



Pacific Basin

THRIVING IN A STRONG MARKET

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CORPORATE GOVERNANCE REPORT 2021

[Extract from Annual Report 2021 p45-79, 123]

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CORPORATE GOVERNANCE

Accountability


We conduct our business with high standards of corporate governance to ensure responsible direction and management of the Group and to achieve sustainable value for our shareholders and other stakeholders

In setting our standards, the Board considers the needs and requirements of the business, its stakeholders and the Corporate Governance Code (the “Code”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Throughout the year ended 31 December 2021, the Group has complied with all code provisions of the Code as set out in Appendix 14 to the Rules Governing the Listing of the Securities on the Stock Exchange (the “Listing Rules”). The Group adopts all the recommended best practices under the Code except that the Group publishes a quarterly trading update, instead of quarterly financial results. The Board considers this format provides shareholders with the key information to assess the performance, financial position and prospects of the Group’s business following on from the full year and interim results.

The Board of Directors

Board Composition and Responsibilities

As at the date of this Annual Report, the Board comprises eleven Directors (two of whom are female): the Chairman, two Executive Directors, seven Independent Non-executive Directors (“INEDs”), and one Non-executive Director (“NED”) (appointed in January 2022). The number of INEDs exceeds the Listing Rules requirement that INEDs shall represent at least one-third of the Board. The biographical details of each Board member are set out in the “Our Directors” section of this Annual Report. 

All Directors have disclosed to the Company the number and nature of offices they hold in Hong Kong or overseas listed companies or organisations and other significant commitments, as well as the identity of such public companies or organisations. During the year ended 31 December 2021, all Directors have given sufficient time and attention to the Group’s

affairs. In accordance with the Company’s Bye-laws, at each annual general meeting (“AGM”) one-third of the Directors for the time being (rounded up if the number is not a multiple of three) shall retire from office by rotation on the basis that every Director should retire at least once every three years and be eligible for re-election.

An effective Board is key to setting the strategic direction and policies of the Company and is achieved through a combination of fresh perspectives and a long-term understanding of shipping cycles. We lay out below some of the important criteria in achieving an effective Board:

■ Dynamic Board Composition

Since the listing in 2004, there have been a total of 26 Board members with diverse skills. The current Board of 11 members has expertise in the areas of shipping, commercial, commodities, accounting, corporate finance, financial services, taxation, law and marine technology and is collectively responsible for directing and supervising the affairs of the Group.

■ Board Nomination and Diversity

The Nomination Committee applies the nomination criteria and principles according to the Company’s Nomination Policy and the Board Diversity Policy in identifying people suitably qualified to become Board members, having evaluated the scope and responsibility of the required position.

The selection criteria for Directors include but not limited to the candidate’s education, qualifications, skills, knowledge and experience that can benefit the Company’s business and development; and diversity in all aspects such as

cultural and educational background, ethnicity, gender and age. The Nomination Committee will also consider if the candidates have the ability to make positive contribution to the performance of the Board. External advice from independent recruitment consultants in the selection and identification of candidates will be sought if considered appropriate.

 [Sustainability Report p.58](#)
Diversity & Equal Opportunity

In January 2022, Mr. Alexander Cheung was appointed as a Non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee as part of the succession plan. Mr. Cheung brings with him strong professional background in the legal, regulatory, commercial, governance and compliance fields.

■ Separate Formalised Roles for the Chairman and Chief Executive Officer

The Chairman oversees the executive team and meets regularly with the CEO on the operations of the Group. He has in the past provided continuity of management during periods of change, hence safeguarding long-term management leadership. The Chairman is responsible for reviewing proposed plans for the Group prior to presentation to the Board. His review focuses on the long term strategic matters such as capital structure and fleet growth as well as the more immediate operational matters related to debt levels, cash flow, cash balances, risk assessment, other required capital expenditure as well as shareholder considerations.

The CEO carries out the day-to-day management and execution of the Group's activities and strategic initiatives. He formulates and proposes Group strategy and policy to the Board. He also ensures timely dissemination of appropriate information to the Board members to enable their active contribution to the Group's development.

■ Executive Directors Commitment to the Business Activities of the Group

The Executive Directors are required to devote all of their active or contracted business time to the business and affairs of the Group and are not permitted to engage in any other business which is in competition with that of the Group.

■ Role of the INEDs and NED

The INEDs and NED play a key role in protecting shareholders' interests. They bring a broad range of financial, regulatory, technical and commercial experience and skills to the Board, and enhance the effective strategic management of the Group through independent, constructive and informed contributions. The INEDs and NED provide a long-term view of the business development through shipping cycles and offer views that go beyond the short-term market movements.

■ Assessment of INEDs' Independence

The Board considers that all existing INEDs bring strong independent oversight and continue to demonstrate independence. All seven INEDs have given written confirmation to the Company about their independence in compliance with Rule 3.13 of the Listing Rules, and the Board continues to consider them to be independent.

During the period to end of July 2021 before Mr. Berglund retired, he and Dr. Tikka held cross-directorship since they were both serving on the Board of the Company and as non-executive directors at Ardmare Shipping Corporation. However, given that Dr. Tikka occupied a non-executive role in both companies and she and Mr. Berglund each held less than 1% of the number of issued shares in both companies, the Board considered that such cross-directorship did not undermine the independence of Dr. Tikka with respect to her directorship at the Company.

Mr. Williamson served Hong Kong Exchanges and Clearing Limited ("HKEX") for 13 years since 2008 until April 2021 as an independent non-executive director. During his tenure in HKEX, in order to properly address any potential conflict of interest that might arise, Mr. Williamson was not involved in any way in any communications with the Stock Exchange or the Securities and Future Commission in relation to any listing compliance matter of the Company.

Mr. Alexander Cheung is currently not regarded as independent as the law firm in which he is a partner has been a legal adviser to the Company mainly on matters relating to Hong Kong corporate laws and regulations.

■ INEDs' Period of Office

The Board selects INEDs based on their qualification and experience and hence their ability to contribute to the affairs of the Group, and of overriding importance is their possession of a mindset that is independent and constructively challenges management's views. Although some INEDs do not necessarily have a shipping background, their familiarity with the business and the industry over the years has enabled them to contribute to the management of the risks involved as well as add to the diversity of the skills and perspectives of the Board. Independence from executive management is particularly important as the Group has no controlling shareholder. Continuity of the INEDs provides stability to the Board's decision-making process, compensating for any turnover in the executive management team.

The Board believes that the long tenure of some of the INEDs does not compromise their independence but instead brings significant positive qualities as referred earlier. The Board, however, recognises the importance of succession to balance the mix of deep understanding of the Group's business with fresh ideas and perspectives. Over the last seven years, a total of four INEDs have been appointed. The Board has and will continue to periodically seek new INEDs to join the Board so as to sustain its source of independent views.

Directors' Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills as required by the Code. With the assistance of the Company Secretary, all Directors received updates on legal, compliance and regulatory issues of Hong Kong, updates on the industries and the markets in which the Group operates as well as updates on significant changes in financial accounting standards. Relevant reading materials were also identified by the Company Secretary during the year and records of training of all Directors have been provided to the Company Secretary.

All new Directors receive an induction upon their appointments to the Board with the key objective of assisting them in understanding their duties and responsibilities for being a Director, the Company's business, governance and Board and committee dynamics.

Board Evaluation

The Board has carried out a self-assessment this year led by the Chairman of the Board and the Chairman of the Audit Committee by way of interview with individual Director to evaluate its own performance during the year with an aim of ensuring continuous improvement in its functioning which in turn would influence and impact the business. Directors' feedback was analysed and discussed in meetings. The evaluation concluded that the Board operated effectively during the year.

The Board considers that its composition, size and structure are appropriate to the Group's business needs, reflecting a diversity of perspectives and a desirable combination of skills and experience. Succession planning continues to receive close monitoring and the Board will undertake appropriate recruitment having regard to the retirement plan of individual directors.

The Board and its members' responsibilities

The Board is accountable to the shareholders of the Company and its primary responsibilities are to:

- Develop the Group's long-term corporate strategies and broad policies
- Approve budgets and business plans
- Approve acquisition or disposal of investments and assets in particular those that require shareholders' notification or approval under the Listing Rules
- Lead corporate governance and sustainability
- Oversee the management of the Group, including the design, implementation and monitoring of the risk management and internal controls and sustainability management systems
- Prepare accounts and financial statements of the Group
- Monitor the Group's operating and financial performance
- Assess the achievement of targets set by the Board periodically
- Oversee matters that may involve a conflict of interest of a substantial shareholder or a Director

The Board delegates certain responsibilities to Board Committees outlined below. Executive Directors are delegated authority to oversee the Group's business operations, implementation of strategies laid down by the Board, and the making of day-to-day operating decisions.

Board Committees

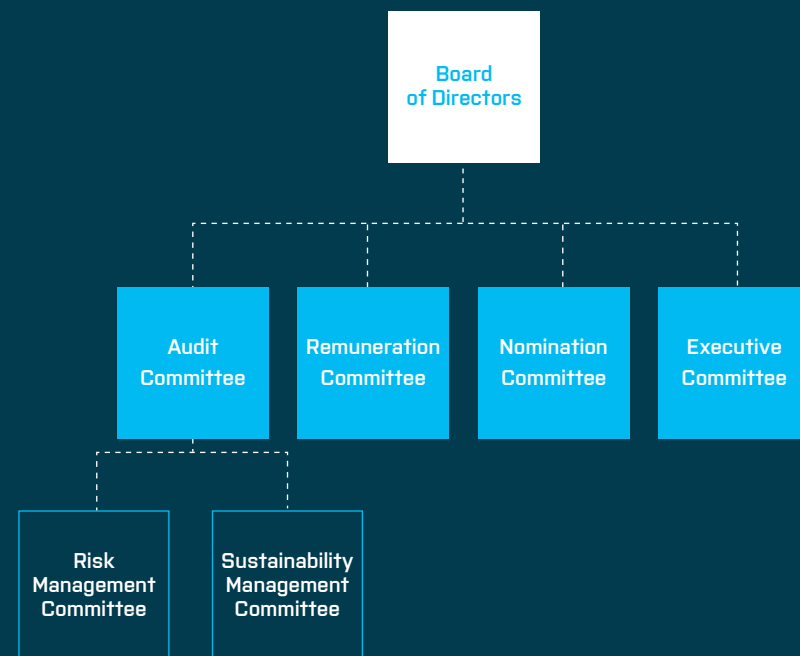
The Board has established the Audit, Remuneration and Nomination Committees in accordance with the Code.

The Board also operates through an Executive Committee to streamline the decision-making process of the Company in certain circumstances. The terms of reference of these Board Committees are available on the Company's website.

www.pacificbasin.com
Sustainability > Board & Board Committees

Decisions made by the Board and the Board Committees are based on detailed analyses prepared by the management which include:

- (i) monthly operations performance analysis;
- (ii) periodic asset investment and divestment proposals;
- (iii) periodic proposals on financing and capital structure; and
- (iv) periodic Board meetings to evaluate management's strategic priorities.



Board, Board Committee and General Meetings in 2021

The meetings schedule of the Directors and Board Committees is planned a year ahead in order to facilitate participation by all members of the Board and Board Committees. The Board has four regular meetings annually focusing on business strategy, operational issues and financial performance. Additional meetings will be called where necessary to address special businesses.

The Board met five times during the year. The attendance of each Director at Board meetings, Committee meetings and general meeting in 2021 are set out below. The Board continued to record healthy attendance at Board and Board Committee meetings demonstrating strong commitment of the Directors in discharging their duties.

	Annual General	Board	Audit ¹ Committee	Remuneration Committee	Nomination Committee
Executive Directors					
David M. Turnbull (Chairman)	1	5/5			
Martin Fruergaard (Chief Executive Officer) (appointed in July 2021)		3/3			
Peter Schulz (Chief Financial Officer)	1	5/5			
Mats H. Berglund (Chief Executive Officer) (retired in July 2021)	1	3/3			
Independent Non-executive Directors					
Patrick B. Paul	1	5/5	4/4	1/1	1/1
Robert C. Nicholson	0	5/5	4/4	1/1	1/1
Alasdair G. Morrison ²	1	4/5	4/4		
Irene Waage Basili	0	5/5		1/1	1/1
Stanley H. Ryan	0	5/5		1/1	1/1
Kirsi K. Tikka	0	5/5	4/4		
John M.M. Williamson	1	5/5	4/4		
Total number of meetings held in 2021	1	5	4	1	1

¹ Representatives of the external auditor participated in all four Audit Committee meetings

² Mr. Morrison recused himself from one Board meeting as he held an interest in the transaction being discussed at that meeting

The Audit Committee

Membership

Chairman: John M.M. Williamson

Members: Patrick B. Paul, Robert C. Nicholson, Alasdair G. Morrison, Kirsi K. Tikka and Alexander H.Y.K. Cheung (effective from 3 January 2022)

Main Responsibilities

1. Review the financial statements and the financial reporting process to ensure the balance, transparency and integrity of published financial information.
2. Review the effectiveness of the Group's financial controls, internal controls and risk management systems.
3. Review the work of the Risk Management Committee.
4. Review the work of the Sustainability Management Committee.
5. Review the Group's process of monitoring compliance with the laws and regulations affecting financial reporting.
6. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.
7. Review the independent audit process and the effectiveness of the risk management and internal audit function.

Work Done in 2021

The Audit Committee held four meetings during the year, all of which were joined by representatives of the Company's external auditor, and the work undertaken included the following:

- review and discussion of the external auditor's Audit Committee Report in respect of the 2020 full year audit and the 2021 interim review and the audit strategy memorandum;
- review of the 2020 Annual Report, Sustainability Report and accounts and the 2021 interim report and accounts with a recommendation to the Board for approval;
- review of the Risk Management Committee reports including the internal audit work plan for 2021 and the internal controls testing results and the effectiveness of the risk management and internal control systems of the Group;
- review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting function;
- review of the Sustainability Management Committee reports including the Group's key ESG performance and targets, new ESG projects, new IMO carbon efficiency regulations and the annual ESG materiality assessment; and
- review of the adequacy of the Group's marine related and other insurance covers.

During the year, the Audit Committee met the external auditor once without the presence of management.

The Remuneration Committee

Membership

Chairman: Robert C. Nicholson

Members: Patrick B. Paul, Irene Waage Basili, Stanley H. Ryan and Alexander H.Y.K. Cheung (effective from 3 January 2022)

Main Responsibilities

1. Make recommendation to the Board on the Company's policy and structure for Directors' remuneration and the desirability of performance-based remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.
2. Determine, through authority delegated by the Board, the remuneration of the Executive Directors and certain higher paid employees.
3. Review and make recommendation to the Board on the terms of appointment for Directors when considered necessary.
4. Make recommendation to the Board relating to fair (and not excessive) compensation payments and appropriate arrangements, taking into account contractual entitlements of the Directors, in the case of any loss or termination of office or appointment and dismissal or removal for misconduct.
5. Administer and oversee the Company's 2013 Share Award Scheme and other equity or cash-based incentive schemes of the Company in place from time to time, and review and approve the granting of share awards to any staff members of the Group.
6. Approve the disclosure statements of the Company's policy and remuneration for Directors.

Work Done in 2021

The Remuneration Committee met once during the year and, together with e-mail communication, the work undertaken included the following:

- approval of the payment and awards for the former CEO upon his retirement in July 2021
- approval of the 2021 year-end bonuses, salary review for 2022 and restricted share awards for the Executive Directors and certain higher paid employees; and
- approval of the grant of restricted share awards to certain staff members.

The Nomination Committee

Membership

Chairman: Robert C. Nicholson

Members: Patrick B. Paul, Irene Waage Basili, Stanley H. Ryan and Alexander H.Y.K. Cheung (effective from 3 January 2022)

Main Responsibilities

1. Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendation on any proposed changes to the Board to complement the Group's corporate strategy.
2. Report to the Board on compliance with the Stock Exchange's rules and guidelines on Board composition from time to time.
3. Identify individuals suitably qualified to become Board members and make recommendation to the Board on the selection of individuals nominated for directorship.
4. Assess the independence of the Company's Independent Non-executive Directors.
5. Make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer based on an evaluation of scope and responsibility of the position and the advice from external recruitment consultants if considered appropriate.

Work Done in 2021

The Nomination Committee met once during the year and together with e-mail communication, the work undertaken included the following:

- review of the structure, size and composition of the Board;
- review of the Board succession plan and update on the strategy of INED renewal program;
- make recommendation to the Board of the appointment of Alexander Cheung as new NED; and
- assess the independence of the Company's INEDs.

The Executive Committee

Membership

Chairman: Chief Executive Officer

Members: Chairman of the Board, Chief Financial Officer and two senior executives

Main Responsibilities

1. Identify and execute transactions within the parameters approved by the Board.
2. Identify and execute vessel purchase and sale transactions.
3. Identify and execute long-term charter contracts and cargo contracts with duration exceeding 5 years.
4. Identify and execute bunker physical contracts and bunker swap contracts with duration exceeding 5 years.
5. Identify and execute transactions for non-vessel marine fixed assets exceeding US\$5 million.
6. Make decisions over financing and related guarantees.
7. Exercise the Company's general mandate to issue new shares or buy back shares in accordance with the parameters set by the Board and the limits approved by the shareholders.

Work Done in 2021

The Executive Committee approved and executed a range of business matters based on detailed analysis submitted by management, and the work undertaken included the following:

- announcement of the issue of new shares to fulfil the grant of restricted share awards to certain employees;
- extension of a major loan facility by two years and early repayment and termination of another loan facility;
- acquisition of five second-hand Handysize vessels and three second-hand Ultramax vessels and charter in of two large Handysize vessels for a period of three years for delivery in second half of 2023;
- disposal of three smaller and older Handysize vessels;
- appointment of the new CEO as an authorised representative of the Company and signatory for all existing loan facilities; and
- the conversion price adjustment of the Group's convertible bonds due in 2025 and the related announcement in August 2021.

Sustainability Management

The Group's business draws on and impacts resources and relationships it relies on to create value. Its operations have an effect on the environment, its stakeholders and society, and have a bearing on the long-term sustainability of its business.

The Group's active approach to sustainability is rooted in its culture and, governed by policies and systems, is integrated into its daily business behaviour and operating practices. The Group believes that many of the responsible actions it takes – its commitment to sustainability – make it competitively stronger and enhance its financial performance, reputation and the longevity and future value of its business.

ESG metrics are increasingly used by stakeholders to analyse a business' environmental, health and safety, community and ethical impact and sustainability practices.

Sustainability Governance

The Board is responsible for, among other things, the development of the Group's long-term corporate strategies and broad policies. In setting its standards, it considers the needs and requirements of the business, its stakeholders, the Code and ESG Reporting Guide encompassed in the Listing Rules.

As such, the Board has overall responsibility for, and is engaged in, the Group's sustainability strategy and reporting, including identifying, evaluating and managing ESG-related risks, and ensuring appropriate and effective ESG risk management and internal control systems are in place. Management provides confirmation to the Board of the effectiveness of these systems. The Board also reviews progress made against ESG-related goals and targets.

The Board delegates to the Audit Committee more specific responsibility for reviewing the effectiveness of the Group's sustainability initiatives and the work of the Sustainability Management Committee ("SMC").

Functions of SMC

The Group's SMC comprises the CEO, CFO and six senior executives from different functions. It reports to the Audit Committee at least twice a year, and is responsible for reviewing, assessing and enhancing the Group's sustainability policies, strategies and performance, and ensuring the Group is in full compliance with ESG requirements. This approach affirms and enables the Group's commitment to sustainability, and ensures that members with different backgrounds and expertise are represented to deliver meaningful outcomes.

Day-to-day Implementation

We have recently formed a dedicated sustainability team to further enhance our strategic focus on sustainable business practices and investments in sustainable assets. Supported by the sustainability team, day-to-day execution of sustainability initiatives and sustainable business practice lies with managers across the business, most notably the Fleet Director (supported by his senior managers covering technical operations, fleet personnel and risk, safety & security), the Commercial Operations Director, the CEO and the Human Resources and Administration Director.

We Have Set More Ambitious Carbon Intensity and Net Zero Targets

In 2020, we set environmental KPI targets to comply early with new requirements of the ESG Guide. In 2021, we increased our decarbonisation ambition level with a revised target of net zero emissions by 2050. We also set ourselves the target of achieving an AER carbon intensity rating of C or higher on our vessels from 2024 onwards to ensure we easily comply with IMO's carbon intensity rules that come into force in 2023. Setting these and related targets is key to improving the Group's decarbonisation performance and the overall sustainability of our business. SMC has implemented climate and environmental KPI targets endorsed by the Board, details of which can be found in the Company's Sustainability Report 2021.

The Sustainability Management Committee

Membership

Chairman: Chief Executive Officer

Members: Chief Financial Officer, Director of Chartering, Director of Operations, Director of Fleet, Director of Group HR & Admin, Head of Sustainability, Director of Risk, Manager of Risk

Main Responsibilities

1. Oversee and execute the Group's sustainability strategy.
2. Review and ensure proper disclosure and compliance with the ESG Guide of the Hong Kong Stock Exchange.
3. Review the annual materiality assessment of ESG risks.
4. Review the internal procedures and system for the maintenance and generation of appropriate and accurate KPI data.
5. Present and regularly report to the Board on sustainability performance.
6. Make recommendations to enhance sustainability strategies and practices.

Work Done in 2021

In 2021, the SMC met three times and reported to the Audit Committee on the Group's sustainability programme, performance and work done. The work undertaken included:

- review and discussion about the materiality assessment of ESG topics and risks with reference to the Company's strategy and industry relevance;
- review of the ESG KPI performance and progress made against the approved targets with reporting to the Board;
- set new targets including net zero emissions by 2050;
- review and assessment of incoming energy-efficiency and decarbonisation regulations and measures in the shipping industry;
- study of climate-related risks and opportunities and their possible impacts on the Group;
- implementation of enhanced supply chain ESG management initiatives; and
- amendment of the terms of reference of the Sustainability Management Committee.

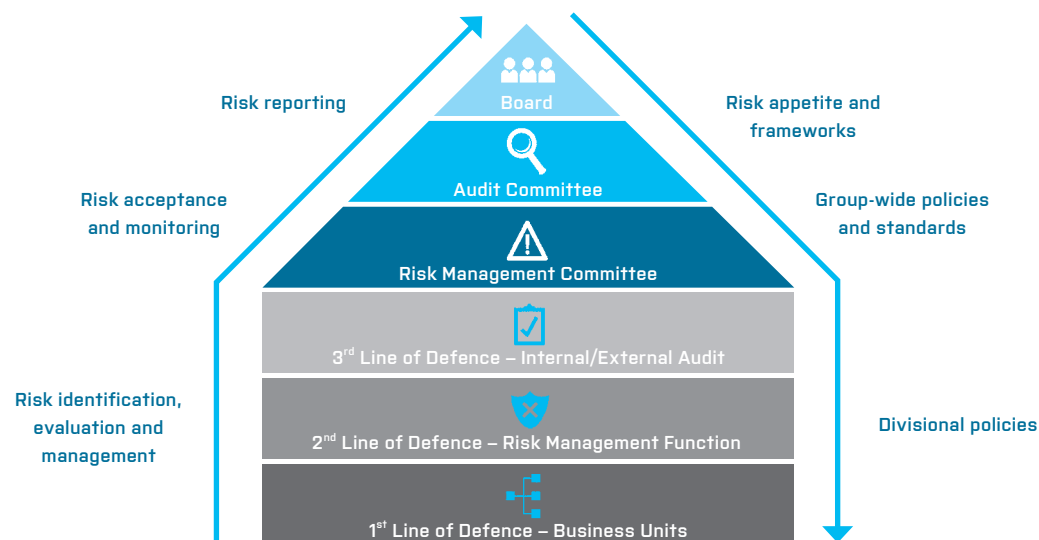
Compliance with ESG Guide

In preparing our Sustainability Report, the Group has followed the ESG Guide as set out in Appendix 27 to the Listing Rules and has referenced other international sustainability reporting standards. We monitor developments and trends in areas of sustainability and sustainability reporting to better meet the expectations of our stakeholders in light of evolving business and regulatory requirements.



RISK MANAGEMENT

The Group's risk governance structure is based on a "Three Lines of Defence" model, with oversight and directions from the Board and Audit Committee.



Framework

The risk management and internal control systems are to help the Group achieve its long-term vision and mission and business sustainability by identifying and evaluating the Group's risks and formulating appropriate mitigating controls to protect our business, stakeholders, assets and capital. Risk management and internal control systems are embedded in our business functions and we believe that they enhance long-term shareholder value. The risks of the Group are subject to and are directly linked to the Group's strategy.

The Board oversees management in the design, implementation and monitoring of the Risk Management and Internal Control Systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable but not absolute assurance against material misstatement or loss. A review of their effectiveness are conducted annually by the Risk Management Committee ("RMC") and reported to the Board through the Audit Committee. The primary responsibility for detailed risk identification and management lies with the respective business units.

The RMC, reporting to the Audit Committee, is responsible for strengthening the Group's risk management culture, ensuring the overall framework of risk management is comprehensive and

responsive to changes in the business and market, and managing the internal audit function. It regularly reviews the completeness and accuracy of risk assessments, risk reporting and the adequacy of risk mitigation efforts.

As the first line of defence, individual business units identify operational risks, develop and implement respective controls. These activities are monitored and evaluated by division heads and relevant staff managers, and are overseen by the RMC as the second line of defence. As the third line of defence, internal/external reviews are regularly conducted and reported to the Audit Committee charged with the role to ensure that the enterprise risk management arrangements and structures are appropriate and effective.

The Group has in place a risk management and internal control framework that is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) Enterprise Risk Management (ERM) - Integrated Framework and has the following five components:

■ Governance and Culture

The Group has reinforced enterprise risk management culture, including ethical values, desired behaviours and risk appetite. Sound organisational structure is established to delegate business functions to respective business units within limits set by the head office management or Executive Directors in the pursuit of the Group's strategy and business objective.

■ Strategy and Objective-setting

The Board meets on a regular basis to discuss and agree on business strategies, plans and budgets prepared by management. The Board considers business context and risk implications when establishing strategies to ensure that they align, support and integrate with the defined vision and mission.

■ Performance

The Group identifies, assesses and prioritises the risks that are most relevant to the Group's success according to their likelihood and impacts.

Based on the risk assessment, mitigation plans or controls enhancement are developed and implemented by individual business units. The result of this process is reported to the Board by the RMC annually.

■ Review and Revision

The Group continuously reviews its risk framework in light of substantial changes and pursues improvements of enterprise risk management.

■ Information, Communication, and Reporting

The Group encourages obtaining and sharing information, from both internal and external sources, which flows up, down and across the organisation. Information systems, channels and reporting tools are established and regularly upgraded to support enterprise risk management communications of the Group.

The Risk Management Committee

Membership

Chairman: Chief Financial Officer

Members: Chief Executive Officer, Director of Chartering, Director of Risk, Manager of Risk

Main Responsibilities

1. Strengthen the Group’s risk management culture.
2. Facilitate the identification of significant risks of the Group and recommend and /or implement suitable policies and controls.
3. Review significant risks of the Group through an annual risk assessment with division heads.
4. Review and recommend appropriate internal controls and policies.
5. Develop internal audit plan.
6. Manage the annual risk assessment and testing of internal controls.

Work Done in 2021

The RMC met three times during the year and reported to the Audit Committee twice on the annual risk assessment and internal controls review. The work undertaken included the following:

- develop and review internal audit plan;
- audit and review internal controls based on the audit plan;
- implement, maintain and improve the risk management policy and risk management framework;
- perform annual risk assessment by way of an online questionnaire and review the input in collaboration with division heads;
- review the Group’s significant and emerging risks with division heads and recommend and implement new policies and controls;
- report to the Audit Committee the management of the marine related and other insurances;
- report by way of a deep dive review to the Board the management of contracts of affreightment;
- assist in the enhancement of the Group’s Environmental, Social and Governance (ESG) Reporting in compliance with the upgraded ESG Guide of the HKEX;
- conduct anti-bribery training for seafarers and shore-based employees to further bolster the Group’s anti-corruption culture;
- conduct orientation briefing to newly joined shore-based staff on the Group’s corporate governance framework and culture;
- conduct periodic business continuity drills at the headquarters and other overseas offices to simulate a situation of business disruption in the event of a shutdown of essential IT systems; and
- review and assess the potential impact of the environmental regulations to the Group’s business.

Annual Assessment of Risk and Internal Controls

The Group carries out an annual risk assessment by way of an online questionnaire completed by senior staff members with the objective to improve the design and the effectiveness of the Group’s internal controls. Any changes in the risk profile and related mitigating measures, new risks or other proposal in risk management are evaluated and documented in the Group’s risk register. The impact of risks, mitigants and recommendations are communicated to the relevant business divisions.

The mitigating controls of the Group’s risks are reviewed and tested periodically by the RMC. The frequency of testing of individual internal controls is by reference to the ranking of the underlying risk areas and the strategy of the Group. The Group adopts a peer review format in its annual testing of internal controls by appointing appropriate staff members auditing selected controls of departments other than their own.

The criteria for assessing the effectiveness of internal controls are based on whether the mitigating controls have been operated and enforced throughout the period being reviewed. Findings and recommendations are communicated with the relevant division heads and staff to formulate appropriate measures to refine or enhance the controls, or rectify any control deficiency.

The RMC conducts regular meetings with division heads and managers at the headquarters and regional offices so as to keep abreast of issues and new risks that are embedded in business operations and to refine or enhance existing procedures and controls in line with business needs and market changes. The Group has a robust mechanism of regular reporting of key business and operations performance to both management and the Board, which is a key element of a healthy risk management system.

The Group also conducts annual customer and investor surveys which generate feedback that we act on to further enhance the quality of our service and our investor relations and corporate governance practices.

 **p.5 Who We Are**

Effectiveness of the Risk Management and Internal Control Systems

The RMC reports at least twice a year to the Audit Committee which assesses the adequacy and effectiveness of the risk management and internal control systems. Such systems are crucial for the fulfillment of the Group’s business objectives. The Audit Committee reviews how management designs, implements and monitors those systems, the findings, recommendations and the follow-up procedures of the annual risk assessment and internal controls testing, as well as the Group’s risk register and management’s confirmation on the effectiveness of the Group’s risk management and internal control systems, and reports to the Board annually.

In respect of the year ended 31 December 2021, the Board, with confirmation from management, considers the risk management and internal control systems effective and adequate. No significant areas of concern were identified.

OUR PRINCIPAL RISKS

The Group is faced with a number of risks that might derail our progress towards achieving our vision and impact shareholder value. This section sets out our key risks and their mitigating measures, arranged by our areas of key strategic focus. The risks, impacts and mitigating measures in this section are consistent with the Group’s risk register taking into account the outcome of the annual risk assessment by way of an online enterprise risk assessment questionnaire in collaboration with division heads. [↔ p.37 Our Resources in Action](#)

1. Investing in Our Fleet [↔ p.38-39 Strategy Delivery](#)

Risk/Impact

Market Risk A

Adverse financial impacts include:

- freight rate volatility;
- cost volatility including fuel prices and other operating expenses; and
- US-China trade tensions affecting freight market sentiment and status of Hong Kong, such as the suspension of US-Hong Kong reciprocal tax exemption of shipping income and increasing cost of trades.

Change from last year:

Mitigating Measures

Our large fleet scale and uniformity enable us to achieve high laden utilisation and TCE earnings that outperform the market indices in our core business over the shipping cycle.

Our operating activity is able to generate a margin throughout the shipping cycle complementing our core business.

Earnings volatility is partially managed by securing contracts of affreightment of one year or longer. We remain focused on the Handysize and Supramax segments of the dry bulk sector which is where we have a strong competitive edge.

Volatile fuel costs for our long-term cargo contracts are passed to our customers through bunker price adjustment clauses or hedged with either bunker swap contracts or forward price agreements.

Bunker swap contracts can also be used to lock in the prevailing future fuel price spread between low and high sulphur fuel for a portion of our estimated fuel consumption on some of our Supramax vessels that are fitted with scrubbers.

The Group constantly reviews optimal vessel operating speed to maximise voyage contribution.

[↔ p.99 Financial Statements Note 16](#)

Derivative Assets and Liabilities for our use of derivative financial instruments

Vessel Investment, Deployment and Operational Risk

Inappropriate vessel investment timing, deployment and operations may reduce the competitiveness of our cost structure and margins.

Vessel values vary significantly through shipping cycles, and we need competitively priced and high-quality vessels to provide our services to customers.

Chartering in vessels in a strong market may bring potentially greater downside risks. Furthermore, increasingly stringent environmental regulations increase the uncertainty to the economic life of vessels.

Inadequate vessel maintenance could jeopardise crew safety and lead to vessel down-time and service disruptions.

Change from last year:

The Group regularly evaluates potential vessel investments and divestments based on relevant market information, estimated future earnings and residual values. We adopt a flexible ownership/leasing strategy that is aligned with shipping cycles, and we pursue an active fleet growth and renewal programme by:

- acquiring modern Japanese-built or designed second-hand vessels;
- assessing environmental KPIs such as the EEXI and AER in our vessel purchase due diligence;
- monitoring the development of future zero-emission vessels; and
- chartering vessels from quality shipowners.

Our technical team and crews operate and maintain our ships under our International Safety Management (ISM) Code-compliant “Pacific Basin Management System” to assure safety and service reliability.

[Sustainability Report p.44-45](#)
Pacific Basin Management System

2. Investing in Our People  p.38-39 Strategy Delivery

Risk/Impact

Succession Risk


Inadequate succession planning may lead to prolonged executive searches, disruption to our strategic momentum and the business, and undermine stakeholder confidence within the Group.

Change from last year: 

Employee Recruitment, Engagement, Retention Risk

We are only as good as our people and so our ability to achieve our vision depends on the effectiveness of our staff both ashore and at sea. Loss of key staff or an inability to attract, train or retain staff could affect our ability to grow our business and achieve our long-term goals.

Due to the Covid-19 pandemic, many of our seafarers continue to be impacted by crew-change restrictions, long periods of quarantine and other complications arising from governments' measures to manage the pandemic. Many of our shore-based staff are separated from their families due to quarantine and travel restrictions in some parts of the world. Staff morale, health and wellbeing of crew as well as operational safety may be impacted.

Change from last year: 

Mitigating Measures

Our Group's dedicated HR department oversees the organisational design, talent management, recruitment and remuneration. Succession plans for senior management are regularly reviewed.

The Nomination Committee closely monitors the Board succession planning process to ensure Board continuity and diversity. The transition of the role of CEO to Mr Martin Fruergaard in July 2021 has been smooth and successful and he has settled in well in that role.

The Group has a clear vision, mission and business principles with which to equip any potential Board, management and staff successors to lead the business forward.

Our Group's HR and crewing departments are tasked with recruiting, developing and maximising engagement of staff ashore and at sea by:

- maintaining regular contact with talent representing a wide cross-section of the shipping industry, and using diverse manning sources for seafarers to engage our diversified crew pools in several countries;
- reviewing salary structure regularly to ensure that it remains adequate to attract and retain the best talent;
- offering regular training for staff ashore and at sea not only to ensure they are able to perform their duties but also to help improve professional fulfillment;
- implementing annual staff performance appraisals, incentives and other initiatives to encourage, retain and otherwise engage staff;
- pursuing every effort to disembark and repatriate our crews stuck at sea beyond their original contract periods during the Covid-19-related global crew change crisis, enhancing our focus on their health, safety and wellbeing on board during this stressful time, and providing comprehensive support including mental health support;
- extending flexibility to staff who are separated from their families due to strict quarantine and travel restrictions due to Covid-19; and
- launching an Employee Assistant Program on a global basis offering counselling services and wellness workshops to all employees.



Sustainability Report p.52
Workplace & Business Practices
 Training & Development

3. Deepening Our Relationships p.38-39 Strategy Delivery


Risk/Impact

Credit and Counterparty Risk ^A

Default or failure of counterparties to honour their contractual obligations may cause financial losses.


Counterparties include:

- our cargo customers;
- ship owners;
- ship builders, sellers and buyers;
- suppliers;
- derivatives counterparties; and
- banks and financial institutions.

Change from last year: 


Customer Satisfaction and Reputation Risk

Poor service may impair our brand value and reputation as a trusted counterparty, which could restrict our access to customers, cargoes, high-quality vessels, funding and talent.

Change from last year: 

Banking Relationships Risk

Poor loan administration and relationships with banks may limit our funding sources.

Change from last year: 

Mitigating Measures

Our global office network enables us to know our counterparties better. We take measures to limit our credit exposure by:

- transacting with a diverse range of counterparties with successful track records and sound credit ratings;
- actively assessing the creditworthiness of counterparties;
- performing sanction checks on all counterparties, deploying our self-developed platform and systematic daily screening of our active counterparties, to ensure the Group complies with international sanctions legislation;
- engaging with our counterparties on a regular basis to keep up to date with their financial situations; and
- obtaining refund guarantees from newbuilding shipyards.

 p.103 Financial Statements Note 17
Trade and other receivables

Our global office network positions us close to our customers enabling direct and frequent customer engagement, a clear understanding of their needs and localised customer service.

Our fleet scale and uniformity, complemented by our comprehensive in-house technical operations, enhance our ability to deliver a high-quality and reliable service.

Customer engagement includes surveys and regular telephone or face-to-face contact to gather feedback with a view to further improve customer satisfaction.

Our Group's dedicated treasury function develops and maintains relationship with a diverse group of reputable banks worldwide through regular senior management contact.

4. Safeguarding Health and Safety

↔ p.38-39 Strategy Delivery

Risk/Impact

Health and Safety Risk

Inadequate safety and operational standards, piracy or other causes of accidents may lead to loss of life, severe damage to our property or vessels, and impact the Group's reputation among seafarers, customers and other stakeholders. Covid-19 pandemic has restricted our ability to change crew that may lead to possible strike and deterioration in safety and quality.

Change from last year: ➡

Insurance Risk

Vessel incidents could endanger our crew, adversely affect the strength of our brand and reputation and result in service disruption and significant costs.

Change from last year: ➡

Mitigating Measures

Our commitment to the safe operation of our ships is manifested through a proactive system ashore and at sea – the Pacific Basin Management System – enhanced by comprehensive risk assessment, as well as well-conceived training and maintenance programmes and innovative initiatives to ensure our vessels are in good condition and in all respects safe to trade.

Our high quality attention to safety is evidenced by an excellent safety record and our several safety-related awards in recent years.

During the Covid-19-related global crew change crisis, we pursued every effort to disembark and repatriate our crews stuck at sea beyond their original contract periods, and enhanced our focus on their health, safety and wellbeing on board during this stressful time for seafarers, providing comprehensive support including mental health support.



Sustainability Report p.46
Workplace & Business Practices
 Health & Safety

Despite best efforts to ensure safe operations, incidents do happen. We place insurance cover at competitive rates through marine insurance products both on our owned fleets and chartered fleets, including hull and machinery, war risk, protection and indemnity, loss of hire, drug seizure loss, freight demurrage and defence cover. Sufficiency of insurance cover is regularly evaluated and adjusted in line with prevailing asset values and in compliance with loan covenants and internal policies.

5. Evolving Management & Governance Practices


 p.38-39 Strategy Delivery

Risk/Impact

IT Security Risk

Our business processes rely heavily on IT systems (including cloud-based) on daily communications ashore and at sea. Failure of a key IT system, targeted attacks on our system, or a breach of security could result in communications breakdown, business disruption and financial loss.

Business disturbances due to cybersecurity risks can be significant.

Change from last year: 

Mitigating Measures

Our IT Steering Committee chaired by our CEO oversees the Group's IT policies and procedures and ensures the Group's IT strategies meet our business needs.


Our IT team works closely with the business departments to tailor appropriate and effective IT solutions, support, and preventive and contingency measures. We have a formalised business continuity plan ("BCP") system in place and arrange periodic company-wide drills and webinars to simulate a situation of essential IT systems shutdown.

Our system migrations to reputable cloud-based services had significantly enhanced the Group's data security and reduced the likelihood of cyber incidents. We regularly evaluate our cloud-service providers, ensuring they have organisational controls in place to safeguard systems and data. We also verify if they are independently certified by international standard audits so as to comply with industry standards and our internal policies. We further protect our business against financial loss due to cyber-crimes by taking commercial crime insurance cover.

Vessel hardware and systems are reviewed periodically to maximise system efficiency and security.

Corporate Governance Risk

Inadequate corporate governance measures may adversely impact the diligence, integrity and transparency of our risk assessment, decision-making and reporting processes and undermine stakeholder confidence.

Change from last year: 

The Group is committed to good corporate governance to meet the requirements of our business and stakeholders. The Audit Committee, Risk Management Committee and Sustainability Management Committee proactively ensure the overall corporate governance, risk management framework and sustainability strategy of the Group.

Internal procedures are in place to ensure compliance with all relevant local and international laws and regulations in the places we trade, including comprehensive regulations enacted by the International Maritime Organization (and enforced by its member countries) and international sanctions legislation. Our commitment to anti-bribery practices and high standards of corporate governance has been certified by TRACE, and is underscored by our admission as a member of the Maritime Anti-Corruption Network (MACN).

Regular anti-bribery trainings were organised to shore-based staff and seafarers.

The Board and relevant employees receive regular governance training to ensure a high standard of corporate governance.

 p.45 Corporate Governance

Investor Relations Risk

Lack of transparency or adequacy in our external communications could undermine stakeholder confidence in our Group.

Change from last year: 

The Group has a dedicated investor relations function as well as policies and guidelines on information disclosure and communication with the public.

We publish financial reports or trading updates quarterly keeping the public informed of material developments of the Group and the market guided by the Corporate Governance Code's best practices. Our website is updated regularly with company news and financial information.

 p.76 Investor Relations

6. Safeguarding the Environment

 p.38-39 Strategy Delivery

Risk/Impact


Environment Risk

Any deficiency in compliance with emissions and other environmental legislation and standards may result in financial loss and significant damage to our brand and the long-term sustainability of our business.

IMO's global EEXI and CII regulations ensuring annual improvements in the carbon efficiency of existing ships will take effect from 2023.

The EU's intention to include shipping in the European Union Emissions Trading System (EU ETS), charge tax on bunker fuel and implement carbon intensity reduction requirements may also take effect from 2023.

The target of net-zero emission shipping by 2050 promoted by the UN Climate Change Conference of the Parties (COP26) presents for the shipping industry the significant challenges of constantly reducing the carbon intensity of existing conventional ships and replacing these with zero-emission ships that are not yet available and viable for our sector.

Change from last year: 



Sustainability Report p.21

Environment

Mitigating Measures

Our Sustainability Management Committee chaired by our CEO oversees and executes the Group's sustainability strategy and making meaningful sustainability recommendations. It also ensures our strict compliance with all applicable laws and regulations, adequate board engagement, and KPI targets are set to drive performance.

The Group continually assesses and adopts technology and operational measures to improve our ships' fuel efficiency and to prepare for the transition. Our active fleet renewal programme adds to our fleet new ships with increasingly fuel-efficient design and latest innovations and technical enhancements to reduce atmospheric emissions.

We are members of the *Getting To Zero Coalition* committed to exploring ways to decarbonise our industry. We have also launched the *PB Carbon Neutral Voyage Programme* this year by partnering with CLP Holdings Limited (CLP) to offset carbon emissions from our global onshore operations, and extending the service to our customers.

All our vessels comply with regulations set out by the International Maritime Organization (IMO) and coastal states, including Ballast Water Management (BWM) Convention, 2020 Global Sulphur Limits, EU CO₂ MRV regulations, etc. We continue to take a proactive approach to explore viable technological advancement and alternative fuels to achieve zero emissions shipping by 2050.

We promote a proactive safety culture by way of safety risk assessments to mitigate risk in critical tasks on board. Through our training, we seek to eradicate the risk of accidents that may lead to pollution and related penalties, costs and adverse publicity. We cover our risk of pollution liability through reputable Protection & Indemnity (P&I) clubs.

We will not order newbuildings until zero-emission bulk carriers are available and commercially viable. We will be collaborating with partners in initiatives to design and order such vessels.

7. Maximising Efficiencies & Controlling Costs

↔ p. 38-39 Strategy Delivery

Risk/Impact

Operational Efficiency Risk

Poor internal systems, processes, communications and management could adversely impact our business and undermine our operational efficiency.

Change from last year: ➡

Mitigating Measures

The Group's top down approach ensures its performance and strategic objectives (including efficiency objectives) are communicated to all staff through organisation-wide staff meetings, information dissemination via intranet and seasonal team building events. We have also established a clear and robust organisation structure that supports our business needs.

Other key measures to enhance efficiency include:

- regular review and upgrade of IT systems, evaluation and procurement of new software, applications and hardware to ensure alignment with the business environment and requirements and promote effective system integrations across our operations;
- appropriate documentation of business policies and procedures to ensure process consistency and best practices;
- proper vendor vetting procedures to ensure the stable and sustainable supply of services and goods; and
- outsource certain operational functions where appropriate to third party providers, allowing our own resources to be more effectively deployed.

Cost Management Risk

Failure to manage costs effectively and sensibly could result in financial losses, resources misallocation, safety issues, business disruption, customer dissatisfaction, supplier alienation or loss of opportunities.

Change from last year: ➡

Active resource planning and costs estimation are carried out by business departments to expedite their work scope and assess business opportunities. Our cost management measures are in line with our strategy to maximise efficiency and reduce cost without jeopardising our stakeholder satisfaction, corporate reputation and operational safety.

Approval mechanisms are in place across business departments to ensure expenditures are scrutinised and approved by authorised persons.

Monthly management reports including its costs and deviation from budget are scrutinised by the Board and management to ensure the performance of the Group. Variances from resource planning and cost estimations are regularly monitored to enable effective optimisation of business performance and cost efficiency.

8. Enhancing Corporate & Financial Profile

 [p.38-39 Strategy Delivery](#)

Risk/Impact

Liquidity Risk ^A

Insufficient financial resources (such as bank borrowing facilities) may negatively impact the Group's ability to meet its payment obligations as they fall due.

Change from last year: 

Mitigating Measures

Our Group's Treasury function actively manages the cash and borrowings of the Group to ensure:

- sufficient funds are available to meet our existing and future commitments;
- an appropriate level of liquidity is maintained during different stages of the shipping cycle;
- compliance with covenants relating to our borrowings and convertible bonds; and
- regular and transparent dialogues with our relationship banks are maintained.

 [p.113 Financial Statements Note 28](#)
Financial Liabilities Summary

 [p.32 Cash and Borrowings](#)

Capital Management Risk ^A

Weakness in our financial management capability and insufficient capital could impact:

- our ability to operate as a going concern;
- our ability to provide adequate returns to shareholders; and
- other stakeholders' ability and willingness to support the Group.

Interest rate fluctuation and exchange rate volatility in the currencies we use may increase uncertainty of funding cost and financial impact.

Change from last year: 

 [p.55 Our Principal Risks](#)
Deepening Our Relationships

To achieve an optimal capital structure, the Group conducts regular reviews on:


- future capital requirements and capital efficiency;
- prevailing and projected profitability;
- projected operating cash flows; and
- projected capital expenditure and expectations for strategic investment opportunities.

Our dividend policy is to pay out a minimum of 50% of net profits for the full year excluding disposal gains, with the remainder of the profits retained as capital for future use.

Our exchange rate risk is limited by the general use of US dollars in our industry.

Interest rate volatility is managed by entering into interest rate swaps. Our Board monitors closely the ratio of interest cover, net borrowings to net book value of owned vessels, and the ratio of net borrowings to shareholders' equity.

 [p.3 Financial Highlights](#)

 [p.99 Financial Statements Note 16](#)
Derivative Assets and Liabilities for our use of derivative financial instruments


OTHER INFORMATION

Handling Inside Information

The Group adopts procedures and internal controls for the handling and dissemination of inside information:

- It conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Future Commission
- The Group’s corporate communication policy governs communication with third parties and, in particular, procedures for responding to external enquiries about the Group’s affairs so that designated personnel are authorised to do so
- It has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website
- It stipulates in its Code of Conduct a strict prohibition on unauthorised use of confidential or inside information

Directors – Remuneration and Share Ownership

Details of the remuneration and share ownership of the Directors are contained in the “Remuneration Report” and “Report of the Directors” sections of this Annual Report. 

Directors’ Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules (the “Model Code”).

The Board confirms that, having made specific enquiry, the Directors have fully complied with the required standards set out in the Model Code and its code of conduct regarding Directors’ securities transactions during the year except that a Director traded in the Company’s securities prior to obtaining written approval from the Company during a period when no trading restrictions were in place. The Board has given formal reminder to the said Director that the Model Code stipulates written approval must be received before any securities transactions can proceed.

Senior Management and Staff’s Securities Transactions

The Company has adopted rules for those senior managers and staff who are more likely to be in possession of unpublished inside information or other relevant Group’s information based on the Model Code (the “Dealing Rules”). These senior managers and staff have been individually notified and provided with a copy of the Dealing Rules.

The Board confirms that, having made specific enquiry, all senior managers and staff who have been notified and provided with the Dealing Rules have fully complied with the required standards as set out in the Dealing Rules during the year.


Auditor’s Remuneration

Remuneration paid to the Group’s external auditor, for services provided for the year ended 31 December 2021 is as follows:

		US\$’000
Audit	Non-audit	Total
908	187	1,095

Our Shareholders

Details of shareholder type and shareholding can be found on page 79 of this Annual Report.

 **p.74 Report of the Directors**
Substantial Shareholders’ Interests and Short Positions
in the Shares and Underlying Shares of the Company

 **p.79 Investor Relations**
Our Shareholders

Shareholders Communication Policy

The Company has established a Shareholders Communication Policy with the objective of enabling shareholders to exercise their rights in an informed manner and to allow shareholders and the investment community to engage actively with the Company. The Board has the responsibility to review the Policy regularly to ensure its effectiveness. Details of the Shareholders Communication Policy can be found on the Company's website.



www.pacificbasin.com

Sustainability > Corporate Governance

Shareholders Meeting

The Company held one general meeting during the reporting year.

The annual general meeting was held on 15 April 2021 with the following resolutions passed and approved:

- receipt and adoption of the audited financial statements and the Reports of the Directors and Auditor for the year ended 31 December 2020;
- re-election of Directors;
- authorising the Board to fix Directors' remuneration;
- re-appointment of Messrs. PricewaterhouseCoopers as auditor for the year ended 31 December 2021 and authorising the Board to fix their remuneration;
- granting a general mandate to issue shares; and
- granting a general mandate to buy back shares.

All resolutions tabled at the annual general meeting were voted on and approved by poll.



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Investors > News: Proxy Form

Media > FAQ: AGM and Shareholders' Questions

Public Float

At the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, approximately 84.89% of the Company's total issued share capital is held by the public.

Shareholders' Rights

Each of the following procedures are subject to the Company's bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation.

1. Procedures for Shareholders to make proposals at general meeting other than a proposal of a person for election as a director

- Shareholder(s) holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at an annual general meeting ("AGM") of the Company; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.
- The written request/statements must be signed by the Shareholder(s) concerned and deposited at the Company's registered office** and its principal office** for the attention of the Company Secretary not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.
- If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in giving effect thereto.

2. Procedures for Shareholders to propose a person for election as a director

- A Shareholder who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s) can deposit a written notice at the Company's principal office** for the attention of the Company Secretary to propose a person (other than that Shareholder) for election as a director at that meeting.
- The written notice must be signed by the Shareholder concerned, stating the full name of the person proposed for election as a director, his/her biographical details as required by the Listing Rules, and that person depositing a signed written notice at the Company's principal office** for the attention of the Company Secretary indicating his/her willingness to be elected.
- The period for lodgment of such a written notice will commence on the day after the despatch of the notice of the general meeting and end no later than 7 days prior to the date of such general meeting. If the notice is received less than 15 business days prior to that general meeting, the Company may consider adjournment of the general meeting where appropriate.




p.123 Corporate Information
including the Company's registered
office and principal office addresses

3. Procedures for Shareholders to convene a special general meeting ("SGM")

- Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition (stating the purpose of the general meeting and signed by the Shareholder(s) concerned) sent to the Company Secretary at the Company's registered office** and principal office** to require a SGM to be called by the Board to transact a specified business in such requisition; and such meeting shall be held within two months after the deposit of such requisition.
- If the requisition is in order, the Company Secretary will ask the Board to convene a SGM in accordance with applicable legal and regulatory requirements.

Enquires of the above may be addressed in writing to the Company Secretary at the principal office** or by e-mail to companysecretary@pacificbasin.com.

**  **p.123 Corporate Information** including the Company's registered office and principal office addresses

Planned Financial Calendar in 2022

24 February	2021 annual results announcement
11 March	2021 Annual Report
13 April	First quarter 2022 trading update
12-19 April	Book closure for determining entitlement to attend and vote at the AGM
19 April	Annual General Meeting

Applicable if 2021 final dividend is payable:

20 April	Last day of dealings in shares with entitlement to 2021 final dividend
21 April	Ex-dividend date
22 April by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2021 final dividend
25 April	2021 Final dividend record date and book closure of the share register
5 May	2021 Final dividend payment date

28 July	2022 interim results announcement
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Applicable if 2022 interim dividend is payable:

9 August	Last day of dealings in shares with entitlement to 2022 interim dividend
10 August	Ex-dividend date
11 August by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2022 interim dividend
12 August	2022 Interim dividend record date and book closure of the share register
24 August	2022 interim dividend payment date

13 October	Third quarter 2022 trading update
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OUR DIRECTORS

Our Board comprises 11 Directors whose complementary expertise and shared commitment to responsible investment and management practices is harnessed in the overall interests of our diverse shareholders and other stakeholders

Executive Directors



David Muir Turnbull

Chairman
(age 66)

Mr. Turnbull joined the Pacific Basin as an INED in 2006 and was appointed as the Chairman and an Executive Director in 2008. He previously spent 30 years with the Swire Group where he held various senior management positions. He was chairman of Swire's Hong Kong-listed companies Swire Pacific, Cathay Pacific Airways and Hong Kong Aircraft Engineering Company and was a non-executive director of Greka Drilling Limited (previously London AIM-listed) between February 2011 and October 2017 and London-listed G3 Exploration Limited between July 2006 and July 2018.

Education & qualifications:

Cambridge University: Master of Arts degree in Economics

Term of office:

Appointed as INED in May 2006

Appointed as Chairman in January 2008 and Executive Director in July 2008

Current term expires at the 2023 AGM

External appointments:

INED of Hong Kong-listed The Wharf (Holdings) Limited

Committee membership:

Executive Committee



Martin Fruergaard

Chief Executive Officer
(age 54)

Mr. Fruergaard joined Pacific Basin as an Executive Director in July 2021. He previously spent 26 years with A.P. Moller-Maersk A/S in Copenhagen and Houston, starting in 1989 at Maersk Tankers followed by the group's gas carrier operation until 1995, before occupying managerial and leadership positions including senior director of Maersk Bulk Carriers, senior vice president of Maersk Tankers, and chief commercial officer of Maersk Drilling. From 2015 to June 2021, he served as chief executive officer of gas tanker owner and operator Ultragas.

Education & qualifications:

International Institute for Management Development: EMBA degree

Various executive courses at IMD and Harvard Business School

Advanced Management Program at Harvard Business School

Term of office:

Appointed as Executive Director in July 2021 for 3 years, subject to re-election at the 2022 AGM

External appointments:

Executive Committee member of the Hong Kong Shipowners Association

Committee membership:

Chairman of Executive Committee



Peter Schulz

Chief Financial Officer
(age 49)

Mr. Schulz joined Pacific Basin as the Group's Chief Financial Officer in August 2017 and was appointed as an Executive Director on 30 July 2018. He is responsible for the Group's finance and accounting, investor relations, risk management and corporate governance and compliance. He has a banking background having served from 1996 to 2012 in various M&A and corporate finance roles in Stockholm, London and Hong Kong with SEB, Dresdner Kleinwort, ABN AMRO/RBS and Royal Bank of Canada. Prior to joining Pacific Basin, he served as chief financial officer of BW Pacific Limited, a product tanker company based in Singapore.

Education & qualifications:

Stockholm School of Economics: Master of Science in Economics and Business Administration

Erasmus University Rotterdam School of Management: International Marketing and International Business

Term of office:

Appointed as Executive Director in July 2018

Current term expires at the 2022 AGM

External appointments:

None

Committee membership:

Executive Committee

Independent Non-executive Directors and Non-executive Director



**Patrick
Blackwell Paul**

Independent Non-
executive Director
(age 74)

Mr. Paul served with PricewaterhouseCoopers for 33 years, during which time he held a number of senior management positions in Hong Kong, including chairman and senior partner of the firm for seven years.

Education & qualifications:

Oxford University: Master of Arts degree

Fellow of the Institute of Chartered Accountants in England and Wales

Term of office:

Appointed as INED in March 2004

Retiring at the 2022 AGM

External appointments:

INED of Hong Kong-listed Johnson Electric Holdings and The Hongkong and Shanghai Hotels, Limited

Committee membership:

Audit, Remuneration and Nomination Committees



**Robert
Charles Nicholson**

Independent Non-
executive Director
(age 66)

Mr. Nicholson was a senior partner of Reed Smith Richards Butler, then a senior advisor to the board of directors of PCCW Limited. He joined Hong Kong-listed First Pacific Company Limited's board in June 2003 and served as an executive director from November 2003 to December 2018. He also held directorships in First Pacific subsidiaries, associates and affiliates including Philex Mining Corporation, Metro Pacific Investments Corporation and PXP Energy Corporation, and was a commissioner of Indonesia-listed PT Indofood Sukses Makmur Tbk. He was also an independent non-executive director of Hong Kong-listed Lifestyle Properties Development Limited.

Education & qualifications:

University of Kent

Qualified as a solicitor in England and Wales and in Hong Kong

Term of office:

Appointed as INED in March 2004

Current term expires at the 2022 AGM

External appointments:

None

Committee membership:

Chairman of Remuneration and Nomination Committees

Audit Committee



**Alasdair
George Morrison**

Independent Non-
executive Director
(age 73)

Mr. Morrison served with the Jardine Matheson Group for 28 years holding various senior positions including that of group managing director. He then moved to Morgan Stanley where he was a managing director and then chairman of Morgan Stanley Dean Witter Asia, and chairman and chief executive officer of Morgan Stanley Asia. He spent five years as senior advisor to Citigroup Asia Pacific until January 2015 and was an independent non-executive director of the Hong Kong-listed MTR Corporation from July 2010 to May 2018 and chairman and director of Trans Maldivian Airways from January 2018 to September 2020.

Education & qualifications:

Cambridge University: Master of Arts degree

Program for Management Development at Harvard Business School

Term of office:

Appointed as INED in January 2008

Retiring at the 2022 AGM

External appointments:

Senior advisor of Bain Capital Asia

Committee membership:

Audit Committee



**Irene
Waage Basili**

Independent Non-
executive Director
(age 54)

Mrs. Basili held various managerial positions in the shipping industry, including Western Bulk Carriers Holding ASA. From 1999 to 2007 she held various positions in Wallenius Wilhelmsen Logistics, including as commercial director in 2004. From 2007 to 2011, she served as vice president, marine business unit of Petroleum Geo Services following its acquisition of Arrow Seismic ASA where she was the chief executive officer. She also served as a director of Odjell SE from December 2008 to May 2014, the chief executive officer of GC Rieber Shipping from March 2011 to April 2017, a director and the deputy chairman of Kongsberg Gruppen ASA from May 2011 to May 2019 and a director of Wilh. Wilhelmsen Holding ASA from May 2016 to May 2020 (all listed on the Oslo Stock Exchange).

Education & qualifications:

Boston University: Bachelor of Business Administration degree

Term of office:

Appointed as INED in May 2014

Current term expires at the 2023 AGM

External appointments:

Chief executive officer of Shearwater Geoservices

Committee membership:

Remuneration and Nomination Committees



Stanley Hutter Ryan

Independent Non-executive Director
(age 60)

Mr. Ryan served with Cargill, Inc. for 25 years in executive and general management roles worldwide including as general manager of Cargill's oilseed operations, and Venezuela and Brazil refined oils businesses. He was president of Cargill's North American dressings, sauces and oils business, and managing director of Cargill's refined oils business in Europe and food ingredients business in Australasia. He was a global co-leader of Cargill's agricultural supply chain businesses and member of its global corporate center. Mr. Ryan served as an independent director at Eagle Bulk Shipping Inc. from October 2014 to June 2016 and as Eagle Bulk's interim chief executive officer from March to September 2015.

Education & qualifications:

University of Notre Dame: Bachelor of Economics and Computer Applications degree

University of Chicago: MBA & Master of Arts degree in International Relations

Term of office:

Appointed as INED in July 2016
Current term expires at the 2024 AGM

External appointments:

Chief executive officer and president of Seattle-based Darigold, Inc.

Senior advisor of McKinsey & Company

Committee membership:

Remuneration and Nomination Committees



Kirsi Kyllikki Tikka

Independent Non-executive Director
(age 65)

Dr. Tikka served with American Bureau of Shipping ("ABS") for 18 years from 2001 to 2019, having started as vice president, engineering and then in a variety of specialist and leadership roles including as vice president, global technology, business development and special projects (2005-2011), vice president and chief engineer, global (2011-2012); president and chief operating officer, ABS Europe Division (2012-2016); executive vice president, global marine (2016-2018), and executive vice president and senior maritime advisor (2018-2019). Prior to joining ABS, Dr. Tikka was a professor of Naval Architecture at Webb Institute in New York (1996-2001) and she worked as a naval architect, operations planner and analyst at Wartsila Shipyards and Chevron Shipping.

Education & qualifications:

University of California, Berkeley: PhD in Naval Architecture and Offshore Engineering

University of Technology, Helsinki: Master's degree in Solid Mechanics and Naval Architecture

Harvard Business School: Executive Training Program, Management Development

Term of office:

Appointed as INED in September 2019
Current term expires in September 2022

External appointments:

INED of New York-listed Ardmore Shipping Corporation

Committee membership:

Audit Committee



John Mackay McCulloch Williamson

Independent Non-executive Director
(age 63)

Mr. Williamson served as independent non-executive director on the board of Hong Kong Exchanges and Clearing Limited for 13 years (2008 to 2021) where he acted as chairman of the board risk committee and a member of several board governance committees. He was chief executive officer at SAIL Advisors (2011 to 2018); senior managing director (2012 to 2018), chief financial officer (2007 to 2018), and managing director (2007 to 2011) at Search Investment Group; managing director and head of infrastructure & operational risk at Morgan Stanley Asia (1998 to 2007); chief operating officer at NatWest Securities Asia Holdings (1994 to 1998); and managing director at NatWest Investment Services, London (1992 to 1994).

Education & qualifications:

Heriot-Watt University: Bachelor of Arts degree

Chartered Accountant & member of The Institute of Chartered Accountants of Scotland

Fellow of the Chartered Institute for Securities and Investment, UK

Senior Fellow of the Hong Kong Securities and Investment Institute

Member of the Hong Kong Management Association

Term of office:

Appointed as INED in November 2020
Current term expires in November 2023

External appointments:

INED of Nasdaq-listed Provident Acquisition Corp.

Non-executive chairman of UK Tote Group Limited

Committee membership:

Chairman of Audit Committee



Alexander Howarth Yat Kay Cheung

Non-executive Director
(age 50)

Mr. Cheung served with Linklaters in London in 1994 where he commenced his legal career, before moving to their Hong Kong office in 1999 where he specialised in corporate finance, Hong Kong Stock Exchange listings, regulatory matters and mergers and acquisitions. In 2005, he joined the Hong Kong law firm, Vincent T. K. Cheung, Yap & Co. as a partner and the head of the firm's Central branch. He advises numerous clients on a broad range of corporate, commercial, capital markets, regulatory and employment matters. He is also well versed in governance and compliance matters.

Education & qualifications:

King's College London: LLB Hons Degree

Qualified as a solicitor in England and Wales and in Hong Kong.

Term of office:

Appointed as Non-executive Director in January 2022 for 3 years, subject to re-election at the 2022 AGM

External appointments:

None

Committee membership:

Audit, Remuneration and Nomination Committees

REMUNERATION REPORT

Introduction

The Group's remuneration policies and amounts for all employees including Executive Directors and Non-executive Directors are set out in this report. Information on pages 68 to 69 comprise the audited parts of the Remuneration Report and form an integral part of the Group's financial statements. The Group employed a total of 365 shore-based staff at 31 December 2021 (2020: 343) and about 4,600 seafarers during the year (2020: 4,100).

Group's Remuneration Policy

The Board, through the Remuneration Committee, seeks to attract and retain personnel with the skills, experience and qualifications needed to manage and grow the business successfully. We achieve this by providing remuneration packages, including bonuses, which are competitive, consistent with market practice, and reward performance and align employees and shareholders' interests.

The Board has taken into consideration a number of relevant factors when considering remuneration adjustments and annual bonuses, such as making reference to the prevailing market conditions, local market practice, salaries paid by comparable companies, the levels of emolument of existing staff of the Company, job responsibilities, duties and scope, performance of individuals and the market demand for their skills. The business of shipping is highly cyclical. It is inappropriate to impose straight financial measures for both salary adjustments and bonus determination as to do so would likely generate meaningless results and potentially damaging consequences. The Board seeks to obtain a balance of all the above mentioned factors.

Discretionary equity awards by way of restricted share awards are provided through the Company's Share Award Scheme which is designed to provide Executive Directors and other employees with long-term financial benefits that are aligned to and consistent with the creation of shareholder value as an incentive and recognition for their contribution to the Group. The number of share awards granted each year is based on the performance, role and responsibilities of the individual eligible participant and approved by the Remuneration Committee.

The Group's principal retirement benefit scheme is the Mandatory Provident Fund Scheme, a defined contribution scheme provided under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those staff employed under the jurisdiction of the Hong Kong Employment Ordinance. Other locations provide pension contributions in line with the local regulations. Key components of remuneration are set out below.

Key Remuneration Components	Executive Directors and All Employees	Non-executive Directors
Fixed based salary	Salaries are reviewed annually taking into account prevailing market conditions and local market practice, as well as the individual's role, duties, experience, responsibilities and performance	No
Annual discretionary cash bonus	Discretionary cash bonuses are determined based on the overall performance of the individual and the Group. Bonuses for Executive Directors and certain higher paid employees are assessed by the Remuneration Committee and those of all other staff are assessed by the Chief Executive Officer. Bonuses to Executive Directors and other employees are generally expected to be no more than 12 months' salary equivalent	No
Long-term equity award	Discretionary awards are determined based on the performance, role and responsibilities of eligible participants. Awards typically vest annually over a three year period. New Awards for existing awardees are considered each year by the Remuneration Committee to maintain the incentive period, in which case they vest at the end of the third year	No
Retirement benefit	In line with local legislation and market practice	No
Fixed annual director's fee	No	In line with market practice

Remuneration for the Years Ended 31 December 2021 and 2020 A

	Directors fee US\$'000	Salaries US\$'000	Bonuses US\$'000	Pension ⁶ US\$'000	Total payable US\$'000	Share-based compensation US\$'000	Total payable and charged US\$'000
31 December 2021							
Executive Directors							
David M. Turnbull	–	395	262	2	659	257	916
Martin Fruergaard ¹	–	472	376	1	849	660	1,509
Peter Schulz	–	533	530	2	1,065	329	1,394
Mats H. Berglund ²	–	672	600	2	1,274	795	2,069
	–	2,072	1,768	7	3,847	2,041	5,888
Independent Non-executive Directors							
Patrick B. Paul	107	–	–	–	107	–	107
Robert C. Nicholson	109	–	–	–	109	–	109
Alasdair G. Morrison	103	–	–	–	103	–	103
Irene Waage Basili	103	–	–	–	103	–	103
Stanley H. Ryan	103	–	–	–	103	–	103
Kirsi K. Tikka	103	–	–	–	103	–	103
John M.M. Williamson ³	112	–	–	–	112	–	112
	740	–	–	–	740	–	740
Total Directors' remuneration	740	2,072	1,768	7	4,587	2,041	6,628
Other Employees	–	164,631 ⁵	20,100	4,869	189,600	4,120	193,720
Total remuneration	740	166,703	21,868	4,876	194,187	6,161	200,348
31 December 2020							
Executive Directors							
David M. Turnbull	–	395	33	2	430	260	690
Mats H. Berglund	–	1,096	115	2	1,213	606	1,819
Peter Schulz	–	533	66	2	601	311	912
	–	2,024	214	6	2,244	1,177	3,421
Independent Non-executive Directors							
Patrick B. Paul	116	–	–	–	116	–	116
Robert C. Nicholson	109	–	–	–	109	–	109
Alasdair G. Morrison	103	–	–	–	103	–	103
Irene Waage Basili	103	–	–	–	103	–	103
Stanley H. Ryan	103	–	–	–	103	–	103
Kirsi K. Tikka	103	–	–	–	103	–	103
John M.M. Williamson ³	17	–	–	–	17	–	17
Daniel R. Bradshaw ⁴	28	–	–	–	28	–	28
	682	–	–	–	682	–	682
Total Directors' remuneration	682	2,024	214	6	2,926	1,177	4,103
Other Employees	–	143,143 ⁵	5,293	3,158	151,594	4,404	155,998
Total remuneration	682	145,167	5,507	3,164	154,520	5,581	160,101

Note:

- (1) Mr. Fruergaard was appointed as the Chief Executive Officer and an Executive Director on 2 July 2021.
- (2) Mr. Berglund retired as the Chief Executive Officer and Executive Director on 31 July 2021.
- (3) Mr. Williamson was appointed as an Independent Non-executive Director on 2 November 2020.
- (4) Mr. Bradshaw retired as an Independent Non-executive Director on 8 April 2020.
- (5) Salaries of Other Employees includes crew wages and other related costs of US\$128.9 million (2020: US\$109.5 million), which are classified as cost of services in the income statement.
- (6) During the year, a total of approximately US\$52,000 of forfeited contributions under the MPF Scheme was used to reduce the contributions payable by the Group. As at the year end, there were no forfeited contributions available for such use.

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group were three Executive Directors and two employees (2020: three Executive Directors and two employees). The emoluments of the highest paid individuals who are not Executive Directors are set out below and fell within the following bands.

	2021 US\$'000	2020 US\$'000
Salaries	760	732
Bonuses	843	171
Pension	244	133
Total Payable	1,847	1,036
Share-based compensation	355	350
Total payable and charged	2,202	1,386

Emolument bands	2021	2020
HK\$5,000,001 to HK\$5,500,000	0	1
HK\$5,500,001 to HK\$6,000,000	0	1
HK\$7,500,001 to HK\$8,000,000	1	0
HK\$9,000,001 to HK\$9,500,000	1	0

During the year, the Group did not pay any of the five highest paid individuals (including three Directors) or any other Directors any inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived or agreed to waive any emoluments during the year.

Accounting Policies on Employee Benefits A

Bonuses

The Group recognises a liability and expense for bonuses when there is a contractual or constructive obligation or where there is a past practice that created a constructive obligation.

Retirement Benefit Obligations

Mandatory Provident Fund Scheme

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee administered funds.

Under the MPF scheme, the employer and its employees are each required to make regular mandatory contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The Group also makes voluntary contribution in addition. The Group's contributions to the scheme are expensed as incurred. When employees leave the scheme prior to the full vesting of the employer's voluntary contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Other Defined Contribution Schemes

The Group also operates a number of defined contribution retirement schemes outside Hong Kong in accordance with local statutory requirements. The assets of these schemes are generally held in separate administered funds and are generally funded by payments from employees and by the relevant group companies. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to their contributions being fully vested.

Share-based Compensation

The Group operates an equity-settled, share-based compensation scheme. Restricted share awards are recognised as an expense in the income statement with a corresponding credit to reserves, based on the fair value of the shares. The total amount to be expensed is calculated by reference to the fair value of the equity instruments on the grant date, excluding the impact of any non-market vesting conditions (for example, requirement of an employee to remain in employment for a specified time period). The number of equity instruments that are expected to vest takes into account non-market assumptions, including expectations of an employee remaining in the Group during the vesting period. The total amount expensed is charged through the vesting period. The Company reviews its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions if necessary. It recognises the impact of the revision of the original estimates, if any, in the income statement with a corresponding adjustment to equity.

The grant of share-based compensation by the Company to the employees of subsidiary undertakings in the Group is treated as a capital contribution by the Company to the subsidiaries. The fair value of employee services received, measured by reference to fair value of the shares on the grant date is recognised over the vesting period as an increase in investment in the subsidiary undertakings, with a corresponding credit to equity in the Company's account. In the accounts of the subsidiaries, such fair value is recognised as an expense in the income statement with corresponding credit to reserve.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021.

Principal Activities, Analysis of Operations, Business Review and Financial Summary

The principal activity of the Company is investment holding. The Company’s principal subsidiaries (set out in Note 32 to the financial statements) are engaged in the ownership and international operation of modern Handysize and Supramax dry bulk ships. In addition, the Group is engaged in the management and investment of the Group’s cash and deposits through its treasury activities.

The business review of the Group for the year ended 31 December 2021 is set out on pages 4 to 35 of this Annual Report. A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the “Group Financial Summary” section of this Annual Report. A brief introduction of the Group’s sustainability efforts for the year ended 31 December 2021 is set out in the “Sustainability Highlights” section of this Annual Report and a comprehensive Sustainability Report 2021 is available on our website.

Results

The results of the Group for the year are set out in the consolidated income statement on page 82.

Dividend

The Board has recommended the payment of a total final dividend of HK60 cents per share (comprising a basic dividend of HK42 cents per share and a special dividend of HK18 cents per share) for the year ended 31 December 2021. When this proposed final dividend is aggregated with the interim dividend of HK14 cents per share declared on 29 July 2021, the total of HK74 cents per share represents approximately 66% of the Group’s net profits, excluding the reversal of the vessel impairment, for the year ended 31 December 2021, which is in line with the dividend policy of paying out at least 50% of net profits.

The recommended final dividend of HK60 cents per share will be considered at the 2022 AGM to be held on 19 April 2022.

 **p.16** Chief Executive’s Review

Distributable Reserves

Distributable reserves of the Company at 31 December 2021, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US\$649.9 million as set out in Note 33(b) to the financial statements.

Donations/Sponsorships

Charitable and other donations and sponsorships made by the Group during the year amounted to US\$365,000.

Share Capital and Pre-emptive Rights

Movements in the share capital of the Company are set out in Note 24 to the financial statements.

During the reporting year, a total of 23,820,000 ordinary shares were issued in March 2021 to fulfill the granting of the Company’s restricted awards under the Company’s 2013 Share Award Scheme.

There is no provision for pre-emptive rights under the Company’s Bye-laws and there is no restriction against such rights under Bermuda Law.

Convertible Bonds

As at 31 December 2021, there remained the 3.0% p.a. coupon guaranteed convertible bonds issued in December 2019 and maturing in December 2025 with an outstanding principal of US\$175.0 million. The bonds are convertible into ordinary shares of the Company at a current conversion price of HK\$2.24 per share.

The convertible bonds proceeds have been fully utilised according to the intentions previously disclosed. US\$49.4 million has been used for the purchase of vessels pursuant to the four-ship acquisition transaction as announced on 17 September 2019, US\$16.8 million has been used to purchase a second-hand Supramax vessel in 2019; US\$67.0 million has been used to purchase the four second-hand Ultramax vessels as announced on 27 November 2020; US\$13.5 million has been used to purchase one second-hand Ultramax vessel in February 2021 and the balance of US\$26.7 million has been used for general corporate purposes including but not limited to vessel operating expenses, vessel charter- hire, the service of the Group’s financial obligations, office administrative expenses and vessel and non-vessel equipment expenditures.

More details are set out in Note 22(b) to the financial statements. 

Purchase, Sale or Redemption of Securities

Other than for satisfying restricted awards granted under the Company’s 2013 Share Award Scheme, neither the Company nor any of its subsidiaries has during the year purchased, sold or redeemed any of the share capital or convertible bonds of the Company.

Material Investments, Acquisitions and Disposals

During the year, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

2013 Share Award Scheme ("SAS")

The current SAS was adopted by the Board on 28 February 2013 and has an effective term of 10 years. It is a single share award scheme under which no share options can be granted.

The SAS enables the Company to grant share awards or unit awards ("Awards") to eligible participants, being principally Executive Directors and employees, as an incentive and recognition for their contribution to the Group.

Maximum Number of Shares

The total number of shares which may be or already have been issued by the Company or transferred to the trustee of the SAS in satisfaction of the Awards granted under the SAS must not, in aggregate, exceed 10% of the issued share capital of the Company as at the first date of each financial year during the term of the SAS (equivalent to 481,269,127 shares as at 1 January 2022). There were 78,811,000 unvested restricted awards under the SAS which represents 1.64% of the issued share capital of the Company as at 24 February 2022.

Vesting of Awards

Awards typically vest annually over a three year period. New Awards for existing awardees are considered each year by the Remuneration Committee on a discretionary basis to maintain the incentive period, in which case they vest at the end of the third year.

Awards Granted

Details of the grant of long-term incentives and the history and movements of the outstanding incentives under the SAS during the year ended 31 December 2021 are as follows:

'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested	Unvested	Granted during the year ¹	Vested and/or lapsed ²	Vesting in		
				at 31 Dec 2021	at 1 Jan 2021			2022	2023	2024
Directors										
David M. Turnbull	5-Aug-08	12,710	(8,704)	4,006	3,707	1,479	(1,180)	1,278	1,249	1,479
Martin Fruergaard ³	2-Aug-21	4,116	(484)	3,632	–	4,116	(484)	1,210	1,210	1,212
Peter Schulz	21-Aug-17	9,974	(4,611)	5,363	4,539	1,992	(1,168)	1,688	1,683	1,992
Mats H. Berglund ⁴	1-Jun-12	24,322	(24,322)	–	8,699	–	(8,699)	–	–	–
		51,122	(38,121)	13,001	16,945	7,587	(11,531)	4,176	4,142	4,683
Other Employees				65,810	60,264	25,677	(20,131)	20,119	20,503	25,188
				78,811	77,209	33,264	(31,662)	24,295	24,645	29,871

Notes:

- (1) The closing price of the shares of the Company immediately before the grant of 29,148,000 shares on 2 March 2021 and 4,116,000 shares on 2 August 2021 were HK\$2.08 and HK\$3.46 respectively.
- (2) Other than vesting of shares of Mr. Fruergaard and Mr. Berglund as described in notes (3) and (4) below, 20,989,000 shares vested in July 2021 according to the annual vesting schedule, 1,364,000 shares lapsed due to resignation of four employees and 126,000 shares vested due to early retirement of one employee.
- (3) Mr. Fruergaard was granted 4,116,000 shares on 2 August 2021 and 484,000 shares vested on 4 August 2021 in accordance with his service contract.
- (4) 2,768,000 shares vested to Mr. Berglund on 14 July 2021 as scheduled and the balance of 5,931,000 shares vested upon his retirement at the end of July 2021.

Limit for Each Eligible Participant

The maximum number of shares for any specific eligible participant which may be subject to an Award or Awards at any one time shall not in aggregate exceed 1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company.

New Shares to be Issued

Apart from the Awards which are to be purchased from the market for the connected persons of the Company, the number of shares to satisfy grant of Awards (if comprising new shares) can be allotted and issued by the Board by utilising the general mandate granted to them by the shareholders. The Company will apply to the Stock Exchange for permission to list and to deal in those new shares to be issued as soon as practicable after any grant of Awards.

Procedure of Granting Restricted Awards

The Board entered into a trust deed to appoint a trustee to administer Awards under the SAS and to constitute a trust to hold property transferred by the Company to the trustee (which shall include cash or shares) in order to satisfy grants of Awards. At the direction of the Board, the trustee shall either subscribe for new shares from the Company at the relevant benchmarked price as stipulated in the Listing Rules or acquire existing shares in the market in accordance with the rules of the SAS. The Remuneration Committee administers and oversees the SAS. Their review and approval is required prior to the granting of Awards to any eligible participants.

Directors

The Directors who held office up to the date of this Annual Report are set out below:

	Date of Appointment	Term of Appointment
Executive Directors		
David M. Turnbull, Chairman	17-May-06	3 years until 2023 AGM
Martin Fruergaard, CEO	2-Jul-21	3 years until July 2024, subject to re-election at the 2022 AGM
Peter Schulz, CFO	30-Jul-18	3 years until 2022 AGM
Independent Non-executive Directors		
Patrick B. Paul	25-Mar-04	retiring at 2022 AGM
Robert C. Nicholson	25-Mar-04	3 years until 2022 AGM
Alasdair G. Morrison	1-Jan-08	retiring at 2022 AGM
Irene Waage Basili	1-May-14	3 years until 2023 AGM
Stanley H. Ryan	5-Jul-16	3 years until 2024 AGM
Kirsi K. Tikka	2-Sep-19	3 years until Sep 2022
John M.M. Williamson	2-Nov-20	3 years until Nov 2023
Non-executive Director		
Alexander H.Y.K. Cheung	3-Jan-22	3 years until 2 January 2025, subject to re-election at the 2022 AGM

Notes:

Pursuant to the Company's Bye-law 87(1), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years.

In accordance with the Company's Bye-law 86(2), Mr. Martin Fruergaard and Mr. Alexander Cheung, appointed by the Board in July 2021 and January 2022 respectively, shall retire at the 2022 AGM. In addition, Messrs. Peter Schulz, Patrick Paul, Robert Nicholson, Alasdair Morrison and Kirsi Tikka shall retire at the 2022 AGM by rotation pursuant to the Company's Bye-laws 87(1) & (2). Apart from Mr. Paul and Mr. Morrison who are retiring at the conclusion of the 2022 AGM, all retiring directors, being eligible, offer themselves for re-election. Mr. Nicholson has indicated his intention to retire at the conclusion of the 2023 AGM, subject to being re-elected at the 2022 AGM.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming 2022 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transaction, Arrangement and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Director's Indemnities

Pursuant to the Company's Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he/she may sustain or incur in or about the execution of the duties of his/her office. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.


Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

At 31 December 2021, the disclosable interests and short positions of each Director and the Chief Executive in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO, or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Personal interest	Corporate or Family interests/	Long/ Short position	Total Share interests	Approximate percentage holding of issued share capital	
		Trust & similar interests			31 Dec 21	31 Dec 20
David M. Turnbull ¹	10,205,000	568,000 ²	Long	10,773,000	0.22%	0.26%
Martin Fruergaard ¹	4,116,000	–	Long	4,116,000	0.09%	–
Peter Schulz ¹	8,474,000	129,000 ³	Long	8,603,000	0.18%	0.17%
Patrick B. Paul	420,000	0	Long	420,000	less than 0.01%	less than 0.01%
Robert C. Nicholson	250,000	0	Long	250,000	less than 0.01%	–
Alasdair G. Morrison	0	1,674,380 ⁴	Long	1,674,380	0.03%	0.03%
John M.M. Williamson	56,000	0	Long	56,000	less than 0.01%	–

All the interests stated above represent long positions. No short positions and shares under equity derivatives held by Directors were recorded in the register maintained by the Company under section 352 of the SFO as at 31 December 2021.

Biographical Details of Directors

Brief biographical details of the Directors are set out in the "Our Directors" section of this Annual Report. 

Notes:

- (1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed on page 71 of this Report.
- (2) 568,000 shares are held by a trust of which Mr. Turnbull is a beneficiary.
- (3) 129,000 shares are held by Mr. Schulz in the capacity of a beneficiary of a trust.
- (4) 1,674,380 shares in the form of convertible bonds due 2025 at nominal value of US\$500,000 are held by Mr. Morrison in the capacity of a beneficiary of a trust.

Save as disclosed, at no time during the year was the Company, its subsidiaries, or its associated companies a party to any arrangement to enable the Directors and Chief Executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2021, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Capacity/Nature of interest	Long/ Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company	
				31 Dec 2021	31 Dec 2020
HSBC Holdings plc ¹	Trustee/Custodian/ Interest of corporation controlled	Long	634,049,583	13.17%	not applicable
Aggregated of Aberdeen Plc affiliated investment management entities	Investment manager	Long	337,212,500	7.01%	5.10%
Pzena Investment Management, LLC ²	Investment manager/ Beneficial owner	Long	322,879,435	6.71%	6.83%
M&G Plc	Interest of corporation controlled	Long	334,962,000	6.96%	7.26%
		Short	4,528,000	0.09%	not applicable
Citigroup Inc. ³	Interest of corporation controlled/ Approved lending agent	Long	305,970,195	6.36%	5.98%
		Short	32,161,587	0.67%	0.11%
Morgan Stanley	Interest of corporation controlled	Long	305,588,488	6.35%	not applicable
		Short	102,702,008	2.13%	not applicable
Brown Brothers Harriman & Co.	Approved lending agent	Long	264,346,019	5.49%	not applicable

Notes:

- (1) The long position in shares held by HSBC plc is held in the capacities of Trustee (612,195,312 shares), Custodian (other than an exempt custodian interest) (7,875,000 shares) and Interest of corporation controlled (13,979,271 shares).
- (2) The long position in shares held by Pzena Investment Management, LLC includes 513,000 shares held in dual capacities as Investment manager and Beneficial owner.
- (3) The long position in shares held by Citigroup Inc. is held in the capacities of Interest of corporation controlled (31,094,991 shares) and Approved lending agent (274,875,204 shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 31 December 2021, no other person (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

Other Disclosure

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.


Major Customers and Suppliers

During the year, the Group sold less than 30% of its goods and services to its five largest customers and purchased less than 30% of its goods and services from its five largest suppliers.


Connected Transactions

During the year, the Group had no connected transactions that were subject to the Listing Rules' reporting requirements for disclosure in this Annual Report.

Compliance with the Corporate Governance Code

Throughout the year, the Group has been fully compliant with all code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules. Please also refer to the Corporate Governance Report of this Annual Report. 

Audit, Remuneration, Nomination, Executive, Risk Management and Sustainability Management Committees

Details of the audit, remuneration, nomination, executive, risk management and sustainability management committees are set out in the Corporate Governance Report of this Annual Report. 

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming 2022 AGM.

Public Float

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has complied with the Listing Rules requirement that at least 25% of the Company's total issued share capital must be held by the public.

By Order of the Board



Mok Kit Ting, Kitty

Company Secretary

Hong Kong, 24 February 2022



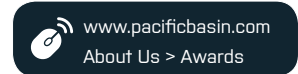
INVESTOR RELATIONS

Creating Value for Shareholders

We seek to provide the investor community and other stakeholders with relevant regular news about Pacific Basin so they have comprehensive information about our business, strategy and performance with which to assess the Group's value

We continue to abide by strict Covid-19 social distancing measures while maintaining our continued high level of investor and stakeholder engagement. 2021 saw the strongest dry bulk freight market since 2008, and we generated our best results in our Company's history. This has resulted in increased interest in Pacific Basin and the dry bulk shipping sector, and we took this opportunity to engage with investors through non-deal roadshows, virtual conferences, investor meetings and an increased social media presence. We conducted online earnings calls and actively participated in numerous virtual conferences and investor events hosted by investment banks as virtual events have grown in popularity as a way to connect with investors around the world.

During the year, we received three awards for investor relations and corporate governance including Sector Award (Industrial) at IR Magazine Greater China Award 2021. We are grateful for all these votes of confidence cast by the investment community in recognition of our commitment to transparent and responsible business practices and accountability to our shareholders.



Stakeholder Communication Channels

We proactively engage with a broad range of institutional and retail investors as well as media and other interest groups. We believe that the transparency stimulated by active stakeholder engagement builds recognition of our brand and ultimately enhances shareholder value. We facilitate engagement through several channels:

Financial Reporting

- Annual and Interim Reports
- Online Annual Report
- Quarterly Trading Updates
- Presentations and press releases on business activities

 www.pacificbasin.com/ar2021
Interactive Online Annual Report and Feedback Form

Shareholder Meetings and Hotlines

- Group and one-on-one meetings
 - Shareholder hotline and e-mail
- tel: +852 2233 7000
e-mail: ir@pacificbasin.com

Investor Perception

We gauge feedback on our financial reporting, management team, investor relations programme, corporate governance and group strategy through written, online and verbal investor interactions.

Vessel Tours

Ship and cargo terminal visits for analysts, investors, bankers, press and guests are organised during vessel port calls, dry-dockings or at ship naming ceremonies when safe to do so.

Social Media Communications



Facebook, Twitter, LinkedIn, YouTube and WeChat

Company news, video clips, photos and events news are published through our social media sites



Company Website – www.pacificbasin.com

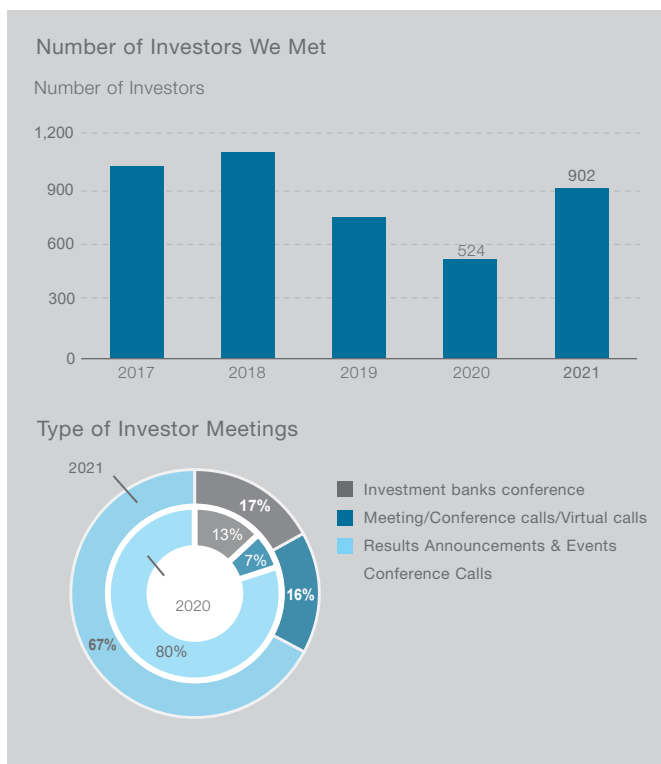
Our corporate website is considered a key marketing medium which comprehensively describes Pacific Basin's activities and competences. English & Chinese (traditional and simplified Chinese) versions of the site are available, covering:

- Group profile
- Fleet profile
- Strategic and business models
- Service highlights for customers
- Board of Director's biographical data
- Board Committees' Terms of Reference
- Corporate Governance, Risk Management and CSR
- Financial reports and company news
- Financial information excel downloads
- Press kits
- Careers

Our Activities in 2021

Investor Meetings

Our share capital is held by a diverse range of institutional, private and corporate investors, so we consider it important to make ourselves accessible to a wide spectrum of shareholders and members of the investor community to enhance their understanding of our business. The number of investor contacts during a year is a key measure of our engagement with investors. In 2021, we talked to 902 (2020: 524) shareholders and investors.



Communications with Sell-side Analysts

Pacific Basin encourages active analyst coverage to help investors evaluate the Group and its opportunities and challenges. Analyst Days, meetings and conference calls are arranged with management from time to time, particularly after results announcements. A significant number of key banks publish research reports on the Group.

8 analysts covered Pacific Basin in 2021 (2020: 10)

55 research reports covered Pacific Basin in 2021 (2020: 43)

Contact Details of the Analysis
www.pacificbasin.com
 Investors > Shareholder Information > Research Coverage

Investor Perception

We gauge feedback on our financial reporting, management team, investor relations programme, corporate governance and group strategy through written, online and verbal investor interactions.

During 2021 investor interest in the Company and sector increased as the dry bulk sector saw the strongest freight market since 2008. Investors were interested to discuss how Covid-19 and the much improved demand and supply fundamentals were impacting freights rates, while also eager to comprehend IMO's new greenhouse gas emission reduction goals, our fleet and ESG strategies, and how our capital allocation strategy would develop with the changing market environment.

Key Investor Concerns in 2021

- Covid-19 impact on dry bulk market and crew repatriation
- IMO's new greenhouse gas emission reduction goals and the impact this will have on shipping, and our strategy to address them
- Demand and supply fundamentals
- Freight rate seasonality and sustainability
- Impact of trade dispute on dry bulk trade
- Capital allocation strategy
- Our fleet expansion plan
- ESG development

Share and Convertible Bond Information

The Company's Shares and Convertible Bonds in issue at 31 December 2021:

- 4,812,691,272 ordinary shares, each with a par value of US\$0.01
- US\$175 million of 3.0% coupon Convertible Bonds due 2025

Our stock is a constituent member of the Hang Seng sub index series and the MSCI Index series, and it is eligible for Southbound Trading under the Shenzhen-Hong Kong Stock Connect programme.

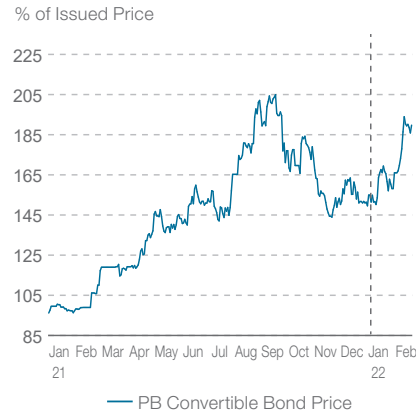
↔ p.108 Share Capital

PB Share Price Performance vs Hang Seng Index



Source: Bloomberg, data as at 21 February 2022

Convertible Bonds Price Performance



Source: Bloomberg, data as at 21 February 2022

Shareholder Return and Dividend

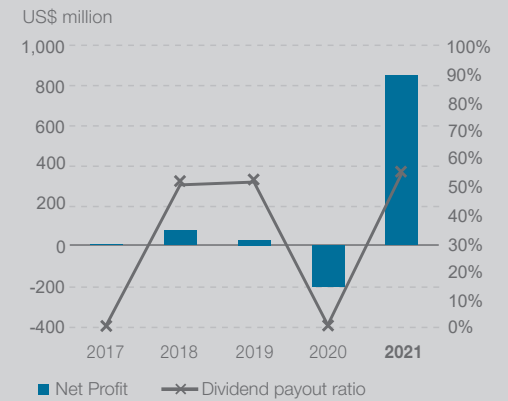
We return value to our shareholders by way of both appreciation in share price and dividends. In 2021, our total shareholders' return was 105%.

Our dividend policy is to pay out at least 50% of our annual net profit (excluding any disposal gains).

Total Shareholders' Return



Net Profit and Dividend Payout Ratio



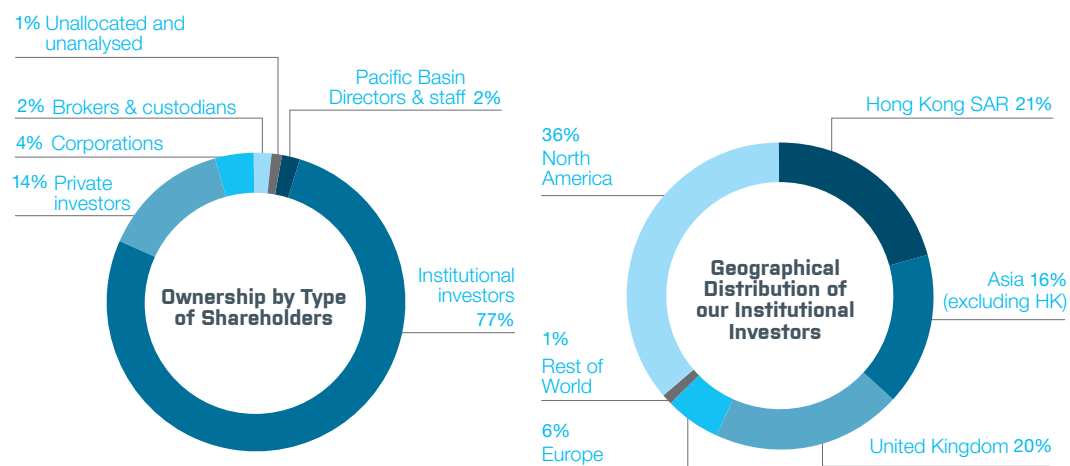
Our Shareholders

As at 31 December 2021, Orient Capital was able to analyse the ownership of approximately 89% of the Company's share capital. Institutional Investors still accounted for the largest portion of the Company's shareholder base, owning nearly 3.7 billion shares or 77% of our share capital.

We were able to identify 337 shareholders as at 31 December 2021. The actual number of investors interested in our shares is likely to be greater, as some shares are held through nominees, investment funds, custodians, etc, and each custodian or nominee or broker is considered as a single shareholder.

Shareholding*	No. of Shareholders	% of Shareholders	Total Holding	% of IC
1-1,000,000	94	28%	37,351,274	1%
1,000,001-10,000,000	172	51%	609,937,032	14%
>=10,000,001	71	21%	3,641,237,134	85%
Total	337	100%	4,288,525,440	100%

* Number of shareholders discovered and analysed



CORPORATE INFORMATION

Principal Office Address

31/F, One Island South
2 Heung Yip Road
Wong Chuk Hang
Hong Kong
tel: +852 2233 7000 fax: +852 2865 2810

Registered Office Address

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Offices Worldwide

Hong Kong, Dalian, Durban, Manila, Iloilo, Tokyo, Auckland, Melbourne, London, Stamford, Santiago, Rio de Janeiro and Vancouver

Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East Wanchai, Hong Kong
tel: +852 2862 8555 fax: +852 2865 0990
e-mail: hkinfo@computershare.com.hk

Company Secretary

Ms. Mok Kit Ting, Kitty, CPA
e-mail: companysecretary@pacificbasin.com

Listing Venue & Listing Date

The Stock Exchange of Hong Kong Limited
14 July 2004

Public and Investor Relations

e-mail: ir@pacificbasin.com
tel: +852 2233 7000
fax: +852 2110 0171

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Solicitors

Holman Fenwick Willan

Stock Code

Stock Exchange: 2343.HK
Bloomberg: 2343 HK
Reuters: 2343.HK

Total Shares in Issue

4,812,691,272 as at 31 December 2021

Website

www.pacificbasin.com



Sustainability Report 2021



Both our Annual Report and Sustainability Report are now available at www.pacificbasin.com/ar2021



Please send us your feedback via our online feedback form

2021 Online Annual Report



Social Media Channels

Facebook, Twitter, LinkedIn, YouTube and WeChat



Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

OUR PACIFIC BASIN CREW ARE OUR HEROES AT SEA

ANNUAL REPORT 2021



Scan here for our Company website

Follow us on



Concept and design by emperor.works
Production by Capital Financial Press Limited

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