

# REPORT ON CORPORATE GOVERNANCE

One of the contributing factors to BW LPG's success is the Company's clear governance framework that guides our corporate behaviour. The clarity and precision of these guidelines are a reflection of the Board's commitment to enforce transparency and accuracy.

BW LPG Limited ("BW LPG" or the "Company") is an exempted company limited by shares, incorporated under the laws of Bermuda and listed on Oslo Børs (the Oslo Stock Exchange).

BW LPG is subject to the Bermuda Companies Act and sets out key aspects of Corporate Governance in the Company's Memorandum of Association and Bye-laws. In addition, the Company is required to comply with certain aspects of the Norwegian Securities Trading Act, the Norwegian Accounting Act and the continuing obligations for companies listed on the Oslo Stock Exchange.

This Report describes the Company's Corporate Governance practices with specific reference to the Code (as defined below). Explanations have been provided where there are deviations from the Code.

## 1. Implementation and Reporting on Corporate Governance

The Company's Board of Directors (the "Board") believes that the interests of the Company and the shareholders taken as a whole are best served by the adoption of business policies and practices which are legal, compliant, ethical, and open in relation to all dealings with customers, potential customers and other third parties. Such policies are designed to be fair and in accordance with market-leading practices on stakeholder relationships and to be sensitive to reasonable expectations of public interest.

The Board recognises that the manner in which the Company is governed is critical to the successful development of the Company over time. The Board therefore commits the Company to good Corporate Governance, and has endorsed and adopted on a "comply or explain" basis the Norwegian Code of Practice for Corporate Governance (English version of the original document "Norsk anbefaling - Eierstyring og selskapsledelse") issued by the Norwegian Corporate Governance Board (the "Code"). The Code is available at [www.nues.no](http://www.nues.no).

The BW LPG Corporate Governance policy takes into account the Code and as such, includes self-regulatory corporate governance practices. The Company has developed its internal policies and practices, where appropriate, to meet requirements and recommendations of the Code.

The Corporate Governance of the Company is subject to review by the Board at least annually, and the Company's governance documents are reviewed annually to ensure continued relevance and accuracy.

## 2. Business

The objectives of the Company are described in the Company's Memorandum of Association. In accordance with common practice for Bermuda companies, the description of the Company's objectives is wider and more extensive than recommended in the Code. Accordingly, this represents a deviation from section 2 of the Code.

The Company's objectives and main strategies are described in the Annual Report.

## 3. Equity and Dividends

The Board regularly evaluates the Company's capital requirements to ensure that the Company has equity appropriate to its goals, strategy and risk profile.

The Board's authority to alter the issued share capital and to purchase its own shares means that the Board, within the scope of the Bermuda Companies Act, is free to decide how the alteration of share capital and purchase or sale of its own shares shall take place. Pursuant to Bermuda law and in accordance with common practice for Bermuda incorporated companies, the powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended in the Code. This represents a deviation from section 3 of the Code.

The 2016 Annual General Meeting of the Company has approved that the Board may grant authorisations for the Company to purchase its own shares. Such authorisations are valid for the period until the next Annual General Meeting.

The Board has decided on a dividend policy for BW LPG to provide a degree of predictability and transparency on the determination of dividend payouts to shareholders. The policy highlights that when determining the semi-annual dividend level; the Board will target a payout ratio of 50% of net profits after tax, and will take into consideration appropriate limits on leverage, capital expenditure plans, financing requirements, appropriate financial flexibility and anticipated cash flows. In addition to cash dividends, BW LPG may buy back shares as part of its total distribution of capital to shareholders. The policy details were made public via the Oslo Stock Exchange's information system on 22 May 2014 and have been published at the Company's website [www.bwlpg.com](http://www.bwlpg.com). Dividend payouts which were approved at the Annual General Meeting of the Company have been made in accordance with the dividend policy.

## 4. Equitable Treatment of Shareholders and Transactions with Close Associates

The Company has one class of shares, and each share has one vote at the General Meeting.

The Board's authority to alter the issued share capital and to purchase its own shares means that the Board, within the scope of the Bermuda Companies Act, is free to decide how the alteration of share capital and purchase or sale of its own shares shall take place. The Board will monitor the process of alteration of share capital and purchase or sale of its own shares to ensure that the shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the shareholders of the Company do not have pre-emption rights in share issues unless otherwise resolved by the Company. Any decision to issue shares without pre-emption rights for existing shareholders shall be justified. Where the Board resolves to carry out a share issue without preemption rights for existing shareholders, then the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the share issue.

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange or with reference to prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of shareholders.

In cases of material transactions between the Company and a shareholder, Director, Officer or Executive Personnel of the Company or persons closely related to any such parties, the Board will obtain a valuation from an independent third party.

Directors and Officers of the Company and Executive Personnel are required to notify the Board if they directly or indirectly have a significant interest in an agreement to be entered into by the Company.

The Company does not deviate from section 4 of the Code.

## 5. Freely Negotiable Shares

In general, the shares in the Company are freely transferable. However, the Board may refuse to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any share in the register of members, or if required, refuse to direct any Registrar appointed by the Company to transfer

any interest in a share held through the VPS, where such transfer would, in the opinion of the Board, likely result in 50% or more of the aggregate issued and outstanding shares or votes being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to Norwegian business activity, or the Company otherwise being deemed a "Controlled Foreign Company" pursuant to Norwegian tax legislation. This represents a deviation from section 5 of the Code; however, given liquidity in available markets the Company does not foresee that this provision will impact on the free transferability of its shares.

## 6. General Meetings

The Annual General Meeting of the Company will normally take place on or before 31 May each year.

BW LPG encourages all of its shareholders to participate in and to vote at General Meetings, as these are the forums where shareholders have the opportunity to exercise the highest level of authority in the Company. In order to facilitate shareholder participation:

- The notice and the supporting documents and information on the resolutions to be considered at the General Meeting shall be available on the Company's website no later than 21 calendar days prior to the date of the General Meeting;
- The resolutions and supporting documentation, if any, shall be sufficiently detailed and comprehensive to allow shareholders to understand and form a view on matters that are to be considered at the General Meeting;
- The registration deadline, if any, for shareholders to participate at the General Meeting shall be set as closely to the date of the General Meeting as practically possible and permissible under the provision in the Bye-laws;
- The Board and the person who chairs the General Meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Company's Board and Committees (if applicable);
- The members of the Board, the Nomination Committee and the external auditor shall attend the General Meeting.

Shareholders who cannot be present at the General Meeting will be given the opportunity to vote by proxy or to participate by using electronic means. The Company shall in this respect:

- Provide information on the procedure for attending by proxy;
- Nominate a person who will be available to vote on behalf of shareholders as their proxy; and

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- Prepare a proxy form which shall, insofar as this is possible, be formulated in such a manner that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

Pursuant to common practice for Bermuda incorporated companies, the Bye-laws of the Company stipulate that the Chairman of the Board shall chair the General Meetings in which he is present unless otherwise resolved by the General Meeting. In this respect, the Company deviates from section 6 of the Code. However, there shall be routines to ensure that an independent person is available to chair the General Meeting or a particular agenda in regards to any individual matters related to the Chairman.

The Annual Report will be published on the Company's website and a printed version can be made available upon request.

## 7. Nomination Committee

The Company has a Nomination Committee with an elected Chairman. The Nomination Committee is laid down in the Company's Bye-laws with guidelines approved at the Annual General Meeting.

The Nomination Committee has the responsibility of proposing candidates for election to the Board and proposing remuneration to be paid to members of the Board, and for proposing candidates for election to the Nomination Committee and proposing the remuneration to be paid to members of the Nomination Committee.

The members of the Nomination Committee have been selected to take into account the interests of shareholders in general.

The Nomination Committee is available for contact with shareholders and maintains regular contact with the Board and the Company's Executive Personnel. As part of its work in proposing candidates for election to the Board, the Nomination Committee shall strive to consult with relevant shareholders concerning proposals for appointment of candidates.

Two of the three members of the Company's Nomination Committee are not members of the Board. Pursuant to the Nomination Committee guidelines, a member of the Board who is also a member of the Nomination Committee may offer himself for reelection to the Board. This represents a deviation from the recommendations in section 7 of the Code and has been implemented to allow for continuity in the Board and the Nomination Committee.

In accordance with the recommendations of the Code, the Nomination Committee does not include the Company's Chief Executive Officer or any other executive personnel of the Company. However Mr. Andreas Sohmen-Pao is Chairman of the Board and the Nomination Committee. This does not comply with the Guidelines. The Company believes that this arrangement works well in practice as both the Board and Nomination Committee comprise a majority of independent members who vote independently; because shareholders have full access to the nomination committee which is listed on the company website; and because given the shareholder structure, it is believed that there are benefits in having a common representative across both groups who can give insight to the nomination committee on board dynamics.

An up-to-date composition of the Nomination Committee is available on the Company's website and the Company shall provide shareholders with any deadlines for submitting proposals to the Nomination Committee.

## 8. Corporate Assembly and Board of Directors: The Composition and Independence of the Board

Pursuant to the Code, the composition of the Board shall ensure that it can attend to the common interests of all shareholders and meets the Company's need for expertise, capacity, diversity and independence. A majority of the shareholder-elected members of the Board should be independent of the Company's executive personnel and material business connections of the Company. In addition, at least two of the members of the Board should be independent of the Company's major shareholder(s). A major shareholder means a shareholder that owns ten percent (10%) or more of the Company's common shares or votes.

Members of the Board shall serve for a term of two years, after which they would be re-evaluated before being considered for re-election.

The composition of the Board satisfies the above recommendations. The Board consists of seven members, possessing the required expertise, capacity and diversity. All members of the Board are independent of the executive management of the Company and exercise proper supervision of the management of the Company and its operations. With the exception of Mr. Andreas Sohmen-Pao, Mr. Carsten Mortensen and Mr. John B Harrison who are not independent of the Company's largest shareholder, BW Group Limited, all members of the Board are independent of the Company's major shareholders, the management and material business connections of the Company. The composition of the Board is in compliance with section 8 of the Code.

An up-to-date composition of BW LPG Board is available on the Company's website. Information has been included on the website and in the Annual Report to illustrate the expertise of the members of the Board.

The Company has resolved not to include information on the record of the Board members' attendance at Board meetings in the Annual Report as this is not required under Bermuda law. This represents a deviation from section 8 of the Code.

## 9. The Work of the Board

The Board is ultimately responsible for the management of the Company and for supervising its day-to-day management. The duties and tasks of the Board are detailed in the Company's Bye-laws.

In order to conduct its work, the Board as well as each of the Board Committees is guided by their respective guidelines which are reviewed annually for effectiveness. Annually, the Board and the Board Committees fix in advance a number of regular scheduled meetings of the Board and Board Committees for the following calendar year, although additional meetings may be called for by the respective Chairmen. The Directors and members of the Board Committees shall normally meet in person but if so allowed by the Chairmen, Directors and members of the Board Committees may participate in any meeting of the Board and the Board Committees by means of electronic communications.

The Board has approved mandates for and established an Audit Committee, currently consisting of Board members Mr. John B Harrison (Chairman of the Audit Committee) and Mr. Anders Onarheim, a Remuneration Committee, consisting of Board members Ms. Anne Grethe Dalane (Chair of the Remuneration Committee) and Dato' Jude P Benny in order to ensure enhanced attention to financial reporting and remuneration of executive personnel. Additionally, a Nomination Committee has been established, consisting of Board member Mr. Andreas Sohmen-Pao (Chairman of the Nomination Committee), and non-Board members Mr. Ronny Langeland and Ms. Mai-Lill Ibsen. See section 7 above for information on the Nomination Committee.

The Board has successfully carried out the annual evaluation exercise of its members in the areas of Board composition and roles both individually and as a Group, Board process, Board content and oversight. The various Board Committees were also reviewed for their effectiveness in executing their responsibilities.

The Company does not deviate from section 9 of the Code.

## 10. Risk Management and Internal Control

The Board ensures that the Company has sound internal controls in place and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities, to support the quality of its financial reporting and to ensure compliance with laws and regulations. Such procedures and systems shall contribute to securing shareholders' investment and the Company's assets.

Management and internal control is based on Company-wide policies and internal guidelines in areas such as Finance and Accounting, Health, Safety, Security, Environment & Quality (HSSEQ), Ship Operations and Project Management, in addition to implementation and the follow-up of a risk assessment process. The Company's management system is central to the Company's internal control and ensures that the Company's vision, policies, goals and procedures are known and adhered to. Further details on our people, our sustainable operations and our risk management policies can be found in the report on pages 8 and 9, 30 to 43, 46 and 47 respectively.

The Company has frequent and relevant management reporting of both operational and financial matters in place both to ensure adequate information for decision-making and to respond quickly to changing conditions.

The Board carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. Further details are reflected in pages 46 and 47 of the risk management report and pages 96 to 99 of the notes to the financial statements.

The Company does not deviate from section 10 of the Code.

## 11. Remuneration of the Board of Directors

The Annual General Meeting of the Company decides the remuneration of the Board. The remuneration of the Board and its individual directors shall reflect its expertise, level of activity, responsibility, use of resources and the complexity of the business activities.

Members of the Board do not receive profit-related remuneration or share options.

Members of the Board and/or companies with whom Board members are associated shall not normally undertake special tasks for BW LPG in addition to the role as a member of the Board of the Company. However, if they do so, the entire Board shall be informed, and the fee shall be approved by the Board.

Remuneration of the Directors of BW LPG is stated in the Annual Report of the Company.

The Company does not deviate from section 11 of the Code.

**12. Remuneration of the Executive Personnel**

The Board has established Guidelines for Executive Remuneration. These guidelines have been communicated at the Annual General Meeting and made available to shareholders on the Company’s website. Any changes in these guidelines will be updated on the website and formally communicated at the Annual General Meeting.

Compensation and other remuneration of the Executive Personnel of the Company is reviewed annually and approved by the Board based on recommendations by the Remuneration Committee, which considers the performance of Executive Personnel and also gathers information from comparable companies before making its recommendation to the Board. Such recommendation aims to ensure convergence of the financial interests of the Executive Personnel and the shareholders.

Executive Personnel comprises the CEO, CFO, SVP, Commercial and SVP, Technical and Operations. The remuneration structure for Executive Personnel comprises primarily salaries; bonus; payments to defined contribution plans; insurance cover; company-provided phones; and other benefits which are minor in nature. These disclosures are viewed to be sufficiently transparent to meet shareholders’ information needs.

Executive personnel’s remuneration (US\$ ‘000)	
Salary	1,479
Payments to defined contribution plans	25
Bonus*	301
Total Remuneration for 2016	1,805

\*In 2016, payment of US\$240,000 was made for variable bonus for 2015’s performance. In addition, payment of US\$61,000 was made in relation to long term incentive scheme for 2015 performance.

Variable bonus for 2016’s performance will be paid in 2017.

There is no obligation to present the Guidelines for Executive Remuneration to the shareholders of a Bermuda incorporated company. The Company did not provide the remuneration of individual Executive Personnel as such disclosure may be prejudicial to its business interests given the highly competitive business environment the Company operates in. This represents a deviation from section 12 of the Code.

**13. Information and Communication**

The Company is committed to providing information in a manner that contributes to establishing and maintaining confidence with important interest groups such as the Oslo Stock Exchange and financial markets in general as well as with stakeholders. The information shall be based upon transparency, openness and equal treatment of all shareholders. A precondition for the share value to reflect the underlying values in the Company is that all relevant information is disclosed to the market. Based on this, the Company will endeavour to keep the shareholders informed about profit developments, prospects and other relevant factors for their analysis of the Company’s position and value. It is emphasised that the information is uniform and simultaneous.

The Company publishes electronically an updated financial calendar with dates for important events such as the Annual General Meeting, publishing of interim reports, public presentations and payment of dividends (if applicable) on the Company’s website.

Public investor presentations are arranged in connection with submission of annual and quarterly results for the Company. The presentations are also available on the Company’s website. Furthermore, continuous dialogue is held with, and presentations are given to analysts and investors, ensuring at all times, through advance publication of share price sensitive information, that existing and prospective investors have symmetrical access to share price sensitive news.

Information issued to the Company’s shareholders will be published on the Company’s website at the same time as it is sent to the shareholders.

The Company does not deviate from section 13 of the Code.

**14. Take-overs**

The Company has established key principles for how to act in the event of a take-over offer. In the event of a take-over process, the Board shall ensure that the Company’s shareholders are treated equally and that the Company’s activities are not unnecessarily interrupted. The Board shall also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board will abide by the principles of the Code and also ensure that the following takes place:

- The Board will ensure that the offer is made to all shareholders, and on the same terms;

- The Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- The Board shall strive to be completely open about the take-over situation;
- The Board shall not institute measures which have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- The Board must be aware of the particular duty the Board carries for ensuring that the values and interests of the shareholders are safeguarded.

The Board shall not attempt to prevent or impede the take-over bid unless this has been decided by the shareholders in a General Meeting in accordance with applicable laws. The main underlying principles shall be that the Company’s common shares shall be kept freely transferable and that the Company shall not establish any mechanisms that can prevent or deter take-over offers unless this has been decided by the shareholders in a General Meeting in accordance with applicable law.

If an offer is made for the Company’s common shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board’s statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board shall consider whether to arrange a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined in point 8 above). Any such valuation should either be enclosed with the Board’s statement, or reproduced or referred to in the statement.

The Company does not deviate from section 14 of the Code.

**15. Auditor**

The auditor is appointed by the Annual General Meeting of the Company and is responsible for the audit of the consolidated financial statements of the Company.

The auditor participates in the Audit Committee’s review and discussion of the annual accounts and quarterly interim accounts. The auditor also discusses the Key Audit Matters included in the Independent Auditor’s Report accompanying the annual accounts with the Audit Committee.

The auditor shall annually submit the main features of the plan for the audit of the Company to the Board or the Audit Committee.

The auditor shall participate in meetings of the Board that deal with the annual accounts, accounting principles, assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive management of the Company and/or the Audit Committee.

The auditor shall at least once a year present to the Board or the Audit Committee a review of the Company’s internal control procedures relating to its financial reporting process, including identified weaknesses and proposals for improvement.

The Board shall hold a meeting with the auditor at least once a year at which no representative of the executive management is present.

The Board shall determine the right of the executive management to use the auditor for purposes other than auditing.

The auditor shall annually confirm his independence in writing to the Audit Committee.

The Board shall give an account to the shareholders at the Annual General Meeting of the Company of the remuneration paid to the auditor, including details of the fee paid for audit work and any fees paid for other specific assignments.

The Company does not deviate from section 15 of the Code.