

Corporate Governance continued

Corporate governance report

RELEVANT LEGISLATION AND CODES OF PRACTICE FOR CORPORATE GOVERNANCE

Stolt-Nielsen Limited's ('SNL' or the 'Company') 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 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 Oslo Børs. Being incorporated in Bermuda and listed on 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 what alternative approach is pursued and why. Pursuant to Section 3-3b of the Norwegian Accounting Act and Section 7(2) of Oslo Børs Continuing Obligations, the Company has summarised any expansions or deviations in the SNL Bye-Laws from the provisions of Chapter 5 of the Norwegian Public Limited Liability Companies Act (dealing with General Meetings of Shareholders).

The Company's Bye-Laws are available at: stolt-nielsen.com/media/1190/byelaws.pdf. The Norwegian Code of Practice is available at: www.nues.no/English.

SNL is under the majority control of Fiducia Ltd, a company owned by a trust established for the benefit of the Stolt-Nielsen family. As such, the Company's Corporate Governance reflects this majority control and will therefore not necessarily comply with all recommendations of the Norwegian Code of Practice.

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 are disclosed in this 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 objectives and purposes as 'unrestricted'. The Group's strategy and principal risks are described in its Annual Report.

3. EQUITY AND DIVIDENDS

The Board of Directors is of the opinion that the Company currently has a suitable capital structure to meet its objectives, strategy and risk profile. The authorised share capital of SNL is 65,000,000 Common Shares, each with a par value of \$1.00, and 16,250,000 Founder's Shares, each with a par value of \$0.001. As of November 30, 2018, 64,133,796 Common Shares and 16,033,449 Founder's Shares were issued. The outstanding shares consisted of 60,878,366 Common Shares and 15,219,592 Founder's Shares. 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 Board of Directors has established a dividend policy that is available on the SNL website (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 realisable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts.

In accordance with the provisions of the SNL Bye-Laws, the Company may purchase its own shares for cancellation or acquire such shares as treasury shares in accordance with the Bermuda Companies Act on such terms as the Board of Directors shall think fit. Historically, the Annual General Meeting of Shareholders of SNL 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 that:

- (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 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. US \$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, which carry rights as set out below. Only the Common Shares are 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 ratably 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, 2018, Fiducia Ltd, a company owned by a trust established for the benefit of the Stolt-Nielsen family, together with certain members of the Stolt-Nielsen family, controlled 56.7% of the outstanding shares of SNL entitled to vote generally on matters brought to a vote of the shareholders of SNL. As a result, the trustees of the family trust are currently able to directly and indirectly exercise a controlling influence over SNL's operations and have 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 deter a third party from attempting to take control of SNL without the approval of the trustees of the Stolt-Nielsen family trust. Additionally, the interests of the family trust 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 disclosed in the Annual Report.

Any transactions SNL carries out in its own shares are carried out either through Oslo Børs or at prevailing stock exchange prices if carried out in any other way.

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. SHARES AND NEGOTIABILITY

Only the SNL Common Shares are listed on Oslo Børs. The Company's Bye-Laws limit individual shareholdings of Common Shares to 20%, single US person shareholdings to 9.9% and shareholders of any single country in aggregate to 49.9%.

While the Board of Directors is authorised to further 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 has to date not made use of its authority. 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 are 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 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 the opportunity to vote by proxy. Matters at the General Meetings are restricted to those set out in the agenda.

The foregoing provisions relating to the holding of, and conduct at, General Meetings of Shareholders are set out in SNL's Bye-Laws, as well as in relevant provisions of the Bermuda Companies Act. A summary of provisions of Chapter 5 of the Norwegian Public Limited Liability Companies Act where the SNL Bye-Laws expand or deviate from the provisions of the Act can be found on the Company's website at www.stolt-nielsen.com/en/investors/.

7. NOMINATION COMMITTEE

Bermuda law does not require that a nomination committee is established, and there is no provision in the SNL Bye-Laws relating to a nomination committee. Consequently, SNL has

not established a nomination committee. 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. 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 this is not required under Bermuda law.

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 may 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. The foregoing provisions relating to the election, removal and replacement of Directors are set out in the SNL Bye-Laws.

Whereas the Board composition meets the requirements according to the Norwegian Code of Practice for independence from major shareholders and main business associates, four of the current seven SNL Directors, Samuel Cooperman, Håkan Larsson, Rolf Habben Jansen and Tor Olav Trøim are considered to be independent from the executive management according to the Norwegian Code of Practice. In the view of the SNL Board of Directors, the composition of the Board of Directors and the Board Committees ensures continuity and

Corporate Governance continued

experience and is suitable to represent the interests of the minority shareholders.

The Chairman of the Board of Directors is elected by the Annual General Meeting of Shareholders. The Chief Executive Officer is a member of the Board of Directors. The Annual Report includes information to illustrate the expertise of the members of the Board of Directors.

An up to date composition of SNL's Board of Directors is available on the Company's website at www.stolt-nielsen.com/en/investors/.

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 a 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.

Directors and executive management must notify the Board of Directors if they have any material direct or indirect interest in any proposed transaction to be entered into by SNL. Following such notification, and unless disqualified by the Chairman of the relevant Board of Directors meeting, a Director may vote in respect of any such matter and may be counted in the quorum for such meeting.

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 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.

The Audit Committee is responsible for the oversight of the work of the Company's external auditor, and for recommending the external auditor's appointment, compensation and retention. Under Bermuda law, the appointment of the external auditor has to be made by the shareholders at the General Meeting, but the approval of the external auditor's compensation may be delegated by the shareholders to the Board of Directors.

The Compensation Committee of SNL is responsible for compensation strategy, overall salary increases and awards under its compensation programmes. It reviews and approves all aspects of senior executive management compensation, including performance incentive and equity based compensation plans.

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

The members of the Committees are set out on the Company's website at www.stolt-nielsen.com/en/investors/.

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 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 main elements of the Company's system of internal control over financial reporting include the Code of Business Conduct, Global Accounting Policies and Procedures, Financial Reporting Risk Assessments, Annual Budgets, Authorisation Limits, Periodic Reporting and Evaluation of budgeted versus actual results. The different layers of control allow for a greater probability that errors in the financial reporting are identified early and corrected.

SNL's business heads conduct an annual review of SNL's most significant areas of exposure to risk. The Operational Audit Department provides assurance that the Company has appropriate internal control, risk management and related corporate governance systems in place throughout the organisation, and performs regular independent audit reviews of these systems to assure adherence and recommend improvements.

The Board of Directors, through the Audit Committee, oversees the monitoring of compliance with the system of internal control over financial reporting. At its quarterly meeting, the Audit Committee reviews and discusses 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 whistle-blowing system, to report any potential illegal or unethical matters.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors reviews the Directors' compensation periodically. The review includes a comparison of SNL's Directors' compensation practices against the practices of comparable US and European companies. The remuneration of the Board of Directors reflects the Board of Directors' responsibility, expertise, time commitment and the complexity of SNL's activities. The remuneration is not linked to the performance of the Company.

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 in the Annual Report. Any remuneration in addition to normal directors' fees is specifically identified.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Compensation Committee of SNL is responsible for compensation strategy, overall salary increases and awards under its compensation programmes. It reviews and approves all aspects of senior executive management compensation, including performance incentive and equity-based compensation plans.

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 pay-outs 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 percentage of the salary of the executive management team.

13. INFORMATION AND COMMUNICATIONS

All information distributed to SNL's shareholders is published on SNL's website. SNL promptly submits all press releases to Oslo Børs, and disseminates such 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 Oslo Børs in accordance with its requirements. Each year SNL publishes 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. These dates are available on SNL's website at: www.stolt-nielsen.com/en/investors

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 and 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, to the extent applicable, follow the Norwegian Securities Trading Act and the recommendation in the Norwegian Code of Practice if any serious offer is received.

In most of SNL's financing agreements, the Company has certain change of control provisions that would trigger a default in the event of a take-over, unless waivers were obtained from lenders.

15. INDEPENDENT AUDITOR

The Audit Committee is responsible for the oversight of the work of the Company's external auditor, and for recommending the external auditor's appointment. 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 has 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 half-year 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.

With the signing of the audit opinion in the Consolidated Financial Statements for the year ended 30 November, 2017, the audit engagement partner completed six years in this role. During 2018, the Audit Committee requested PwC to agree to an extension of the audit engagement partner's tenure by one year to seven years ending 2018. PwC acceded to this request.