

# Corporate Governance Statement

Good corporate governance is characterised by responsible interaction between the owners, the Board of Directors and its management, taking into consideration both short and long term value creation.

Shareholders, employees, customers, suppliers, lenders, public authorities and society in general should be able to trust that a business is being run properly and that governing bodies are sufficiently independent in order to perform their functions.

## 1. Corporate Governance policy for I.M. Skaugen SE

Corporate governance deals with issues and principles related to the distribution of roles between the governing bodies of a company and the responsibility and authority assigned to each of those bodies.

Proper attention must be given to the various roles and functions of the Board of Directors to foster proper controls, but at the same time encourage the business to assume risks and manage risks by encouraging innovation and entrepreneurship; all with the aim to enhance shareholder values.

Proper attention must also be given to the characteristics of the Company participating in the global shipping community where speed of decision making and execution has been a core competitive advantage. This document outlines key principles and guidelines for the governance of I.M. Skaugen.

This statement follows the principle of comply or explain. Where the company

does not comply with the recommendation on corporate governance from NUES of 30 October 2014, this will be duly explained in this statement.

The recommendation from NUES can be found at [www.nues.no](http://www.nues.no).

These principles and guidelines are approved by the Board of Directors and are to be reviewed annually or more often if deemed necessary.

## 2. Ethics and social responsibility

Confidence in I.M. Skaugen as a company and in its business activities as a whole is the most important factor to ensure future competitiveness of the Group.

In order to earn the needed trust and confidence; the directors, officers and employees of the Group must demonstrate that they aim to preserve the confidence on a continuous basis.

To support this work, the company has formalized a “code of conduct” that applies for all of the employees in the Group.

The code of conduct formalizes the corporate values and ethical guidelines we have in place. The code covers areas that are important for securing acceptable business ethics in all aspects of the Group’s activities. It contains specific and practical rules, and sets the standards for how individuals such as Directors, officers, employees, hired staff and thus anyone working on behalf of the company, should proceed when faced with the daily competitive environment and demands for meeting our business objectives.

The Board of Directors acknowledges the considerable responsibility the company has in relation to safety, security and environment together with our responsibility towards our stakeholders. The company will finalize the preparation of written guidelines for its corporate social responsibility as they exist to date. These guidelines will deal with the company's responsibility for people, society and environment that are affected by its operations, including human rights, anti-corruption, labor conditions, safety, discrimination and environmental issues.

*Deviation from the recommendation:*

I.M. Skaugen SE does not yet have corporate social responsibility guidelines embodied in one document. We have guidelines and policy statements that collectively can be considered adequate. A process to cover all these into one document is work in process.

### **3. Business purpose**

Our vision is to be the leading provider of marine transportation services within our specified niche markets that can offer innovative maritime solutions.

Our mission is to create shareholder value through our emphasis on achieving cost and service leadership, consistently improving customer service and focusing on operational efficiency and thereby growing the profitability of our business.

The articles of association of I.M. Skaugen SE states that the business purpose of the company is to engage in the shipping industry and other activities, and furthermore participate in other companies and activities as a shareholder or in other ways.

The Board of Directors and management have determined the current strategic direction for the Company to be a fully-integrated Marine Transportation Service

Company currently operating globally in hassle free transportation of liquefied gasses such as LNG, petrochemical gases and liquefied petroleum gas (LPG)

Our customers are large global companies operating in the oil/gas, petro-chemical and power generation industries served through our international organisation.

We believe that in a global environment, the successful companies are those that can put together a multinational team of people with the best knowledge and highest enthusiasm - wherever they can find them, anywhere in the world.

Our teams - shore-side and seafaring – are available for the work for our clients round-the clock to serve our customers, 24 hours a day, 7 days a week, 365 days a year.

The Group also undertakes industry-leading recruitment and training programmes for seafarers through our training center in China. This center is crucial in order to secure a long-term supply base of well-trained officers and crew for our fleet.

### **4. Equity and dividends**

The company's shareholder policy aims to create shareholder value through our emphasis on "Cost and Service Leadership", constantly improving customer service and focusing on operational efficiency, thereby growing the business profitability.

I.M. Skaugen's goal of creating value for its shareholders means a continuous focus on ensuring that the company's balance sheet and its financing - inclusive of its equity - is adapted to the company's objectives, strategy and risk profile.

The Board of Directors has adopted a financial policy that amongst others has targeted an equity ratio (book equity in

percent of total assets) of no less than 30 percent.

The company favors a dividend policy based on financial performance, but the increase in share price should, over time, account for the largest part of the return on shareholder investment. When appropriate, and particularly when the share price is considered low, the company aims to buy back its own shares from the market.

Shareholders have the opportunity at each annual general meeting to approve any mandate to the Board of Directors to issue shares or purchase own shares. The shareholders have approved a mandate to purchase own shares and to increase the share capital.

### **5. Equal treatment of shareholders and transactions with related parties**

The Company's share capital consists of only one class of shares.

The Articles of Association do not contain any voting right restrictions and all the shares have equal status. In a situation where the Board proposes to waive the pre-emption rights of the existing shareholders, the Board of Directors will comply with the Norwegian code of practice for corporate governance.

The company has neither material contracts nor any contracts of material importance with any of its shareholders, any member of its Board of Directors or leading employees. If such a situation occurs the Company will adhere to the recommendations in the Norwegian code of practice for Corporate Governance.

There are guidelines in place ensuring that if Directors or an executive management employee has material interest in an agreement being entered into by the company he or she has an obligation to report this to the Board of Directors.

### **6. Full negotiability of the shares in the company**

There are no restrictions on the transfer of shares in the company in the articles of association.

### **7. General meetings**

The General Meeting is the company's highest deciding body. It elects the shareholder-elected members of the Board of Directors and appoints the Company's auditor.

The Company's Articles of Association requires the Annual General Meeting to be held before 1 May. In accordance with the Articles of Association, notice of a general meeting has to be given at least three weeks in advance. The notice of a general meeting will be published on the company's website at least three weeks prior to the meeting. All shareholders are notified at the address under which they are registered in the Register of Shareholders and the notice will be sent by regular post at least three weeks in advance. From 2011 the annual account and other documents will only be sent to shareholders that request the documents in question on paper.

Anyone who owns shares in the company has the right to attend the General Meeting.

Registration should normally be performed no later than three days prior to the General Meeting. The Chairman of the Board, Chief Executive Officer (CEO), Chief Financial Officer and the auditor participate in the Annual General Meeting.

The notice of the general meetings and the minutes from the general meetings are presented in the Investor Relations section on the company's website.

Should the shareholder be obstructed from attending the General Meeting a proxy can be given by following the guidelines

published along with the notice of the General Meeting on the company's website.

## **8. Board of Directors**

The Company is not required to have a corporate assembly. Therefore, the General Meeting elects the representatives to the Board of Directors directly.

According to the Articles of Association the Board of Directors consists of between three to seven members. At present there are five board members. The Board of Directors elects its own chairman and deputy chairman.

The members are elected for a term of two years and may stand for re-election. The nominations should normally be distributed to the shareholders together with the notice of the General Meeting. Resolutions - concerning the composition of the Board of Directors are made on the basis of a simple majority.

Members of the Board of Directors represent, directly and indirectly, almost 50 per cent of the shareholdings in I.M. Skaugen. For this reason, no nomination committee has been established, as is recommended by the Norwegian code of practice for corporate governance as of 30 October 2014. The Board of Directors fulfils this role itself, and the ongoing work to review candidates for the Board is handled by ad hoc committees of the Board and chaired by the Chairman.

Between them, the Board Members possess wide-ranging skills from the shipping industry, as well as broad professional financial experience. The biographies for the Board of Directors are presented on the company's website. The board is always aiming for the best possible international mix of competencies on its board and amongst its staff and executives.

All board members consider themselves independent of the company and the management. To be defined as independent specific criteria must be met.

The Board members:

- Must not have been directly or indirectly employed by the Company in the previous three years
- Must not have any common, and for all parties involved material financial or other relevant interests with other board members, the CEO or other members of the Group management.
- Must not have, or represent, material ongoing business relationship with the Company.

At least two of the Board members are independent from the larger shareholders of the Company. The Board has created a policy in cases where any board member or executive management team member directly or indirectly holds or controls any, and for all parties, material financial interest that is in common with the Company's financial interests. The policy calls for these to be disclosed in the annual report of the Company. Any such common financial interest will also be disclosed to the Board of Directors at any given time whenever it arises or at any time prior to the Company making its own investment decisions.

These rules do not govern situations where the members hold financial interest in the Company itself nor where the investments are in publicly listed securities and the combined investments is small relative to others.

The Annual General Meeting determines the remuneration of the board members based on the recommendation from the Board of Directors. None of the board members have options or other forms of profit-based remuneration. A detailed overview of the remuneration of the Board of Directors is presented in the notes to the financial statements of the company.

*Deviation from the recommendation:*

As stated and explained above the company has opted not to have a nomination committee.

## **9. Work of the Board of Directors**

The Board has approved rules of procedure for the Board and the work of the Board of Directors.

These procedures are reviewed annually or as often as deemed necessary for an update. The role of the company's Board of Directors is to oversee the management, the company's strategic development and to assure that the long-term interests of all shareholders and other stakeholders are being served.

In addition to its general oversight of management, the duties of the Board of Directors include:

- Reviewing, approving and monitoring fundamental business and financial strategies and performance
- Approval of major corporate agreements/transactions
- Hiring and reviewing the performance as well as the compensation for the CEO
- Considering the general terms of pay and compensation to other leading employees in the group
- Providing counsel on the selection, evaluation and development of senior management
- Reviewing internal and external control routines and the risk management procedures of the Group
- Ensuring processes are in place for maintaining the integrity of the Company

A clear division of work has been defined between the Board of Directors and day-to-day management as headed by the CEO. The Board Chairman is responsible for ensuring that the work of the Board of Directors is performed in an efficient and

correct manner in accordance with its duties. The CEO is responsible for the company's operative management.

The Board of Directors has issued instructions to the CEO that specifies the decisions that have to be approved by the Board of Directors.

It is of utmost importance that a board operates as one team of independent members, particularly in smaller companies with a limited number of board members and activities. Formation of sub-committees such as nomination, compensation and audit committees may in some companies represent efficiency and / or control gains, however, they may well also fragment the board's responsibilities and increase the work-load. The use of sub-committees could sometimes also lead to special interest groups that are able to dominate a board and potentially create an environment in which politicking thrives.

The Board has evaluated this and for the above reasons and the fact that Board members represent almost 50% of the shares of the Company no nomination committee will be appointed. The Board has formalized a remuneration committee that consists of the chairman and the deputy chairman of the Board.

It has also been decided that the entire Board will act as an audit committee.

The Board of Directors normally meets four to six times per year. Additional meetings are held when required. Meetings may be undertaken via telephone, videoconference or per capsulam. The rules of procedures for the Board outline a number of topics that should be on the agenda in the regular meetings.

The board members receive regular information on the company's operational and financial performance prior to the board meetings. Board members also receive by

email written monthly reports on the Group's operations. The company has set up an innovative Board of Directors portal on its intranet that all of the board members and the auditors can access at any time to obtain up-to-date information about the Company or to review previous board documents.

In the first board meeting after the annual general meetings the Board of Directors elects its own chairman and deputy chairman. The Board will conduct an annual performance evaluation to determine whether the Board is functioning effectively and identify areas of improvement in the work of the Board. The review will be discussed by the full Board once a year.

The spokesperson for the Company is the CEO or whomever he delegates as the person to represent the Company. Where appropriate the Chairman of the Board may act as the spokesperson for the Company.

*Deviation from the recommendation:*

The entire Board of Director of the Company acts as the audit committee. This arrangement has been duly discussed and after careful consideration it has been concluded that this arrangement is the most optimal for the company.

The Board chooses its own chairman as this has proved to be in the best interest for the company and is deemed to be unproblematic in all material respects.

## **10. Remuneration to leading employees**

The company currently has no stock option schemes for any of its employees.

The remuneration for the CEO is discussed annually and reviewed by the Board of Directors without the CEO participating in any of these discussions. The CEO is entitled to an annual bonus based on an evaluation undertaken by the Board of Directors and the bonus is made at its own

discretion. In making its decision, the board considers general relative performance of the Company, targets achieved, the cash flow results, the net results and the yield for the shareholders.

The Board of Directors also approves, on a general basis, the remuneration and terms of employment for key employees reporting to the CEO. Some of these senior employees have bonus arrangements or profit split arrangements. The bonus arrangements for the senior employees are determined at the discretion of the CEO. The Board refers to Guidelines for determining remuneration for leading employees in I.M. Skaugen, which are submitted to the yearly annual general meeting. A summary of this is also described in the notes to the annual accounts.

The Board of Directors has evaluated the need for a compensation committee but believes that there is no need for a special compensation committee at this time. To date, the Chairman has performed this role and he consults with other Board members before making proposals to the entire Board with regard to compensation issues for the CEO.

The remuneration, pension schemes and severance pay for the CEO and leading employees are presented in the notes to the annual accounts.

## **11. Risk management and internal control**

Every leader at I.M. Skaugen is responsible for risk management and internal control and must ensure:

- Exploitation of business opportunities
- Targeted, cost-effective operations
- Reliable financial reporting
- Compliance with current legislation and regulations
- Compliance with the Group's code of conduct

The Board annually assesses and evaluates the threats and possibilities for the Group. Based on this assessment, the Board and the management agree on targets and achievements to focus on. The Board is presented a status report from all of the business units on a regular basis which focuses on strategic and operational targets and achievements, and which presents the financial results from the operation of the business unit.

The Group has developed ISO certified control procedures for the technical and operational management of the vessels. The procedures and compliance of these are audited on a regular basis.

The Group has set up a financial controller team that supervises the financial reporting process. The Board receives financial updates on a monthly basis. The financial reporting process and internal control system are reviewed and discussed at least once during the calendar year.

The Board has requested that the implementation of the Code of Conduct for the group is followed up with a review of the adherence to the Code.

## **12. Information and communication**

I.M. Skaugen SE aims to keep shareholders, analysts and investors updated in the Company's operations in a timely fashion, both by releasing information regularly and holding presentations.

The financial calendar showing publication dates for the company's quarterly interim reporting is available on our website.

I.M. Skaugen has for several years focused on achieving and maintaining a transparent and accountable financial reporting system. Accurate and thorough information is vital for securing reasonable pricing for the company, based on underlying values and

earnings. It is our policy to report promptly after the end of each quarter.

Investor presentations are arranged on a regular basis. The CEO reviews the results and comments on the performance as well as the outlook. The Group's Chief Financial Officer also participates at these presentations, as do other members of the corporate management from time to time.

These presentations are available on the Group's website. Beyond this, the Group maintains a regular dialogue with and conducts presentations for analysts, investors and other key stakeholders.

### *Deviation from the recommendation:*

The Board has not implemented any specific guidelines for the communications with its shareholders outside the General Meeting. Guidelines in addition to the implemented practice described above have not been deemed necessary or desirable for the company or its shareholders.

## **13. Take-overs**

The company's Articles of Association contain no defense mechanisms against the acquisition of shares, nor have any other measures been instituted to restrict the opportunity to acquire shares in the company.

The Board of Directors will not seek to prevent or obstruct any takeover bid for the company's activities or shares unless there are particular reasons for doing so. In the event of a takeover bid, as discussed in item 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will seek to comply with the recommendations therein as well as complying with relevant legislation and regulations. This means that the Board will not exercise mandates or pass any resolutions with the intention of obstructing a take-over bid unless this is approved by

the general meeting following the announcement of the bid.

If a take-over bid is received the shareholders will be given sufficient information and time to form a view of the offer. In the case of a bid on all the company shares the Board will obtain a valuation from an independent expert regarding the offer and give a recommendation to the shareholders. If a situation occurs where the Board proposes to dispose of all or a substantial part of the activities of the company such a proposal will be placed before the general meeting.

#### **14. Auditor**

The auditor is always present at the Board meeting where the annual financial statements are approved.

At this meeting, the Board of Directors is briefed on the financial statements, control issues and tax issues or any other matters of particular concern to the auditor. Furthermore, the auditor participates in Board meetings when appropriate. The Auditor has access to all Board documents and papers as well as the Board of Directors Portal.

In addition to ordinary audit services the auditor may provide consulting services related to accounting and reporting. Audit fees and fees related to consulting services are presented in notes to the financial statements of the company. The Board of Directors has issued guidelines that limit management's possibility to undertake consulting services by the auditor. An overview of consulting services that have been provided are reported to the Board.

The auditor is required each year, to confirm that independence rules and regulations in place are complied with, and that audit firm's internal independence standards are met.

The corporate management holds regularly meetings with the auditor. At these meetings the company's accounting principles, risk areas, internal control routines and tax issues are reviewed and discussed.

The Board of Directors regularly evaluates whether the auditor is performing his audit function in a satisfactory manner.