result, the Corporation paid annual bonuses in respect of the annual periods 2013-2015 based upon actual financial performance, where performance targets were achieved or surpassed. Performance targets for 2016 and 2017 were not met and, accordingly, no annual bonuses were paid in respect of those years. Overall compensation components including salary, grants of share-based awards and annual incentive programs are not measured against Clearwater's trading price as other methods of evaluation are completed. Refer to the section entitled "*Executive Compensation*" above for more information.

## Summary Compensation Table

The following table sets forth all forms of executive compensation received by the NEOs for the last three fiscal years.

Name and Principal Position	Year	Salary (\$)	Share-based awards <sup>(1)</sup> (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$) <sup>(3)</sup>	Total Compensation (\$)
					Annual incentive plans <sup>(2)</sup>	Long-term incentive plans			
Ian Smith, Chief Executive Officer	2017	535,104	293,821	-	-	-	-	56,160	885,084
	2016	514,250	536,255	-	-	-	-	24,213	1,074,718
	2015	494,839	409,399	-	526,076	-	-	394,629	1,824,943
Teresa Fortney, Vice President, Finance and Chief Financial Officer <sup>(4)</sup>	2017	339,583	92,845	-	-	-	-	28,838	461,266
	2016	258,750	-	-	-	-	-	39,326	298,076
	2015	-	-	-	-	-	-	-	-
Greg Morency, President, Global Markets <sup>(5)(8)</sup>	2017	427,632	227,496	-	-	-	-	1,019,838	1,674,966
	2016	499,688	297,550	-	-	-	-	30,313	827,551
	2015	416,333	233,428	-	242,149	-	-	192,686	1,024,638
Ron van der Giesen, President, Global Supply Chain <sup>(6)(9)</sup>	2017	316,144	167,986	-	-	-	-	481,978	966,107
	2016	367,500	306,584	-	-	-	-	41,064	715,148
	2015	360,208	45,394	-	229,768	-	-	12,000	647,370
David Kavanagh, Vice President and General Counsel <sup>(7)</sup>	2017	285,600	97,905	-	-	-	-	212,659	596,164
	2016	285,600	148,917	-	-	-	-	32,409	466,926
	2015	279,913	95,245	-	144,715	-	-	130,029	649,902

### Notes:

- (1) The fair value of each PSU included in the share-based awards column is estimated on the date of the grant using the Monte Carlo option pricing formula. The Monte Carlo pricing model was used as it is an estimated pricing methodology widely used for securities valuations that is based upon performance relative to peer groups and is supported as an appropriate methodology under IFRS. The pricing model includes assumptions on performance relative to the peer group, expected volatility, expected life, expected termination rate, expected dividend yield and risk-free interest rate. **This value does not represent the actual value of the payout which will be received after vesting of the award.** For financial statement purposes, the fair value for all outstanding awards is determined as of the grant date and amortized into contributed surplus over the performance period of the grant. The Corporation recorded contributed surplus for the PSUs of \$3.0 million at December 31, 2017 (2016 - \$1.5 million). Total share-based compensation expense included in the income statement for the year-ended December 31, 2017 was \$0.4 million (2016 - \$2.9 million) for all outstanding awards.
- (2) The incentive plan amounts, if any, for each respective fiscal period are paid in the first quarter of the subsequent year.
- (3) Other compensation includes the additional PSUs vested during the fiscal year based upon results of the performance period ending that year (which is \$nil for 2017 and 2016) and dividend equivalent share-based units granted during the year. Other compensation also includes severance, loan forgiveness, vacation pay, RRSP contributions, transition services, tax assistance and car allowances. Refer to the table below for a breakdown on the fair value of the units granted during 2017, fair value of additional units granted for performance and dividends and other compensation.
- (4) Teresa Fortney was appointed as Vice President, Finance and Chief Financial Officer effective March 24, 2016. Ms. Fortney did not receive any compensation from Clearwater prior to her appointment.
- (5) Greg Morency's salary in 2016 and 2017 was denominated in US dollars and translated to Canadian dollars using the average exchange rate used for financial reporting for 2016 (US\$1.00 = CAD\$1.3272) and 2017 (US\$1.00 = CAD\$1.3004). As part of

the announced restructuring of the Corporation's leadership, the position of President, Global Markets was eliminated and Mr. Morency was terminated effective November 15, 2017. As a result Mr. Morency received one time severance of \$487,650, loan forgiveness of \$198,311 and tax related fees of \$178,416. Severance (excluding the PSU payout) and other related payouts are included in other compensation in the table above. In addition, Mr. Morency received a prorated payout for outstanding PSUs of \$93,936.

- (6) As part of the announced restructuring of the Corporation's leadership, the position of President, Global Supply Chain, was eliminated and Mr. van der Giesen was terminated effective November 15, 2017. As a result Mr. van der Giesen received additional one time severance of \$367,500. Severance (excluding the PSU payout) and tax related assistance is included in other compensation in the table above. In addition, Mr. van der Giesen received prorated payout for outstanding PSUs of \$53,609.
- (7) Mr. Kavanagh retired from Clearwater effective December 31, 2017 and received retirement payouts of \$142,800.
- (8) Annual incentive plan bonus amount for Greg Morency in 2015 has been restated to reflect the correct amount.
- (9) Salary and share-based awards amounts for Ron van der Giesen for 2015 have been restated to reflect the correct amounts.

The following table provides a breakdown of the fair value of the share-based awards for 2017 as of the grant date, and the total other compensation received by NEOs, including the value of additional PSUs granted for performance achievements, dividends on RDSUs and PSUs and other non-share based compensation:

Name and Principal Position	Share-based Awards			Other Compensation					
				Additional Awards for Performance		Additional Awards for Dividends		Other Compensation (non share-based awards) (\$)	Total Other Compensation (\$)
	Type	Original Total Share Units Granted in 2017 (#)	Fair Value At Grant (\$)	Total Units Granted (#)	Value of Units Granted (\$) <sup>(1)</sup>	Total Units Granted (#)	Value of Dividends Paid as Additional Units (\$)		
Ian Smith, Chief Executive Officer	PSU	24,795	293,821	-	-	1,386	24,159	32,000	56,160
Teresa Fortney, Vice President, Finance and Chief Financial Officer	PSU	7,835	92,845	-	-	89	1,370	27,468	28,838
Greg Morency, President, Global Markets	PSU	19,198	227,496	-	-	502	8,485	1,011,353 <sup>(2)</sup>	1,019,838
Ron van der Giesen, President, Global Supply Chain	PSU	14,176	167,986	-	-	326	5,428	476,550 <sup>(3)</sup>	481,978
David Kavanagh, Vice President and General Counsel	RDSU	-	-	-	-	1,616	15,789	190,311	212,659
	PSU	8,262	97,905	-	-	379	6,560		

Notes:

- (1) The value of additional PSUs granted for performance is determined by multiplying the number of units granted by the closing price of Common Shares on the date of grant.
- (2) Includes severance of \$487,650, loan forgiveness of \$198,311 and tax related fees of \$178,416. In addition, Mr. Morency received a prorated payout for outstanding PSUs of \$93,936.
- (3) Includes severance of \$367,500 and transition and tax related services. In addition, Mr. van der Giesen received prorated payout for outstanding PSUs of \$53,609.

## Incentive Plans

### Outstanding Share-based Awards

The following table sets out the share-based awards granted to the NEOs outstanding as at December 31, 2017.

	Type of Award	Total Share-Based Awards (#)	Number of shares or units that have not vested (#)	Number of shares or units that have vested <sup>(1)</sup> (#)	Market value of share-based awards that have not vested <sup>(2)</sup> (\$)	Market value of vested share-based awards not paid out or distributed <sup>(1)(2)</sup> (\$)
Ian Smith, Chief Executive Officer	SARS	150,000	-	150,000	-	1,099,500
	PSU	79,734	56,179	23,555	411,795	96,687
	RDSU	-	-	-	-	-
	Total	229,734	56,179	173,555	411,795	1,196,187
Teresa Fortney, Vice President, Finance and Chief Financial Officer	SARS	-	-	-	-	-
	PSU	7,924	7,924	-	58,083	-
	RDSU	-	-	-	-	-
	Total	7,924	7,924	-	58,083	-
Greg Morency, President, Global Markets <sup>(3)</sup>	-	-	-	-	-	-
Ron van der Giesen, President, Global Supply Chain <sup>(3)</sup>	-	-	-	-	-	-
David Kavanagh, Vice President, General Counsel	SARS	-	-	-	-	-
	PSU	22,473	16,993	5,480	124,559	138,224
	RDSU	15,789	-	15,789	-	-
	Total	38,261	16,993	21,268	124,559	138,224

Notes:

- (1) The PSUs vested as of December 31, 2017 were settled in March, 2018 with Common Shares. The payout values of these PSUs are as follows: Ian Smith - \$61,072; David Kavanagh - \$36,602 (prorated for all outstanding vested and non-vested PSUs). The payout value of awards is determined by multiplying the number of vested units on the vesting date (December 31, 2017) by the volume weighted average trading price of a Common Share for the five days subsequent to the expiry of the Corporation's blackout period for the fourth quarter of 2017 of \$4.63 per share.
- (2) The market value of awards is determined by multiplying the number of outstanding units held at December 31, 2017 by the closing price of Common Shares on the TSX on that date of \$7.33.
- (3) In November 2017, the Corporation announced a restructuring of its leadership, which included the elimination of the positions of President, Global Markets and President, Global Supply Chain. As a result, outstanding units for PSUs granted in 2015, 2016 and 2017 were prorated and paid out at the time of restructuring.

The following table provides information on the number of PSUs granted under the LTIP and the related vesting periods:

Name and Principal Position	Date Granted <sup>(1)</sup>	Units Awarded	Vesting Period
Ian Smith, Chief Executive Officer	April 29, 2016	30,155	January 1, 2016 - December 31, 2018
	May 31, 2017	24,795	January 1, 2017 - December 31, 2019
Teresa Fortney, Vice President, Finance and Chief Financial Officer	May 31, 2017	7,835	January 1, 2017 - December 31, 2019

Notes:

- (1) The Board has authorized grants of DPSUs for 2018, with the number of DPSUs granted to be finalized at a later date. The vesting period of these DPSUs will be from January 1, 2018 - December 31, 2020.

## Incentive Plan Awards – value vested or earned during the year

The following table sets out the value of the NEOs' share-based awards that vested and non-equity incentive plan compensation earned by the NEOs during 2017:

Name and Principal Position	Share-based awards - Value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation - Value earned during the year (\$)
Ian Smith, Chief Executive Officer	96,687	-
Teresa Fortney, Vice President, Finance and Chief Financial Officer	-	-
Greg Morency, President, Global Markets	-	-
Ron van der Giesen, President, Global Supply Chain	-	-
David Kavanagh, Vice President, General Counsel	138,224	-

Notes:

- (1) The value vested during the year for the PSU and DSU awards is determined by multiplying the number of units that vested on the vesting date (December 31, 2017) by the closing price of the Common Shares on the vesting date (\$7.33/share). The PSU awards were settled in March, 2018. Refer to tables above for further information.

## Termination and Change of Control Benefits

All of the NEOs are parties to employment agreements with CSLP, which outline the terms and conditions pertaining to their employment. Each agreement provides that the NEO's employment may be terminated by CSLP without cause by giving written notice of termination or by paying an amount in lieu thereof. There are no material contracts, agreements, plans or arrangements that provide for any incremental payments, payables or other benefits upon termination, resignation, retirement or a change of control of the Corporation other than compensation in lieu of notice of termination, as described in the preceding sentence.

Termination payments for the NEOs in the circumstance of a termination without cause are as follows:

Name and Principal Position	Termination benefits
Ian Smith, Chief Executive Officer	Lump-sum payment of 24 months of annual compensation and prorated outstanding incentive compensation
Teresa Fortney, Vice President, Finance and Chief Financial Officer	Lump-sum payment of 6 months of annual compensation for the first year of employment or 12 months of annual compensation for later years and prorated outstanding incentive compensation
Greg Morency, President, Global Markets	Lump-sum payment of 12 months of annual compensation and prorated outstanding incentive compensation
Ron van der Giesen, President, Global Supply Chain	Lump-sum payment of 12 months of annual compensation and prorated outstanding incentive compensation
David Kavanagh, Vice President, General Counsel	Lump-sum payment of one month annual compensation for each year worked up to a limit of 24 months and prorated outstanding incentive compensation

The information in the table below quantifies estimated payments for the NEOs assuming termination without cause on December 31, 2017:

Name and Principal Position	Cash severance (\$)	Short term incentive plan (\$)	SARS (\$)	PSU (\$)	RDSU (\$)	Total (\$)
Ian Smith, Chief Executive Officer	1,100,000	-	1,099,500	564,497	-	2,763,997
Teresa Fortney, Vice President, Finance and Chief Financial Officer	350,000	-	-	31,306	-	381,306

As a result of David Kavanagh's retirement as Vice President, General Counsel of the Corporation, the Corporation agreed to pay Mr. Kavanagh \$142,800 in retirement payments.

As a result of the elimination of the President, Global Markets position, the Corporation agreed to pay Mr. Morency a one-time severance payment of \$487,650, prorated payout of outstanding PSUs of \$93,936, loan forgiveness of \$198,311 and related tax fees of \$178,416.

As a result of the elimination of the President, Global Supply Chain position, the Corporation agreed to pay Mr. van der Giesen a one-time severance payment of \$367,500 and prorated payout of outstanding PSUs of \$53,609.

## Securities Authorized for Issuance under Equity Compensation Plans

Plan Category	Maximum number of securities to be issued pursuant to the terms of the Plans	Number of securities to be issued upon exercise of outstanding options, warrants or rights (a)	Weighted-average exercise price of outstanding options, warrants or rights (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a)) (c)
Equity compensation plans approved by Shareholders (LTIP, DSU Plan and DPSU Plan)	2,500,000	271,821 <sup>(1)</sup>	N/A	2,228,179 <sup>(2)</sup>
Equity compensation plans not approved by Shareholders	Nil	Nil	N/A	Nil
<b>Total</b>	2,500,000	271,821	N/A	2,228,179

Notes:

- (1) This number reflects the outstanding Share Units as of December 31, 2017 that may be settled in Common Shares and represents 0.4% of the issued and outstanding Common Shares as of December 31, 2017. Share Units issued under the Plans may be settled in cash, by delivery of Common Shares issued from treasury of the Corporation, by the delivery of Common Shares purchased on the secondary market by a trustee appointed by the Corporation, or by a combination thereof, at the discretion of the Board or the applicable committee.
- (2) This number equals 2,500,000 less the number of Common Shares reported under column (a) above and represents 3.5% of the issued and outstanding Common Shares as of December 31, 2017. The Corporation is authorized to issue up to 2,500,000 Common Shares under the Plans.

## Equity Compensation Plans

### Overview

The LTIP provides for the grant of PSUs and/or RSUs to certain employees of the Corporation, as determined by the Board or the applicable committee. The DPSU Plan provides for the grant of DPSUs to directors who are not otherwise employees of the Corporation. The DSU Plan provides for the grant of DSUs and/or RDSUs to certain eligible officers and employees of the Corporation, as determined by the Board or the applicable committee. RDSUs, PSUs, RSUs, DPSUs and DSUs are collectively referred to as the "Share Units".

Each of the LTIP, DSU Plan and DPSU Plan (the "Plans") was designed to attract and retain eligible directors, employees and officers, as applicable, and to provide them with compensation opportunities that are consistent with the interests of Shareholders. Eligibility under the Plans is also extended to eligible directors, employees and officers, as applicable, of the Corporation's subsidiaries, partnerships, trusts or other controlled entities, as set out more particularly in the terms of each of the Plans. The Corporation previously implemented each of the Plans in 2012 and the Plans were amended in 2015 to permit settlement of awards in Common Shares from treasury.

## Settlement in Shares

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The Plans provide for an aggregate maximum of 2,500,000 Common Shares of the Corporation reserved for issuance to participants under the Plans (and any other security based compensation arrangement of the Corporation), representing approximately 3.91% of the issued and outstanding Common Shares of the Corporation as of December 31, 2017. The allocation of the aggregate maximum amount of Common Shares among each of the Plans shall be determined by the Board or the applicable committee from time to time. An aggregate of 20,471 Common Shares have been issued under the Plans as of the date of this Circular.

Upon vesting, the Share Units held by participants may be settled in cash, by delivery of Common Shares issued from treasury of the Corporation, by the delivery of Common Shares purchased on the secondary market by a trustee appointed by the Corporation, or by a combination thereof, at the discretion of the Board or the applicable committee.

Upon meeting the objectives established by the Board or the applicable committee at the time of grant, participants will receive the number of Common Shares allotted to them or cash in lieu of such Common Shares for no further consideration.

## Insider Participation Limits

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Insiders of the Corporation are eligible to participate in the Plans. However, the Plans limit insider participation such that the number of Common Shares of the Corporation issued within a one-year period and the number of Common Shares of the Corporation issuable at any time to insiders of the Corporation does not exceed 10% of the issued and outstanding Common Shares of the Corporation. The Plans do not provide for a maximum number of shares which may be issued to an individual participant pursuant to the Plans other than the foregoing insider participation limit.

## Market Value

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The number of Share Units granted to a participant under the Plans will be based on the amount of the grant, as determined by the Board or the applicable committee, divided by the volume weighted average trading price of the Common Shares of the Corporation for the five (5) trading days prior to the effective date of the grant (the "**Market Value**"). Any dividends declared by the Corporation prior to settlement of the Share Units will result in the grant of an additional number of Share Units to the participant which is equal to the amount of the dividend multiplied by the number of Share Units held by such participant as of the record date of the dividend (which shall include any previous dividends declared by the Corporation with respect to such Share Units), and dividing the product of such amount by the Market Value of the Common Shares as of the record date of the dividend.

## Vesting

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Vesting of the Share Units is subject to the discretion of the Board or the applicable committee. Vesting of PSUs and DPSUs will typically depend on such financial, personal, operational or transaction-based performance criteria as determined by the Board or the applicable committee. Settlement of the PSUs and DPSUs generally occurs within 90 days following vesting of the Share Units. Vesting of RSUs and RDSUs will typically depend on the continuous service of the participant for a period of time as determined by the Board or the applicable committee, after which settlement shall occur. Unless otherwise determined by the Board or the applicable committee, DSUs will typically vest upon allocation to the participant.

The LTIP and DPSU Plan provide for accelerated vesting of PSUs and RSUs, as applicable, upon a change of control of the Corporation. Upon a change of control, as defined in the LTIP and DPSU Plan, the Share Units granted to the participant which have not vested as of the date of the change of control shall vest on an accelerated basis in accordance with the adjustment formula in the LTIP or DPSU Plan, as applicable.

Settlement of vested Share Units by cash shall be made by payment by the Corporation to the participant of an aggregate amount equal to the Market Value of the Common Shares on the settlement date multiplied by the number of Share Units being settled. If the intended settlement date of Share Units occurs during a blackout period, such settlement date shall be postponed until the end of such blackout period. The Market Value will be determined through the volume weighted average trading price of the Common Shares of the Corporation over the next 5 trading days following the expiry of the blackout period.

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## Cessation

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Under the LTIP, unless otherwise determined by the Board or the applicable committee, if the employment of a participant is terminated for cause or terminated as a result of the participant's resignation before all of the Share Units granted to such participant have vested and been settled, the Share Units which have not vested and been settled by the date of such participant's termination will be forfeited immediately.

If the employment of a participant is terminated by the Corporation without cause, or where termination is the result of the retirement or death of the participant, a proportion of the Share Units granted to the participant which have not vested shall vest on an accelerated basis in accordance with the adjustment formula set out in the LTIP. Similarly, in the event that a participant ceases to actively render services to the Corporation as a result of an approved leave of absence, maternity leave, parental leave, or leave on account of a disability that, in each case, extends for more than 90 days, a proportion of the Share Units granted to the participant which have not vested and settled shall vest on an accelerated basis in accordance with the adjustment formula set out in the LTIP.

Unless otherwise determined by the Board or the applicable committee, a participant shall have no right to receive Common Shares of the Corporation or cash with respect to any DPSUs that have not vested. In the event of the retirement or death of a participant prior to vesting of DPSUs, the DPSUs granted to the participant which have not vested shall vest on an accelerated basis in accordance with the adjustment formula set out the DPSU Plan. In the event that a participant ceases to actively render services to the Corporation as a result of an approved leave of absence or leave on account of a disability that, in each case, extends for more than 90 days, a proportion of the DPSUs granted to the participant which have not vested and settled shall vest on an accelerated basis in accordance with the adjustment formula set out in the DPSU Plan.

Under the DSU Plan, vesting of DSUs and RDSUs does not typically take place until the participant has retired, or passed away, upon the terms set out in the eligibility notification issued to the participant pursuant to the DSU Plan. The participant's participation in the long-term disability program of the Corporation will not alter the participant's employment status for purposes of the DSU Plan.

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## Assignment

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Participants are not permitted to assign or transfer Share Units or any other benefits granted to the participant under the Plans other than by operation of law, with the exception of the receipt of any benefits which are payable under the terms of the LTIP or DSU Plan upon the death of such participant by such participant's designated beneficiary.

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## Amendments Without Approval of Shareholders

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The Board has the discretion to make amendments to the Plans that it deems necessary from time to time, without having to obtain Shareholder approval. Such amendments include, without limitation:

- a) reduction of the number of Common Shares issuable under the Plans;
- b) increase or decrease the maximum number of Common Shares any single participant is entitled to receive under the Plans;



- c) any amendment pertaining to the vesting provisions of Share Units under the Plans;
- d) any amendment to the terms of the Plans relating to the effect of termination, cessation or death of a participant on the right to exercise vested Share Units;
- e) any amendment pertaining to the assignability of Share Units or any other benefits of the Plans required for estate planning purposes;
- f) amend the process by which a participant can exercise a vested Share Unit or the settlement process for a vested Share Unit;
- g) add and/or amend any form of financial assistance provision to the Plans;
- h) amend the eligibility requirements for participants in the Plans;
- i) allocate and reallocate among the Plans the maximum number of Common Shares issuable to participants pursuant to each Plan;
- j) any amendment as may be necessary or desirable to bring the Plans into compliance with applicable laws;
- k) any amendment to add covenants of the Corporation for the protection of participants, provided that the Board or the applicable committee shall be of the good faith opinion that such additions will not be prejudicial to the rights or interest of the participants;
- l) any amendment not inconsistent with the Plans as may be necessary or desirable with respect to matters or questions, which in the good faith opinion of the Board or the applicable committee, having in mind the best interests of the participants, it may be expedient to make, provided that the Board or the applicable committee shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the participants; and
- m) any such changes or corrections which, in the advice of counsel to the Corporation, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Board or the applicable committee shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interest of the participants.

The Plans provide that no amendment to the Plans or grants made pursuant to the Plans may be made without the consent of a participant if it adversely alters or impairs the rights of the participant in respect of any grant previously granted to such participant under the Plans, except that participant consent shall not be required where the amendment is required for purposes of compliance with applicable laws.

The Plans also provide that no amendments may be made without approval of Shareholders where such an amendment requires Shareholder approval under applicable law, including without limitation the rules of the Toronto Stock Exchange.

## **Annual Burn Rate**

The following table sets out the annual burn rate of Share Units granted under the Plans for the last three fiscal years. The annual burn rate is the number of securities granted under the Plans during the applicable fiscal year divided by the weighted average number of securities outstanding for the applicable fiscal year.

Plans	Burn Rate <sup>(1)</sup>		
	2015	2016	2017
All Plans (LTIP, DSU Plan and DPSU Plan)	0.3%	0.3%	0.4%



Notes:

- (1) Annual burn rate represented above is based on all Share Units granted under the Plans for the applicable fiscal year and assumes a payout multiplier of 100%. The annual burn rate calculated based on Share Units which may be settled in Common Shares are as follows: 0.2% for 2015, 0.2% for 2016 and 0.3% for 2017.

## Part 4 – Corporate Governance

This section provides information about the Corporation's Board, the committees of the Board, our corporate policies and ethical values, and committee reports for the most recent financial year. Clearwater's Board and management believe good governance practices are an essential part of strong performance and are fundamental to creating and maintaining shareholder value.

The corporate governance practices described below are subject to change as the Corporation evolves. The Board remains sensitive to corporate governance issues and continuously seeks to set up the necessary measures, control mechanisms and structures to ensure an effective discharge of its responsibilities without creating additional overhead costs and reducing the return on shareholders' equity.

### Board of Directors and Committees

#### Introduction

Five of the directors of the Corporation (56%) are independent within the meaning of NI 58-101. The independent directors are:

1. Larry Hood
2. Harold Giles (retires at the Meeting)
3. Jim Dickson
4. Brendan Paddick
5. Jane Craighead

The directors who are not independent are:

1. John Risley, because he indirectly controls (with other parties) CFFI Seafood, an indirect significant shareholder of the Corporation
2. Colin MacDonald, because he indirectly controls (with other parties) CFFI Seafood
3. Mickey MacDonald, because he indirectly controls (with other parties) CFFI Seafood
4. Stan Spavold, because he is an executive officer of CFFI Seafood

The Board does not hold regularly scheduled meetings for independent directors where non-independent directors and members of management are excluded from attendance. To facilitate its exercise of independent judgment in carrying out its responsibilities, the Board has and will, when considered necessary, establish committees consisting of a majority of members who are considered to be independent with respect to the issues to be determined. Currently, members of the Board possess sufficient public corporation and industry experience such that the Board, in its totality, is able to operate effectively. The Board encourages an atmosphere of candour and constructive dissent. Further, the directors of the Corporation are aware of the laws requiring disclosure of conflicts of interest and the fact that the Corporation will rely on such laws in respect of any conflict of interest, including the obligation of a director to abstain from voting in respect of any matter involving a conflict of interest. The independent directors did not meet separately in 2017 as circumstances did not require additional meetings.

The following directors also serve as directors of other reporting issuers:

- Mickey MacDonald serves as a director of Newfoundland Capital Corporation Limited

- Brendan Paddick serves as a director of Liberty Latin America, Bahamas Telecommunications Corp., Nalcor Energy and Churchill Falls (Labrador) Corporation Limited
- Stan Spavold serves as a director of Norvista Capital Limited Partnership
- Jim Dickson serves as a director of Empire Company Limited

## Committees

The Corporation has four standing committees: Audit Committee, HRDCC, CG Committee and the Finance Committee. A summary of each committee's role and responsibilities, including its chair, is provided in the table below:

Audit Committee	HRDCC	CG Committee	Finance Committee
<p><b>Purpose:</b> The Audit Committee is responsible to assist the Board with oversight of the integrity of financial and regulatory reporting and internal controls. The Audit Committee also identifies the principal risk of the Corporation and ensures appropriate risk management techniques are used.</p> <p><b>Chair:</b> Larry Hood is the Chair of the Audit Committee and is an independent director.</p> <p>All members of the Audit Committee are financially literate. The Chair, Mr. Hood, is a CPA and CA, and a retired partner from the accounting firm KPMG LLP.</p>	<p><b>Purpose:</b> The HRDCC is responsible to assist with the appointment, performance and compensation of the CEO and executives of the Corporation. The HRDCC is also responsible for reviewing succession and development plans for executive officers.</p> <p><b>Chair:</b> Jane Craighead is the Chair of the HRDCC and is an independent director.</p>	<p><b>Purpose:</b> The CG Committee is responsible to assist the Board in carrying out its responsibilities regarding the development and implementation of the highest standards of governance and ethics, which includes developing such policies and procedures, monitoring compliance, identifying qualified individuals for the Board and committees, and evaluating director and committee performance.</p> <p><b>Chair:</b> Jim Dickson is the Chair of the CG Committee and is an independent director.</p>	<p><b>Purpose:</b> The Finance Committee is responsible for Board oversight of management's recommendations concerning the Corporation's liquidity, capital structure and strategies, financing strategies, financial risk management and dividend policy.</p> <p><b>Chair:</b> Stan Spavold is the Chair of the Finance Committee and is not an independent director.</p>

See the reports of the committees under "Committee Reports" below for more information.

## Meetings and Attendance

The table below shows the Board and committee meeting attendance of the directors during 2017, excluding attendance as a guest.

Name	Board	Audit <sup>(1)</sup>	HRDCC	Finance <sup>(1)</sup>	CG Committee
Colin MacDonald	9 of 9 (100%)	-	-	-	-
John Risley	8 of 9 (89%)	-	-	4 of 5 (80%)	-
Larry Hood	9 of 9 (100%)	4 of 4 (100%)	-	-	5 of 5 (100%)
Harold Giles	6 of 9 (67%)	-	6 of 6 (100%)	-	-
Brendan Paddick	9 of 9 (100%)	4 of 4 (100%)	6 of 6 (100%)	5 of 5 (100%)	4 of 5 (80%)

Name	Board	Audit <sup>(1)</sup>	HRDCC	Finance <sup>(1)</sup>	CG Committee
Mickey MacDonald	7 of 9 (78%)	-	6 of 6 (100%)	-	-
Stan Spavold	9 of 9 (100%)	4 of 4 (100%)	-	5 of 5 (100%)	4 of 5 (80%)
Jim Dickson	9 of 9 (100%)	3 of 4 (75%)	-	1 of 5 (20%)	5 of 5 (100%)
Jane Craighead	9 of 9 (100%)	1 of 4 (25%)	6 of 6 (100%)	4 of 5 (80%)	-

Notes:

- (1) In March 2017, Ms. Craighead left the Audit Committee and joined the Finance Committee, and Mr. Dickson left the Finance Committee and joined the Audit Committee. Their respective attendance records reported above reflect attendance as members of each committee.

## Board and Committee Mandates and Position Descriptions

The Board has not adopted a written board mandate nor a written position description for the Chairman of the Board. The Board is responsible for supervising the management of the business and affairs of the Corporation and managing the risks to the business of the Corporation and, in doing so, is required to act in the best interests of the Corporation. The Chairman's role and responsibility is to provide leadership to the Board and facilitate appropriate and effective discharge of the Board's responsibilities. The Board and its Chairman act in accordance with the *Canada Business Corporations Act* and other applicable laws, CSLP's limited partnership agreement, Clearwater's Code of Business Conduct, conflict of interest, corporate disclosure and corporate governance policies, and the charters of the committees. The Board approves all significant decisions that affect the Corporation and its subsidiaries before they are implemented, and supervises the implementation and reviews the results of such decisions.

Each of the Board's committees has a charter or mandate that outline the role and responsibilities of each committee and its chair, copies of which are available on the Corporation's website. The Corporation has a written position description for the CEO, which is reviewed annually to evaluate the performance of the CEO and determine his or her compensation.

## Nominations of Directors and Compensation

The CG Committee is responsible for assisting the Board in identifying and reviewing candidates for directorship. The CG Committee is composed of three independent directors (Jim Dickson (Chair), Larry Hood and Brendan Paddick) and one non-independent director (Stan Spavold). The nomination process begins with an analysis of the knowledge and skills most in need on the Board. The CG Committee then identifies potential candidates for the Board and chair positions with such knowledge and skills through its own contacts as well as discussions with search firms and other third parties with knowledge of potential candidates. Annually, the CG Committee also evaluates the Board, committees, and individual director performance.

The CG Committee reviews the compensation of directors on a periodic basis and makes recommendations to the Board for consideration when it believes changes in compensation are warranted. For further information, refer to "*Part 2 – Business of the Meeting – Election of Directors – Director Compensation*", "*Part 3 – Executive Compensation*" and "*Committee Reports*" below.

The Board has established the HRDCC for the purposes of monitoring and providing guidance on the level of executive compensation. The HRDCC provides advice on terms and conditions of employment so as to ensure they are designed to advance the growth and profitability objectives of the Corporation and to attract senior employees for long-term organizational commitment.

For information on the process by which the HRDCC determines compensation for executive officers of the Corporation, see "*Part 3 – Executive Compensation*".

The HRDCC is composed of four members: Jane Craighead (Chair), Harold Giles, Brendan Paddick and Mickey MacDonald, all of whom are independent except for Mickey MacDonald. The HRDCC engages external consultants as deemed necessary to support the overall responsibilities of the Committee. The HRDCC has engaged external counsel with respect to the development of the Corporation's compensation plans.

### **Orientation and Continuing Education**

New directors are provided with an orientation and education program, which includes written information about the corporate policies, documents from recent Board meetings, opportunities for meetings and discussions with senior management and other directors and invitations to attend vessel and plant tours. The details of the orientation of each new director are tailored to that director's individual needs and areas of interest.

Continuing education is also tailored to a director's individual needs and areas of interest. Management offers education opportunities and information to the Board on a regular basis on a wide variety of topics including financial results operations of the business, significant and key risks, and awareness of current issues. In addition, the Board ensures all directors receive presentations on the short-term and long-term objectives of the Corporation and direct access to executive management for open communication and knowledge.

### **Assessments and Term Limits**

The CG Committee is responsible for making a regular assessment of the overall performance of the Board, the committees, and of each individual director's contributions, as well as for reporting on the results of that assessment. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The results of such reviews are used to identify any areas where the directors and/or management believe that the Board could make a better collective contribution to overseeing the affairs of Clearwater and meeting its overall responsibilities. The process includes review of a skills and knowledge matrix by the CG Committee in consultation with third parties as well as a director self-assessment under the matrix.

The Corporation has considered but not imposed term limits for directors because the Board is small and the majority of the Corporation's shares are closely held.

### **Ethical Business Conduct**

Clearwater has a written Code of Business Conduct, Employees' Conflict of Interest Policy and Directors' Conflict of Interest Policy, copies of which are provided at the time of hire. Compliance is monitored through an "Ethics Hotline" that allows individuals to report illegal or unethical business practices, fraud, theft and financial controls and audit matters via phone or e-mail. There have been no reports filed pertaining to the conduct of a director or executive officer that constitutes a departure from the Code of Business Conduct or the Conflict of Interest Policy.

The Code of Business Conduct of the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website. Upon request from any Shareholder, the Corporation will promptly provide a copy of its Code of Business Conduct free of charge.

The directors of the Corporation are required to disclose conflicts of interest. Directors with conflicts of interest are excluded from final discussion and voting on such matters. To ensure the exercise of independent judgment in situations of potential conflict, non-members of the Board may be invited to the meetings to provide additional insight to various transactions and agreements to provide a more complete picture of the issue. Directors may also, at the expense of Clearwater, retain the services of an advisor on matters involving their responsibilities at the authorization of the CG Committee.

The Board meets regularly to ensure that a clear line of communication always remains open and reviews the policies of the Corporation to ensure that proper processes are in place to promote ethical business conduct and makes recommendations and revisions when necessary.

## Diversity and Women Representation on Board and in Management

### Board Representation

The Corporation has adopted a diversity policy that includes consideration of women in the selection criteria of new Board members (the "**Diversity Policy**"). The objective of the Diversity Policy is to enhance diversity within the Corporation, including gender diversity on its Board and executive management. The Corporation recognizes the benefits arising from diversity, including gender diversity, in providing a broader pool of high quality talent, improving retention, accessing different perspectives and ideas and benefiting from all available talent. The Corporation recruits, retains, rewards and develops its people based on their abilities and contributions. Individuals are to be accorded equality of employment opportunity based upon merit and ability.

The Board is designed to be large enough to provide a diversity of expertise and opinion. Its composition is intended to provide the best mix of skills and experience to guide the long term strategy and ongoing operations. Board composition will take into account the desirability of maintaining a reasonable diversity of background, including gender diversity. The Corporation will endeavour to increase the diversity throughout the organization including at the board and executive levels. Management is responsible for implementing the policy, achieving diversity initiatives determined by the board and reporting to the Board on progress. The Board and management may from time to time engage external search firms to identify candidates who meet the expertise and skill criteria for a position to help achieve its diversity goals.

The Diversity Policy was implemented in February, 2015. Since implementation, there has been an increase in the diversity of directors and executive officers. Jane Craighead was appointed as a director in 2015 and Teresa Fortney was hired as CFO on March 24, 2016. Vicki McKibbin is also standing for election as a new director this year.

The implementation of the Diversity Policy is the responsibility of the Board and CG Committee. The Board and the CG Committee considers the level of representation of women on the Board by overseeing the director identification and nominating process. In order to ensure effective implementation of the Diversity Policy, the Board and the CG Committee require that sufficient numbers of women and other diverse candidates are included in the slate of candidates for consideration by the Board. The Board and the CG Committee considers the effectiveness of the Diversity Policy on an ongoing basis as part of its ongoing assessment of current Board composition, potential director candidates, and more formally on an annual basis as part of its review of the Corporation's corporate governance policies. They also consider the effectiveness of this policy as part of the annual Board assessment process.

### Executive Officer Appointments

In accordance with its Diversity Policy, the Corporation considers diversity, including gender diversity, in the selection criteria of new executive officer appointments.

In identifying and considering potential candidates for executive appointments, the Corporation looks first to individuals within the Corporation and its subsidiaries and considers diversity, as well as factors such as years of service, competencies, mobility, merit, experience and qualification. The Board does not set specific gender representation targets when identifying potential candidates for executive officer positions, but does consider diversity and seeks to ensure that a representative list of females is included among the group of prospective candidates for executive positions.

## Targets

In accordance with its Diversity Policy, the Corporation has not adopted a target or quota regarding women on its board or executive management, as it considers gender diversity to be part of a broader diversity goal that includes age, gender, ethnicity, cultural background, disability or other personal factors. Diversity, including gender diversity, is one aspect of merit which includes an individual's skills, performance, values, leadership and other job related criteria. While the Board is not setting any targets initially, it will monitor progress and could decide to do so in the future if progress is not being made in obtaining appropriate diversity.

## Number of Women on the Board and in Executive Officer Positions

The table below sets out the number and proportion of women on the Board in the current year to date and over the last two financial years:

	# of Women on Board	Total # of Board Members	%
2018	1	9	11%
2017	1	9	11%
2016	1	9	11%

The table below sets out the number and proportion of women in executive officer positions in the current year to date and over the last two financial years:

	# of Women Executive Officers	Total # of Executive Officers	%
2018	2	7	29%
2017	2	9	22%
2016	2	8	25%

## Committee Reports

The reports of the committees of the Board below describe each committee's key responsibilities, activities and meetings during the last financial year. The members listed are the committees' members as of the date of this Circular.

### Audit Committee Report

#### Members

Larry Hood (Chair)  
Stan Spavold  
Brendan Paddick  
Jim Dickson

#### Meetings: 4

The Audit Committee is responsible to the Board for the policies and practices relating to the integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of reliability of information and compliance with policies and laws. The Audit Committee is also responsible for identifying the principal risks for Clearwater and ensure appropriate risk management techniques are used. Committee members review and discuss interim and annual financial statements, Management, Discussion and Analysis ("MD&A"), material press release and the Annual Information Form, including discussing financial information with management and external auditors.

In 2017, the Audit Committee continued to focus on understanding and ensuring the key risks and opportunities of the Corporation are clearly communicated to investors in disclosure documents.

### 2017 Highlights

- Obtained quarterly updates on significant risks and disclosure requirements from management
- Obtained an update on internal controls surrounding financial reporting
- Received reports regarding SAP stabilization and finance department reorganization
- Approved auditors' fees proposal

In 2018, the Audit Committee will continue to focus on ensuring that our investors get a full and balanced view of the financial results, risks, opportunities and future prospects of the business in each and every disclosure document. Jim Dickson joined the Audit Committee and Jane Craighead departed from the committee as of March 8, 2017.

Additional information about the Audit Committee, including its charter and the fees paid to KPMG LLP, the Corporation's auditor, in 2017, can be found in Clearwater's Annual Information Form under the heading "Audit Committee".

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## Human Resource Development and Compensation Committee Report

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### Members:

Jane Craighead  
(Chair)  
Harold Giles  
Mickey MacDonald  
Brendan Paddick

### Meetings: 6

The mandate of the Human Resource Development and Compensation Committee ("**HRDCC**") is to provide advice and recommendations to the Board of Directors with respect to the appointment, performance and compensation of the CEO and executives of the Corporation. The HRDCC is responsible for reviewing succession and development plans for executive officers. It is also responsible for ensuring Clearwater's compensation practices continue to be aligned with shareholder interests through linking annual and long-term incentive plans to individual performance and the creation of shareholder value.

### 2017 Highlights:

- Reviewed succession and individual development plans for the CEO and executive officers as well as development for high potential leaders for future career growth and succession opportunities.
- Reviewed and recommended to the Board the incentive compensation granted to the CEO and the Corporation's executive officers and leadership team.
- Reviewed the benchmarking of compensation and compensation design to market.
- Reviewed and provided input on the Corporation's management restructuring in November.
- Reviewed the long-term incentive plan and approved plan changes.

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## Corporate Governance Committee Report

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### Members:

Jim Dickson (Chair)  
Larry Hood  
Stan Spavold  
Brendan Paddick

### Meetings: 5

The Corporate Governance Committee's primary function is to assist the Board in carrying out its responsibilities with respect to the development and implementation of the highest standards of governance and ethics across our entire business. This includes the development and implementation of principles and systems of corporate governance, monitoring compliance with the Corporation's overall governance system and principles, identifying qualified individuals for Board and committee membership, evaluating Board, committee and director performance, and assessing the integrity of the executive officers to ensure that the Corporation, through its policies and practices, maintains a culture of highest integrity.



**2017 Highlights:**

- Conducted a Board assessment consisting of a confidential survey completed by directors.
- Reviewed the summary of director competencies to identify any gaps or potential areas of improvement.
- Worked with third party recruiter(s) to successfully complete one new director recruitment
- Reviewed and confirmed the Board Diversity Policy.
- Reviewed and confirmed the Corporation's director Share Ownership Policy and reviewed compliance with the same.
- Jointly approved the Corporation's Management Information Circular.
- Reviewed executive share ownership.
- Reviewed director compensation models and industry trends using bench-marking of comparables.
- Reviewed conflicts of interests and securities disclosure requirements.

Brendan Paddick joined the Corporate Governance Committee as of March 8, 2017.

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**Finance Committee Report**

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**Members:**

Stan Spavold (Chair)  
John Risley  
Brendan Paddick  
Jane Craighead

**Meetings: 5**

The Finance Committee's mandate is to work closely with management and provide recommendations to the Board on the Corporation's capital structure (debt and equity), corporate development activity, hedging foreign exchange and interest rate risks and reviewing capital expenditures in excess of management authority levels, financial risk management and dividend policy. This includes working with management to develop short, medium and long term capital structure to ensure that the Corporation can execute the strategic plan at an appropriate cost of capital.

The Committee meets at least four times during the year before each regularly scheduled quarterly board meeting. The Committee also meets on an ad hoc basis to approve transactions in excess of management authority limits and other items on an as required basis.

**2017 Highlights:**

- Reviewing the Corporation's foreign exchange policy and execution within policy
- Reviewing the capital program and reviewed and recommended capitals to the Board in accordance with the Corporation's policy
- Reviewed update of quarterly performance against budget and forecasts for the year
- Reviewed dividend policy and quarterly recommendations by management and recommended quarterly dividend to the Board
- Reviewed quarterly treasury reports
- Worked with HRDCC on setting performance goals, and reviewed performance by the Corporation against those goals for purposes of short and long term incentive arrangements
- Reviewed annual operating plan with CFO
- Monitored the capital markets and lender relationships

Jane Craighead joined the Finance Committee and Jim Dickson departed from the committee in March 2017.



## Part 5 – Other Information

### Proposals by Shareholders

Pursuant to the *Canada Business Corporations Act*, resolutions intended to be presented by Shareholders for action at the next annual meeting must comply with the provisions of the *Canada Business Corporations Act* and be deposited at the Corporation's head office not later than January 20, 2019, in order to be included in the management information circular relating to the next annual meeting.

### Additional Information

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's comparative financial statements and management discussion & analysis ("**MD&A**") for its most recently completed financial year. To request copies of the Corporation's financial statements and MD&A, Shareholders should contact Clearwater's Investor Relations team, 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7, by phone at 1-888-722-5567 or by e-mail at [investorinquiries@clearwater.ca](mailto:investorinquiries@clearwater.ca). The financial statements and MD&A are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Approval of Circular

The contents and the sending of this Circular have been approved by the Board of Directors.

Dated at Halifax, Nova Scotia, this 20<sup>th</sup> day of April, 2018.

(signed) Colin MacDonald

Chairman