

Corporate governance Report 2020



BW OFFSHORE

Corporate governance Report

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 generally apply.

1 IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board of Directors (the 'Board') is of the opinion that the 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 most current version, dated 17 October 2018, of the Norwegian Code of Practice for Corporate Governance (the 'Code'), prepared by the Norwegian Corporate Governance Board.

The Board provides an overall overview of the Company's corporate governance practices in the Company's annual report. The review addresses each individual section of the Code and provides an explanation and description of the chosen alternative approach if the Company does not fully comply with the Code.

Deviations to the Code

As at December 31, 2020, the Company did not comply with the following recommendations of the Code:

- **Section 3:** Board powers to issue and purchase shares are neither limited to specific purposes nor to a specified period
- **Section 5:** Bye-laws include a right for the Board to decline to register the transfer of shares
- **Section 6:** The Chairman of the Board also acts as the Chair of the General Meetings.
- **Section 7:** Any member of the Board of Directors who is

also a member of the Nomination Committee may offer himself for re-election to the Board of Directors

- **Section 8:** The composition of the Board does not meet the recommended gender guidelines of the Code

2 THE BUSINESS

In accordance with common practice for Bermuda incorporated companies, the Company's objectives as set out in the Company's Memorandum of Association are wider and more extensive than recommended by the Code.

The Board is responsible for and shall take the lead on the Company's strategic planning, and should define clear objectives, strategies and risk profile for the Company's business activities such that the company creates value for the shareholders. The Company's objectives, main strategies and risk profile are subject to annual review and described in the annual report.

BW Offshore has implemented corporate values, ethical guidelines and guidelines for corporate social responsibility. These values and guidelines are described in BW Offshore's Code of Ethics and Business Conduct and internal policies, as well as in the sustainability report included in the annual report. The Company's expectations of suppliers and third parties are stated in the BW Offshore's Supplier Code of Ethics and Business Conduct. Both documents are available on the Company website www.bwoffshore.com.

3 EQUITY AND DIVIDENDS

Equity and capital structure

At 31 December 2020, the Company's consolidated equity was USD 945.0 million, which is equivalent to 36.5% of total assets. The Board continuously evaluates the Company's capital requirements to ensure that the Company's capital structure is at a level which is suitable considering the Company's objectives, strategy and risk profile.

As part of the initial public offering (IPO) and listing of BW Energy Limited as a separate company in February 2020, BW Offshore distributed approximately 37,741,000 BW Energy shares as a dividend to its shareholders, equivalent to approximately USD 101 million in total at the share price set in the IPO. The distribution amounted to approximately 0.204 BW Energy share per BW Offshore share.

Dividend policy

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, which was last revised and approved by the annual general meeting on 18 May 2020:

"BW Offshore has an objective to generate competitive long-term total shareholder returns. This return will be achieved through growth and dividend payments. The Company targets to pay dividends on a quarterly basis.

The Board of Directors will target a sustainable dividend level that can grow over time, taking into account the overall cash flow position and future capital requirements.

In addition to paying a cash dividend, BW Offshore may also buy back shares as part of its plan to distribute capital to shareholders."

During 2020, the Company paid a total of USD 0.10 per share as cash dividend, split on three payments in June, September and December.

Authorisations to issue new shares and share buy-backs

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board has wide powers to issue any authorised unissued shares in the Company on such terms and conditions as it may decide, and may exercise all powers of the Company to purchase the Company's own shares.

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. At 31 December 2020, the total authorised share capital in the Company was 214 000 000.

Share option programme for key employees

On 8 April 2019, the Group established a long-term share option programme (LTIP) that entitles key personnel to purchase shares in the Company. The programme is discretionary, and participants are invited on an annual basis. Under the programme, holders of vested options are entitled to purchase shares at the market price of the shares at the grant date.

In 2020, a total of 1,832,250 options were awarded under the LTIP, giving the holder the right to acquire one BW Offshore share. The strike price of the options is calculated based on the volume weighted average share price five trading days prior to grant date, plus a premium of 15.76%. A total of 59 BW Offshore employees were invited to participate in the programme. The options have a three year vesting period, followed by a three year exercise period. Exercise windows are set by the Company. The options will expire 6 years after the award date.

In June 2020, the Company transferred shares to certain employees in relation to a long-term bonus plan. CEO Marco Beenen has received 5 237 shares, CCO Rune Bjorbekk has received 5 983 shares and COO Kei Ikeda has received 8 287 shares. The shares will be restricted until June 2021.

Purchase of own shares

On 31 March 2020, the Board resolved to initiate a share buy-back programme limited to up to USD 10 million in total

consideration for the shares. The shares acquired under the buy-back programme are held in treasury or used towards the Company's long-term incentive programme for employees. The shares were purchased in the open market. BW Group Limited participated in the share buy-backs on a pro-rata basis to its ownership interest of 49.92% of BW Offshore. The share buy-back programme was completed on 29 May 2020, following the acquisition of 4 183 206 treasury shares at an average price of NOK 25.18 per share. As at 31 December 2020, BW Offshore held a total of 4,156 534 treasury shares or 2.25% of the total number of issued shares.

4 EQUITABLE TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company has one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Pre-emption rights to subscribe

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. 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. There were no share issues in 2020.

Trading in own shares

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 all shareholders. See section 3 above for details about trading in treasury shares during 2020.

Transactions with close associates

In case of material transactions between the Company and a shareholder, a shareholder's parent company, director, officer, or persons closely related to any of these, the Board will obtain a valuation from an independent third party. Independent valuations shall also be obtained in respect of transactions between companies in the same group where any of the companies involved have minority shareholders. For more information regarding related party transactions, see Note 25 of the annual report.

5 SHARES AND NEGOTIABILITY

The Company's constituting documents do not impose any restrictions on the ability to own, trade or vote for shares in the Company and the shares in the Company are freely transferable. However, the Bye-laws include a right for the Board to decline 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 as such term is defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid the Company being deemed a Controlled Foreign Company pursuant to Norwegian tax rules.

6 GENERAL MEETINGS

The annual general meeting normally takes place on or before 31 May each year. The 2020 annual general meeting was held on 18 May. The Board seeks to ensure that as many shareholders as possible can participate in the Company's general meetings and that the general meetings are an effective forum for the views of shareholders and the Board. In order to facilitate this:

- 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, comprehensive and specific to allow shareholders to understand and form a view on matters that are to be considered at the 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 shareholders shall have the opportunity to vote separately on each individual matter, including on each individual candidate nominated for election to the Company's Board and committees (if applicable).

Registration is made in writing, per telefax or by e-mail. Shareholders who cannot be present at the general meeting must 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
- 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 Company's Bye-laws states that the general meeting shall be chaired by the chairman of the Board unless otherwise agreed by a majority of those shares represented at the meeting. The Code states that the Board should ensure that the general meeting may elect an independent person to chair the meeting. BW Offshore consequently deviates from the code of practice in this respect. This is based on tradition. Having the chairman of the board also chairing the general meeting also simplifies preparations for the meeting.

The minutes of the annual general meeting will be published on the Company's website no later than 15 days after the date of the meeting.

7 NOMINATION COMMITTEE

The nomination committee is governed by the Company Bye-laws section 37.3.

The Nomination Committee composition is determined by the Company's general meeting from time to time, and the members are appointed by a general meeting resolution, including the chairman of the committee. The general meeting determines the remuneration of the Nomination Committee and stipulates guidelines for the duties of the Nomination Committee. The guidelines are available at the Company's website www.bwoffshore.com.

The composition of the Nomination Committee should reflect a broad range of shareholder interests. The majority of the committee shall be independent of the Board and the executive personnel of the Company. No more than one member of the Nomination Committee shall be a member of the Board of Directors. The Nomination Committee shall not include the Company's Chief Executive Officer or any other executive personnel.

The Nomination Committee's primary duty is to propose candidates for election as members of the Board of Directors and to propose the remuneration to be paid to the members of the Board of Directors. The Nomination Committee justifies its recommendations for each candidate separately.

Any member of the Board of Directors who is also a member of the Nomination Committee may offer himself for re-election to the Board of Directors. This deviation from the Code has been implemented to facilitate cooperation between the Nomination Committee and the Board, and continuity in the Board.

As at 31 December 2020, the Nomination committee consisted of Andreas Sohmen-Pao (Chair), Bjarte Bøe and Elaine Yew Wen Suen. The committee held 1 meeting during the year with all the members present.

NOMINATION COMMITTEE

Name	Role	Considered independent of the main shareholder and management	Served since
Mr Andreas Sohmen-Pao	Chair	No, Chairman of the Board	2014
Mr Bjarte Bøe	Member	Yes	2014
Ms Elaine Yew Wen Suen	Member	Yes	2014

8 THE COMPOSITION AND INDEPENDENCE OF THE BOARD

The Board composition is governed by the Company’s Bye-laws. The Board may consist of between five to eight directors. The directors are elected for a period of two years unless otherwise determined by the general meeting. Members of the Board may be re-elected. 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 composition of the Board ensures that it can act independently of any special interests. A majority of the shareholder-elected members of the Board are independent of the Company’s executive personnel and material business connections of the Company. In addition, at least three of the members of the Board are independent of the Company’s major shareholder(s). A major shareholder is defined as owning 10% or more of the Company’s shares or votes, and independence entails that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

The Board does not include the Company’s chief executive officer or any other executive personnel. 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. A short description of our directors and their respective areas of expertise are presented on the Company’s website www.bwoffshore.com.

The annual general meeting on 18 May 2020 elected Ms. Rebekka Glasser Herlofsen as a new Director to the Board for a two-year period.

Members of the Board are welcome to own shares in the Company.

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.

The Board produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board issues instructions for its own work, as well as for the executive personnel, with particular emphasis on clear internal allocation of responsibilities and duties.

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

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 Board held 10 meetings in 2020. The directors normally meet in person, but if so allowed by the chairman, directors may participate in any meeting of the Board by means of telephone or video conference. The majority of Board meetings in 2020 was held digitally due to COVID-19. Minutes in respect of the meetings of the Board of Directors are kept by the Company in Bermuda.

The Board shall provide details in the annual report of any Board committees appointed. As at 31 December 2020, the Company had the following Board-appointed Committees:

Audit committee

The Audit Committee acts as an advisory committee to the Board. The Audit Committee is responsible for reviewing the financial statements of the Company, and advising the Board as to whether they show a true and fair view and have been prepared in accordance with the law and all regulations and standards applicable to the Company. The Audit Committee also reviews the Company’s key areas of exposure to risk and also its internal control arrangements, as well as an annual supervisory plan for internal audit work. The Audit Committee follows up on internal controls in connection with quarterly reviews of the Group’s financial reporting. At least once a year, the Board and the Audit Committee review the Company’s internal control procedures relating to its financial reporting process. As at 31 December 2020, the Audit committee consisted of Rebekka Glasser Herlofsen (Chair) and René Kofod-Olsen, both of whom were also members of the Board.

Technical and Commercial committee

The Technical and Commercial committee acts as a preparatory and advisory committee to the Board in respect of the management of the Company’s business. Matters reviewed by the Committee, and reported to the Board, include commercial and technical matters relating to the Company’s operations, and marketing and tender activities of the Company. At least once a year, the Technical and Commercial committee will also review the systems utilised by the Company for identifying areas of material business risk, for measuring their possible impact on

BOARD OF DIRECTORS

Name	Role	Considered independent of the main shareholder and management	Served since	Term expires	Participation in board meetings in 2020	Shares in BW Offshore (direct/indirect)	Nationality
Mr Andreas Sohmen-Pao	Chairman	No	2014	2021	100%	90 245 285	Austrian
Ms Rebekka Glasser Herlofsen	Director	Yes	2020	2022	100% since election	0	Norwegian
Mr Maarten R. Scholten	Director	Yes	2010	2021	100%	160 761	Dutch
Mr René Kofod-Olsen	Director	Yes	2019	2021	100%	13 183	Danish
Mr Carl Krogh Arnet	Director	No	2019	2022	100%	2 390 000	Norwegian

the Group and the procedures in place to mitigate the impact of such risks. As at 31 December 2020, the Technical and Commercial committee consisted of Carl K. Arnet (Chair) and Maarten R. Scholten, both of whom were also members of the Board.

Compensation Committee

The Compensation Committee acts as a preparatory and advisory committee for the Board in order to ensure thorough and independent preparation of matters relating to compensation to the executive personnel. As at 31 December 2020, the Compensation Committee consisted of Andreas Sohmen-Pao (Chair) and Maarten R. Scholten, both of whom were also members of the Board.

The Board carries out an annual evaluation of its performance and expertise.

10 RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that the Company has sound internal control procedures and systems 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 contribute to securing shareholders' investment and the Company's assets.

Management and internal control are based on Companywide 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 management system is central to BW Offshore's internal control and ensures that the Company's purpose, policies, goals and procedures are known and adhered to.

The Board annually reviews the Company's most important areas of exposure to risk and its internal control arrangements and an annual supervisory plan for internal audit work is approved by the CEO, based on HSSEQ recommendations and risk assessments carried out.

The internal auditor position is independent from the line management and reports directly to the CEO. In addition to its own controlling bodies and external audit, BW Offshore is subject to external supervision by DNV GL for classification in accordance with relevant ISO standards.

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 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 guidelines regarding how the Company integrates considerations related to stakeholders into its creation of value. Please see separate sustainability report included in the annual report for further information.

BW Offshore has established a Code of Conduct for the Company and its employees providing guidance to employees on how they can communicate with the Board to report matters relating to illegal or unethical conduct by the Company.

11 REMUNERATION OF THE BOARD OF DIRECTORS

The general meeting decides the remuneration of the Board based on a proposal from the Nomination Committee. 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 remuneration of the directors shall not be linked to the Company's performance and the directors do not receive profit related remuneration or share options or retirement benefits from the Company. Any remuneration in addition to normal fees to the directors is specifically stated in the annual report. Detailed information of Board remuneration can be found in Note 9 of the consolidated financial statements.

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, the fee, if any, shall be approved by the Board.

12 REMUNERATION OF THE EXECUTIVE PERSONNEL

Remuneration of the executive personnel is reviewed annually by the Compensation Committee, which generally considers the executive personnel's performance and also gathers information from comparable companies before making its recommendation to the Board for approval. Such recommendation aims to ensure convergence of the financial interests of the executive personnel and the shareholders. The Guidelines on Executive Remuneration is available on the Company's website, www.bwoffshore.com.

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 Remuneration Committee which is available on the website. The maximum potential pay-out of the Variable Compensation Scheme for the Executive Management Team is set at 6 months' salary effective from 2020.

The Board approves any share option programmes 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 programmes can be found in Note 9 of the consolidated financial statements.

13 INFORMATION AND COMMUNICATIONS

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

Please see the Investor Relations Policy available on www.bwoffshore.com.

14 TAKE-OVERS

In the event of a take-over process, the Board shall ensure that the Company's shareholders are treated equally and that BW Offshore'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 shall abide by the principles of the Code, and also ensure that the following take place:

- the Board shall 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 general meeting in accordance with applicable laws. The main underlying principles shall be that the Company's shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter take-over offers unless this has been decided by the shareholders in general meeting in accordance with applicable law.

If an offer is made for the Company's 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 obtain 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 obtain an independent valuation. This shall also apply if the bidder is a major shareholder (as defined in section 8 above). Any such valuation should either be enclosed with the Board's statement, or reproduced or referred to in the statement.

15 AUDITOR

BW Offshore's external auditor is KPMG AS. The auditor is appointed by the general meeting and is independent of BW Offshore Ltd and shall annually confirm its independence in writing to the Audit Committee.

The auditor holds office for the term resolved by the general meeting or until a successor is appointed and is responsible for the audit of the consolidated financial statements of the Company. The board of directors ensures that the auditor annually presents an audit plan to the Audit Committee and/or the Board.

The Audit Committee invites the auditor to participate 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. Further, the auditor shall participate in meeting(s) of the Board that deal with the annual accounts. At these meetings the auditor should review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the management of the Company and/or the Audit Committee.

At least once a year, the Audit Committee reviews the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

The Board has established guidelines specifying the right of the Company's executive management to use the auditor for purposes other than auditing.

The auditor's remuneration is approved by the shareholders at the general meeting or in such manner as the general meeting may determine. For more information about remuneration of the auditor, see Note 9 in the consolidated financial statements.



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