RISK MANAGEMENT

BW LPG strives to provide competitive risk-adjusted returns to shareholders. Risk management is an integral part of value delivery and is fundamental to our business decision-making process. We have designed our dynamic yet strategic risk management framework to ensure minimal impact of any unfavourable events and market conditions.

BW LPG operates in dynamic markets that pose a wide range of operational, financial, environmental and political risks. Our Enterprise Risk Management (ERM) is based on the principles from ISO 31000:2009 and COSCO ERM Framework. BW LPG's aims for risk management include:

- Aligning strategy and performance with mission, vision and core values
- Increase the likelihood of achieving business objectives
- Improve the identification of opportunities and threats
- Comply with relevant legal and regulatory requirements and international norms
- Improve governance
- Improve stakeholder confidence and trust

Strategic and External Risks

These are risks that relate to the markets, countries, segments, services and products, or from customers. They are addressed by the business strategies managed through the Company's annual strategy review process. In this process, the Board of Directors review provides input on the Executive Management's assessment of strategic and external risks. The Executive Management is responsible for ensuring that the intended and actual business direction, changes in markets, customers' expectations and requirements are reflected in corporate strategic planning.

Regulatory and Compliance Risks

These are risks associated with ethical behaviour, both directly involving employees and through third parties or partners on behalf of the Company; with security of sensitive information; or related to compliance with laws and regulations, including environmental regulations, sanctions and anti-bribery laws. These risks are managed through regular analysis and mandatory awareness training, compliance reviews, legal due diligence, and internal audit checks.

Commercial and Operational Risks

Operational risks are risks related to events occurring during planning and execution of business operations, involving for example elements such as cargo loss or damage, counterparties, asset loss, crew injury, environmental damage, or damage to, or loss of, assets. Appropriate control measures are incorporated in operations and insurance planning to mitigate these risks, with ongoing monitoring during execution to identify and address newly emerging risks. Incidents and near misses experienced are reviewed by the appropriate Heads of Departments to ensure that their root causes are comprehensively analysed, with suitable corrective actions determined and implemented. The risk management process for project planning is implemented using a risk register whereby commonly occurring risks are considered, with applicability assessed in terms of impact and probability. This register supports risk identification and follow-up of identified risks in projects and related improvement opportunities.

Financial Risks

The Group's activities expose it to a variety of financial risks. The Group recognises the unpredictability of financial markets and seeks to minimise the potential adverse effects on financial performance of the Group. Where applicable, the Group uses financial instruments such as interest rate swaps and bunker swaps to hedge certain financial risk exposures. The Group avoids speculation and risk management tools which may create new exposures as a result of their incompatibility with the risk targeted for mitigation. The financial risk management of the Group is handled by the Executive Management with guidance and input by the Board of Directors. The Group regularly monitors its risk framework, policy and reviews processes in place to ensure appropriate and efficient mitigation of risk.

(a) Market risk

i. Fuel price risk

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. This risk is managed by pricing contracts of affreightment with fuel oil adjustment clauses where possible. In fixed price contracts of affreightment, the Group manages risk by entering into forward fuel contracts, backed by internationally recognised financial institutions. For short term voyage contracts, the Group takes the current fuel costs into account when assessing contract pricing and therefore typically does not require additional specific coverage.

ii. Currency risk

The Group's business operations are typically not exposed to significant foreign exchange risk as it has no significant regular transactions denominated in foreign currencies. Where significant foreign exchange risk is identified, risk mitigation through forward contracts is considered to secure the exposure in the Group's functional currency (US dollars) at or subsequent to the time at which thetransaction is committed.

(b) Credit risk

Credit risk is diversified over a range of counterparties including several key charterers. The Group performs ongoing credit evaluation of its charterers and has policies in place to ensure that credit is extended only to charterers with appropriate credit histories or financial resources. The Group has policies in place for the control and monitoring of the concentration of credit risk. The Group's credit risk is primarily attributable to trade and other receivables, cash and cash equivalents. Cash and cash equivalents are mainly deposits and the Group has implemented policies to ensure that cash is only deposited with internationally recognised financial institutions with good credit ratings.

Trade receivables are substantially due from companies with good collection track records with the Group. Where significant balances are past due or impaired, appropriate provisions are made against these exposures.

(c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's borrowings are at variable rates. The Group has entered into interest rate swaps to swap floating interest rates to fixed interest rates for a certain portion of the Group's bank borrowings in order to limit the aggregate exposure over time to fluctuations in interest rates.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains sufficient cash for its daily operations via short-term cash deposits at banks and has access to an unutilised portion of revolving credit facilities offered by financial institutions.

(e) Capital risk

The Group's objectives when managing capital, are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings. The Group monitors capital based on a leverage ratio (defined as total debt to total equity and debt). The Group pursues a policy aiming to achieve a ratio of below 60%. If the leverage ratio is higher than 60%, the Group will seek to return to a conservative financial level by disposing assets, deleveraging the balance sheet; and/or increasing fixed income coverage within a reasonable period of time.