



## Relevant legislation and Codes of Practice for Corporate Governance

Stolt-Nielsen Limited (“SNL”) maintains high standards of Corporate Governance. Corporate Governance addresses the interaction between SNL’s shareholders, the Board of Directors and management.

The Companies Act of 1981 of Bermuda (“Bermuda Companies Act”) governs the incorporation, organisation and management of SNL. In addition, relevant Bermuda and international law also applies to the operation of the business of SNL. Norwegian securities law and Oslo Børs Continuing Obligations apply as a result of SNL being listed on the Oslo Børs. Being incorporated in Bermuda and listed on the Oslo Børs, SNL is subject to the Norwegian Code of Practice for Corporate Governance (the “Norwegian Code of Practice”). Adherence to the Norwegian Code of Practice is based on a “comply or explain” principle, whereby companies are expected to either comply with the Norwegian Code of Practice or explain why they have chosen an alternative approach.

SNL was incorporated on June 11, 2010 with the purpose of merging and amalgamating with Stolt-Nielsen S.A (SNSA). The merger and amalgamation became effective November 18, 2010. The group corporate structure and business operations of SNL is identical to that of SNSA. SNL is, and SNSA has historically been, under the majority control of Fiducia Ltd, a company that indirectly represents the Stolt-Nielsen family. As such, the Company’s Corporate Governance reflects this majority control and therefore will not necessarily comply with all recommendations of the Norwegian Code of Practice for Corporate Governance.

### 1. Implementation and reporting on Corporate Governance

SNL has a Code of Business Conduct which applies to all Directors, officers and employees. Any waivers of the Code of Business Conduct for Directors or executive officers are approved by the Board and shall be disclosed in the Annual Report. The Company’s overarching business conduct guidelines, including ethical and social responsibility guidance, are set out in its Code of Business Conduct and where appropriate, more specific policies have been developed to provide more detailed guidance.

### 2. Business

In compliance with the Bermuda Companies Act and common practice, SNL's Memorandum of Association describes its objects and purposes as "unrestricted".

### 3. Equity and dividends

The Board of Directors is of the opinion that the Company currently has sufficient equity to meet its objectives, strategy and risk profile. The authorised share capital of SNL is 65 million Common Shares with par value \$1.00, and 16.25 million Founder’s Shares, with par value \$0.001. As of November 30, 2010, 64,133,796 Common Shares and 16,033,449 Founder’s Shares were issued and 59,659,309 Common Shares and 14,914,827 Founder’s Shares were outstanding. . The authorised share capital of SNL may only be increased, reduced or otherwise altered by resolution of the shareholders. The Board of Directors is authorised to increase the issued share capital within the limits of the authorised capital.



The Common Shares available for issuance within the authorised share capital is intended to be available for the exercise of stock options under the Stolt-Nielsen S.A. (SNSA) 1997 stock option plan as continued by SNL. SNSA's stock option plan was approved at the 1997 Annual General Meeting. The stock option plan was established to create a long-term common interest among the directors, the employees, and SNSA's shareholders. The Compensation Committee oversees SNL's share option programme. The last awards under the 1997 stock option plan were made in January 2007. It has been replaced by a long-term incentive plan which pays cash awards to management for meeting defined corporate financial objectives related to Return on total Capital Employed ("ROCE") and the ratio of Earnings Before Interest, Taxes, Depreciation, Amortization and Rent ("EBITDAR")-to-Revenue.

The Board of Directors has established a dividend policy that is available on the SNL website ([www.stolt-nielsen.com](http://www.stolt-nielsen.com)). Under Bermuda law, a company's Board of Directors may not declare or pay dividends if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts.

The Company may purchase its own shares for cancellation or acquire them as treasury shares in accordance with the Bermuda Companies Act on such terms as the Board of Directors shall think fit. Historically, the General Meeting of Shareholders of SNSA has authorised the Company, or any wholly-owned subsidiary, to purchase Common Shares of the Company, from time to time in the open market, provided:

- (i) the maximum price to be paid for such Common Shares shall not be higher than the higher of the price of the last independent trade and the highest current independent bid on the Oslo Børs and shall be in conformity with applicable standards, if any, concerning such purchases that may be established by the regulatory regimes in such countries where the Common Shares are listed or admitted for trading,
- (ii) the minimum price to be paid for such Common Shares shall not be less than the par value (i.e. U.S. \$1.00 per share) thereof, and
- (iii) other conditions for trading shall be in conformity with applicable standards, if any, concerning such purchases that may be established by the regulatory regimes in such countries where the Common Shares are listed or admitted for trading, and further provided such purchases are in conformity with applicable law, such authorisation being granted for purchases completed on or before the following August 31.

The Board of Directors of SNL has resolved to continue share purchases, if any, on the foregoing terms.



#### **4. Capital Structure, Equal treatment of shareholders and transactions with close associates**

SNL has two classes of shares, Common Shares and Founder's Shares. Only the Common Shares will be listed on Oslo Børs.

Except for matters where applicable law requires the approval of both classes of shares voting as separate classes, Common Shares and Founder's Shares vote as a single class on all matters submitted to a vote of the shareholders, with each share entitled to one vote.

Under the Bye-laws, holders of Common Shares and Founder's Shares participate in annual dividends, if any are declared by the Company, in the following order of priority: (i) \$0.005 per share to Founder's Shares and Common Shares equally; and (ii) thereafter, all further amounts are payable to Common Shares only.

Under the Bye-laws, in the event of a liquidation, all debts and obligations of SNL must first be paid and thereafter all remaining assets of SNL are paid to the holders of Common Shares and Founder's Shares in the following order of priority: (i) Common Shares rateably to the extent of the par value thereof (i.e. \$1.00 per share); (ii) Common Shares and Founder's Shares participate equally up to \$0.05 per share; and (iii) thereafter, Common Shares are entitled to all remaining assets.

As of November 30, 2010, Fiducia Ltd., a company owned by a trust established for the benefit of certain members of the Stolt-Nielsen family, together with certain members of the Stolt-Nielsen family, controlled 59.47% of the outstanding shares of SNL entitled to vote generally on matters brought to a vote of shareholders of SNL. As a result, the Stolt-Nielsen family currently directly and indirectly exercises a controlling influence over SNL's operations and has sufficient voting power to control the outcome of matters requiring shareholder approval including: the composition of SNL's Board of Directors, which has the authority to direct SNL's business and to appoint and remove SNL's officers; approving or rejecting a merger, consolidation or other business combination; raising future capital; and amending the Bye-laws which govern the rights attached to SNL's Common Shares. This control may also make it difficult to take control of SNL without the approval of the Stolt-Nielsen family. Additionally, the interests of the Stolt-Nielsen family may conflict with the interests of SNL's other shareholders.

The Board of Directors reviews at least annually the financial and other relationships between Directors and SNL. SNL conducts an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions are approved by SNL's Audit Committee and shall be disclosed in the Annual Report.

Any transactions SNL carries out in its own shares are carried out either through the Oslo Børs or at prevailing stock exchange prices if carried out in any other way. Directors and the executive management must notify the Board of Directors if they have any material direct or indirect interest in any transaction entered into by SNL. Following such declaration, Directors with such a direct or indirect interest may participate in voting for such transactions unless disqualified by the chairman of the relevant board meeting.



The Board of Directors and the Board Committees may retain independent advisors, as they deem appropriate and at their discretion. SNL shall be responsible for the expenses of any such advisor.

## **5. Freely negotiable shares**

Only the Common Shares are listed on the Oslo Børs. Bye-law 74.1 of the Company's Bye-Laws limits individual shareholdings of Common Shares to 20%, single U.S. person shareholdings to 9.9% and shareholders of any single country in aggregate to 49.9%.

While the Board of Directors is authorised to restrict, reduce, or prevent the ownership of shares if it appears to the Board of Directors that such ownership may threaten SNL with adverse consequences, including but not limited to adverse tax consequences, hostile takeover attempts or adverse governmental sanctions, it is the intention for the Board of Directors to assess any takeover offer for SNL or a substantial portion of SNL's assets, make a recommendation on any such offer, and call for a General Meeting of Shareholders to vote on the acceptance or rejection of such an offer.

## **6. General meetings**

The Board of Directors or the Chairman is responsible for calling both Annual and Special General Meetings of Shareholders. At any general meeting, two or more persons present in person throughout the meeting and representing in person or by proxy issued voting shares in the company, shall form a quorum for the transaction of business, except for those matters under the Bermuda Companies Act for which a specified super majority vote is required, in which case a quorum representing one-third of the issued and outstanding shares entitled to vote is required.

The Board of Directors is obligated to hold an Annual General Meeting every year at such time and place as the Board of Directors or Chairman shall designate.

A shareholder or group of shareholders representing at least one-tenth of the outstanding voting shares may request a Special General Meeting in writing indicating the agenda thereof. The Board of Directors will be obligated to hold the meeting forthwith.

Notices for both Annual and Special General Meetings shall be sent by mail to all holders entitled to attend and vote there at no later than 21 days before the date set for the General Meeting.

Notices should provide sufficient information on all matters to be considered at the General Meeting, voting instructions and opportunity to vote by proxy. Matters at the General Meetings are restricted to those set forth in the agenda.



## **7. Nomination committee**

Bermuda law does not require that a nomination committee is established. Members of the Board of Directors identify and evaluate proposed candidates for nomination to the Board of Directors. Individuals are selected for nomination to the Board of Directors based on their business or professional experience, the diversity of their background, and their array of talents and perspectives.

## **8. Corporate assembly and board of directors: composition and independence**

The business affairs of SNL are managed under the direction of the SNL Board of Directors. The Board of Directors may delegate authority to the Chairman, specified committees of the Board of Directors, or to SNL's management. SNL does not have a corporate assembly.

As provided in SNL's Bye-laws, the Board of Directors shall be composed of at least three and not more than nine Directors. The Board of Directors believes that the optimal size for the Board of Directors should be six to eight Directors. The Board of Directors' size is flexible depending on the circumstances and the qualifications of proposed candidates.

The composition of the Board of Directors shall ensure that the SNL Board of Directors can attend to the common interests of all shareholders and meets the Company's need for expertise, capacity, diversity and independence.

The Directors are elected at the Annual General Meeting of Shareholders. Directors shall hold office for such term as decided by the General Meeting, or in absence of such determination, until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated. Directors may be removed only for cause by the vote at a Special General Meeting held for that purpose. In the event of a vacancy on the Board of Directors, the remaining members of the Board of Directors can fill such vacancy and appoint a member to act until the next General Meeting of shareholders at which the Directors so elected shall be confirmed.

Whereas the Board composition meets the requirements according to the Norwegian Code of Practice for independence from major shareholders and main business associates, only three of the current six SNL Directors, Christer Olsson, Håkan Larsson and Christina De Luca, are considered to be independent from executive management according to the Norwegian Code of Practice. The composition of the Board of Directors ensures continuity and experience, and together with the Board Committees is, in the view of the SNL Board of Directors, suitable to represent interest of the minority shareholders.

The Chairman of the Board of Directors is elected by the Annual General Meeting of Shareholders. The CEO is a member of the Board of Directors.



## **9. The work of the board of directors**

### *Board meetings*

The Board of Directors holds at least four regularly scheduled meetings a year. Meeting schedules are approved by all members of the Board of Directors. SNL does not have a deputy Chairman as this has not been considered necessary. The Board of Directors may appoint a Board Secretary who does not need to be member of the Board of Directors.

Decisions of the Board of Directors shall be taken by a majority of the votes cast by the Directors present and represented at the meeting provided a quorum is present. A majority of the Directors then in office shall constitute a quorum. The Board of Directors may also act by unanimous written consent.

### *Board meetings - executive sessions*

Management is available to discuss matters of concern to the Board of Directors and the Board of Directors has regular access to senior management. The basic duties and responsibilities of the Directors include attending Board of Directors' meetings, preparing for meetings by advance review of any meeting materials and actively participating in the Board of Directors' discussions. Directors are also expected to make themselves available outside of the Board of Directors' meetings for advice and consultation.

The Board of Directors ensures that SNL has effective internal controls in accordance with the regulations that apply to its activities, including SNL's corporate values and ethical guidelines.

### *Board committees*

The Board of Directors has established an Audit Committee and a Compensation Committee. The Board of Directors periodically reviews the size, structure and function of the Board Committees. The Audit Committee and Compensation Committee have written charters. These charters are reviewed and reassessed by the Board on an annual basis.

The Audit Committee is composed of at least two members; preferably each of whom is independent pursuant to all applicable regulatory requirements. The Compensation Committee is composed of at least two members of whom at least one shall be deemed independent pursuant to all regulatory requirements applicable to SNL.

Each Committee has a Chair who reports the activities of such Committee at meetings of the full Board of Directors.



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

The Board of Directors is responsible for SNL's system of internal control, which covers financial, operational and compliance controls as well as the risk management processes. SNL's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance that SNL is operating legally, ethically and within approved financial and operational policies and procedures with sufficient safeguards against material financial statement misstatements or loss of assets.

The Board of Directors, through the Audit Committee, oversees the monitoring of compliance with its internal control system, including SNL's Code of Business Conduct. The Audit Committee meets on a quarterly basis to review and discuss results of internal audits performed by the Operational Audit Department. This also includes matters of an ethical nature. All employees, customers, suppliers and other parties have direct access to the Audit Committee, through the whistleblowing system, to report any potential illegal or unethical matters.

SNL's business heads conduct an annual review of SNL's most significant areas of exposure to risk and the related internal control system.

## **11. Remuneration of the board of directors**

The Board of Directors, on an annual basis, reviews the Directors' compensation. The review includes a comparison of SNL's Directors compensation practices against the practices of comparable US and European companies.

Members of the Board of Directors and/or companies with which they are associated shall not in principle take on specific assignments for SNL in addition to their appointment as a member of the Board of Directors. If they do nonetheless take on such assignments this shall be disclosed to the full Board of Directors. The remuneration for such additional duties shall be approved by the Board of Directors.

The remuneration awarded to SNL's Board of Directors for their service as Directors is disclosed in aggregate at the Annual General Meetings and in the Annual Report. Any remuneration in addition to normal directors' fees shall be specifically identified.

## **12. Remuneration of the executive management**

The performance and compensation of the CEO is reviewed periodically by the Compensation Committee and annually by the Board of Directors in an executive session, and not by the general meeting as recommended in the Norwegian Code of Practice. Following the latter's review of performance and consultation with the Chairman the Committee will recommend any changes in compensation and/or benefits for decision by the Board of Directors in executive session. The Compensation Committee approves the principles for compensation policy in SNL and further approves the individual remuneration of the members of Executive Management.



The Company has in place a long-term incentive plan aimed at tying the Executive Management's compensation with the performance of the Company. This is a cash-based plan which sets future payouts based on Company performance relative to targets for Return of Capital Employed and EBITDAR-to-Revenue. All performance related compensation is capped at a maximum percent of the salary of the Executive Management.

### **13. Information and communications**

All information distributed to SNL's shareholders is published on SNL's website. SNL promptly submits all material press releases to Oslo Børs, disseminates such material press releases through an approved news wire service that provides simultaneous and broad distribution.

Copies of audited financial statements of SNL are distributed to shareholders prior to the Annual General Meeting of Shareholders and filed with the Oslo Børs in accordance with its requirements. SNL publishes an overview each year of the dates for major events such as its Annual General Meeting of Shareholders, publication of interim reports, public presentations and dividend payment date if appropriate. This overview is available on SNL's website.

After each quarterly earnings release, SNL holds a conference call to discuss the results and respond to investor and analyst questions. The conference call is open to all those who wish to participate. Twice per year the results conference call is held in front of a live audience. All conference calls have a telephone dial-in and are webcast with playback options available.

### **14. Take-overs**

The Board of Directors will publicly disclose any serious offer for SNL or a substantial portion of the assets of SNL and will follow the recommendation in the Norwegian Code of Practice if any serious offer is received. The Board of Directors will also obtain a fairness opinion or valuation from an independent third party for any material transactions between SNL and affiliates such as: members of the Board of Directors, members of the executive management or close associates of any such parties; and between companies in the same group where any of the companies involved have minority shareholders.

### **15. Auditor**

The Audit Committee is responsible for the appointment and supervision of independent external auditors. Under Bermuda law the independent external auditor is appointed by the General Meeting. The Audit Committee may only propose the name of the independent auditor. The Audit Committee has established guidelines in respect of the use of the Independent Auditors by the Company's executive management for services other than the audit. The Audit Committee shall receive annual written confirmation from the Independent Auditors that such firm continues to satisfy the requirements for independence. In addition, the Independent Auditors shall provide the Audit Committee with a summary of all services in addition to audit work that have been undertaken for the Company. The Independent Auditors shall submit the main features of the plan for the audit of SNL to the Audit Committee annually.



The Independent Auditors shall participate in meetings of the Audit Committee that deal with the annual accounts and quarterly results. At these meetings, the Independent Auditors shall comment on any material changes in the company's accounting principles, comment on material management estimates and judgements, and report all matters on which there has been disagreement between the firm and the executive management of the Company.

The Independent Auditors shall at least once a year present to the Audit Committee commentary on any significant internal control findings arising during the audit.

The Audit Committee shall hold a meeting with the Independent Auditors at least once a year at which neither the CEO nor any other member of the executive management is present.