



CORPORATE GOVERNANCE

BW Offshore Limited is a Bermuda limited liability company listed on Oslo Børs (the Oslo Stock Exchange).

BW Offshore Limited (hereinafter 'BW Offshore' or 'Company') and its activities are primarily governed by the Bermuda Companies Act, its Memorandum of Association and its Bye-laws. Certain aspects of the Company's activities are governed by Norwegian law pursuant to the Listing Agreement between the Oslo Stock Exchange and the Company. In particular, the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations will apply. However, the provisions regarding mandatory offer obligations in Chapter 4 of the Securities Trading Act do not apply to the Company, as these only apply to Norwegian companies.

The Board of Directors (the 'Board') is of the opinion that the best interests of the Company, and its 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. These policies are fair and in accordance with best market practice in relationships with employees and are also sensitive to reasonable expectations of public interest.

The Board therefore commits the Company to good corporate governance, and has adopted the revised version - October 21, 2010 - of the Norwegian Code of Practice for Corporate Governance (the 'Code'), prepared by the Norwegian Corporate Governance Board.

BW Offshore has implemented ethical values and guidelines described in the Code of Conduct and other internal policies.

1 The Business

The purpose of the Company is described in the Company's articles of association (bye-laws).

The Company's objectives and main strategies are described in this annual report.

2 Equity and Dividends

The Board continuously evaluates the Company's capital requirements to ensure that the Company has an equity ratio adapted to its goal, strategy and risk profile.

Pursuant to the Company's Bye-laws, the Board is authorised to declare dividend to the shareholders. The Board has drawn up a clear and predictable dividend policy for approval by the Annual General Meeting as a basis for declarations of dividends. Full details of the dividend policy can be found on BW Offshore's website.

3 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 assembly.

The Board's authority to alter the 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 such alteration of share capital and purchase or sale of its own shares to ensure the equal treatment of shareholders.

In the event that BW Offshore waives the pre-emption rights of existing shareholders, the Board of Directors will explain the justification in the stock exchange announcement issued in connection with the increase in share capital.

In case of material transactions between the Company and a shareholder, director, officer, other leading personnel, or persons closely related to any of these, the Board will obtain a valuation from an independent third party.

During 2010, no material transaction of such nature took place.

Directors and officers of the Company and other leading personnel shall notify the Board if they directly or indirectly have a significant interest in an agreement to be entered into by the Company.

4 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 interest in a share held through Verdipapirsentralen (VPS), where such transfer would, in the opinion of the Board, likely result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, 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 a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign company pursuant to Norwegian tax legislation.

5 General meetings

The annual general meeting will normally take place by 31 May each year. Notice of the meeting will normally be sent at least two weeks before the general meeting takes place. Documentation containing the information necessary for the shareholders to make decisions on all the items on the agenda will be included in this notice, including the recommendation from the Nomination and Compensation Committee. The Board may decide by the notice of the meeting that shareholders who intend to attend the general meeting shall give notice to the Company within a time limit expiring not earlier than five days prior to the general meeting.

Registration is made in writing, per telefax or by e-mail. The Board wishes to make efforts to enable as many shareholders as possible to attend. Shareholders who are not able to attend are invited to meet by proxy, and efforts will be made for the proxies to relate to each individual item on the agenda.

Pursuant to the Company's Bye-laws, the general meeting will be chaired by the chairman of the Board unless otherwise agreed by a majority of those shares represented at the meeting.

6 Nomination and Compensation Committee

The Company's Nomination and Compensation Committee has the responsibility of proposing members to the Board of Directors.

As this committee also addresses compensation issues, the Nomination and Compensation Committee consists of Board members only and as such does not follow the recommendations of the Code. However, the majority of the members serving on the Nomination and Compensation Committee are independent non-executive directors. Furthermore, the committee does not include the chief executive or other executive personnel, as recommended by the Code.

7 The Board; composition and independence

The Board shall consist of between six to ten directors. The directors are elected for a period of two years unless otherwise determined by the general meeting. Only a minority of the directors participating in any decision can be domiciled or living in Norway. The same shall be reflected in the composition of the Board. The Board appoints the chairman amongst the elected Board members.

The Company shall have a majority of directors that are independent from the manager, the main shareholder and main business partners. Furthermore, the Board shall include at least two directors that are independent from the Company's main shareholders, i.e. shareholders holding more than 10% of the shares.

Currently, the Company has six Board members, with one female director. The composition of the Board does not meet the recommended gender guidelines of the Code, but meets the Company's need for expertise and diversity. The directors are presented on the Company's website (www.bwoffshore.com).

8 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 each year fixes in advance a number of regular scheduled meetings of the Board for the following calendar year, although additional meetings may be called by the chairman. The directors shall normally meet in person, but if so allowed by the chairman, directors may participate in any meeting of the Board by means of telephone. Minutes in respect of the meetings of the Board of Directors are kept by the Company in Bermuda.

The Board has approved mandates for and established an Audit Committee and a Nomination and Compensation Committee in order to ensure enhanced attention to financial reporting and remuneration.

The Board carries out an annual evaluation of its work.

9 Risk management and internal control

The Board ensures that the Company has satisfactory internal control procedures to manage its exposure to risks related to the conduct of the Company's business, 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, HSE, Project Management, Operation, Technical and Business Development, in addition to implementation and follow-up of a risk assessment process. The Company's management system is central in the Company's internal control and ensures that the Company's vision, policies, goals and procedures are known and adhered to.

HSSEQ and Risk Management Division (including Internal Control) is independent from the line management and reports directly to the CEO. In addition to its own controlling bodies and external audit, the Company is subject to external supervision by Det Norske Veritas (DNV) for classification in accordance with ISO.

An annual supervisory plan for internal audit work is approved by the CEO, based on HSSEQ recommendations and risk assessments carried out.

The Board's Audit Committee follows up internal control in connection with quarterly reviews of the Group's financial reporting in addition to two meetings in which internal control issues are addressed specifically. The chief financial officer, the internal auditor, the Company's other relevant senior staff and representatives of the external auditor, attend the meetings of the Audit Committee.

The systems for risk management and internal control also encompass the Company's corporate values and ethical guidelines.

BW Offshore has established a Code of Conduct for the Company and its employees.

10 Remuneration of the Board of Directors

The general meeting decides the remuneration of the Board. The remuneration of the Board and its individual directors shall reflect the Board's responsibility, competence, use of resources and the complexity of the business activities.

The directors do not receive profit related remuneration or share options or retirement benefits from the Company.

Directors or companies related to BW Offshore, shall not normally undertake special tasks for the Company in addition to the directorship. However, if they do so, the entire Board shall be informed, and the fee shall be approved by the Board.

Remuneration of the directors is stated in the annual report.

11 Remuneration of the executive personnel

Remuneration of the executive personnel is reviewed annually. The work is carried out by the Nomination and Compensation Committee, which considers the executive personnel's performance and also gathers information from comparable companies before making its recommendation to the Board for approval.

The Board approves any share option programs in the Company available to the employees of the Company and subsidiaries. Detailed information of remuneration, loans, shareholding of the management and any share option programs can be found in note 9, which is included as an integral part of the consolidated financial statements.

Any performance-related remuneration to executive personnel is subject to an absolute limit. The limit is approved by the Board of Directors based on a recommendation from the Nomination and Compensation Committee.

12 Information and communications

The Company is committed to provide information in a manner that contributes to establishing and maintaining confidence with important interest groups and 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.

A currently updated financial calendar with dates for important events, such as general meeting, publishing of interim annual reports, dates for payment of potential dividend etc shall be accessible for the shareholders on

www.oslobors.no and on the Company's website www.bwoffshore.com.

Public investor presentations are arranged in connection with submission of annual and quarterly results for the Company. The presentations are accessible on the Company's website. Furthermore, continuous dialogue is held with, and presentations are given, to analysts and investors.

13 Take-over

BW Offshore has no defence mechanisms stated in the Company's bye-laws against acquisition of shares other than referred to in section 5 above, and no measures are taken to limit the opportunity of acquiring shares in the Company.

In the event that an offer is made for the shares of the Company, the Board will:

- Issue a statement evaluating the offer and making recommendations as to whether the shareholders should accept the offer or not. If the Board finds that it is unable to give a recommendation, the Board will explain the reason for not giving a recommendation. The statement should show whether the decision was unanimous, and if not, the background for why certain Board members did not adhere to the statement; and
- Consider arranging a valuation from an independent expert. If any member of the Board or executive personnel or close associates of such individuals or anyone who has recently held such position is either the bidder or has a particular interest in the Company, the Board will arrange for an independent valuation in any case. The same applies if the bidder is a major shareholder.

Any such transaction that comprises a disposal of the entire business of the Company shall be decided by the general meeting.

14 Auditor

The auditor is appointed by the general meeting and is responsible for the audit of the consolidated financial statements of the Company. The auditor shall annually present an audit plan to the Audit Committee and/or the Board.

The auditor participates in the Audit Committee's review and discussion of the annual accounts and quarterly interim accounts.

In these meetings, the Audit Committee is informed of the annual and quarterly accounts and issues of special interest to the auditor, including possible disagreements between the auditor and the management.

The Audit Committee annually arranges for a meeting with the auditor in which a report from the auditor dealing with the Company's accounting principles, risk management and internal control routines are reviewed. At least once a year a meeting is held between the auditor and the Audit Committee without the presence of representatives from the management.

The auditor shall annually confirm his independence in writing to the Audit Committee. The Board shall give an account to the general meeting of the auditor's fee, including details of the fee paid for audit work and any fees paid for other specific assignments.