

LEADING THE WAY IN DRY BULK SHIPPING



Pacific Basin



#WithYouForTheLongHaul

CORPORATE GOVERNANCE REPORT 2023

STOCK CODE: 2343

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 long-term sustainable value for our shareholders and other stakeholders

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, the Board considers the needs and requirements of the business, its stakeholders and the Corporate Governance Code (the "Code") as well as the Environmental, Social and Governance ("ESG") Reporting Guide (the "ESG Guide") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the year ended 31 December 2023, the Group has complied with all code provisions of the Code as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of 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.

With regards to the Group's sustainability strategy and reporting, including identifying, evaluating and managing ESG-related risks, details can be found in the Company's 2023 Sustainability Report which will be available together with this Annual Report on the websites of both the Company and the Stock Exchange.

Corporate Strategy

The Company's purpose is to deliver by sea the dry bulk commodities that are essential to society in a safe and sustainable manner. Its vision is to be the leading ship owner/operator in dry bulk shipping and the first choice partner for its customers and other stakeholders. In order to achieve this long-term vision, the Company focuses on a number of strategic areas, including investment in its fleet and people, safeguarding the environment etc. More details of our strategic focus can be found in the "Strategy Delivery" section of this Annual Report.


During the year ended 31 December 2023, the Board has regularly reviewed the strategic focus of the Company. The Company ensures its staff members are well informed of its vision and strategies, its activities and performance by a number of means, including hosting town hall forums, inviting department heads or other colleagues to participate in Board meetings, regular management meetings, individual departmental meetings and internal communication via intranet.

Our ability to achieve our vision depends on the effectiveness of our people and we strive to ensure that at the point of recruitment, we select people who would most likely fit in and foster the Company's culture. In addition, the Company has developed a code of conduct which has to be abided by all staff. It aims to provide a psychologically and physically safe, inclusive, caring and supporting working environment, the necessary training, coaching and professional development to staff.

These forums are all important means for the Company to foster a corporate culture which aligns with the Company's strategy, purpose and value.

The Board of Directors

Board Composition and Responsibilities

As at the date of this Annual Report, the Board comprises eight Directors (two of whom are female): five Independent Non-executive Directors ("INEDs") (one of whom is the Chairman), two Non-executive Directors ("NEDs") and one Executive Director. The number of INEDs is above 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 and Senior Management" 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 2023, 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. Below are the important attributes in achieving an effective Board.

■ **Dynamic Board Composition**

A list of members of the Board and their roles and functions is available on the websites of the Company and the Stock Exchange. Our Board members come from diverse business and professional backgrounds who actively bring their valuable experience to the Board for the best interests of the Company and its shareholders. As at the date of this Annual Report, the Board comprising 8 members, has expertise in the areas of accounting, commercial, commodities, corporate finance, financial services, legal, marine technology and shipping, 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. Different means or channels will be used by the Nomination Committee in the identification of candidates, including recommendations from members of the Board, use of independent recruitment consultants and any other means or channels that it deems appropriate.

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. It undertakes interviews with prospective candidates and selects or makes recommendations to the Board on the individual(s) nominated for directorships.

The Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy and the Nomination Policy and considered that they remain effective and appropriate for the Company. The Board currently comprises 2 female members, and the Board now targets to have 3 women directors and a minimum of 30% female or gender-diverse representation on the board by 2026.



During the year, the Nomination Committee engaged an independent recruitment consultant who identified and shortlisted a number of potential candidates as Directors of the Company for the consideration of the Nomination Committee. After having considered and interviewed a substantial number of possible candidates, the Board, with the recommendation of the Nomination Committee, appointed Mr. Alexandre Emery as INED and Mr. Mats Berglund as NED of the Company, both appointments have taken effect from 2 January 2024.

■ **Separate Formalised Roles for the Chairman and Chief Executive Officer**

Mr. Stanley Hutter Ryan, an INED of the Company, assumed the position of Board Chairman after the retirement of Mr. David Muir Turnbull at the conclusion of the 2023 AGM in April 2023. The Chairman oversees the executive team and meets regularly with the CEO on the operations of the Group. 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 the level of debt, 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 Director Commitment to the Business Activities of the Group**

The Executive Director(s) 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 NEDs**

The INEDs and NEDs play a key role in protecting shareholders’ interests. They come from diverse business and professional backgrounds, actively bringing 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 NEDs provide a long-term view of the business development through shipping cycles and offer views that go beyond the short-term market movements.

■ **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 an INED does not compromise his/her independence but instead brings significant positive qualities as referred above. 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 nine years, a total of five 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.

■ Assessment of INEDs' Independence

The Board considers that all existing INEDs bring strong independent oversight and continue to demonstrate independence. For the year end 31 December 2023, the Company has received an annual confirmation from each INED about his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Board continues to consider them to be independent.

Mrs. Irene Waage Basili has served the Company as an INED for over nine years since May 2014. She has given confirmation of her independence pursuant to Rule 3.13 of the Listing Rules. In addition, Mrs. Basili has held a number of executive and general management roles in various shipping companies and has over 24 years of experience and knowledge of the shipping industry. Mrs. Basili possesses extensive commercial, strategic and operational experience in the dry bulk and other shipping sectors. The Board believes that she is able to draw upon her extensive shipping knowledge and experience for the benefit of the strategic development of the Company and, bring independent views to the Board. The Board considers she is suitably independent to carry out her duties as an INED.

Dr. Tikka holds cross-directorship with Mr. Berglund since they both serve on the Board of the Company and as non-executive directors at Ardmore Shipping Corporation. Given that each of Dr. Tikka and Mr. Berglund occupies a non-executive role in both companies and holds less than 1% of the issued shares in both companies, the Board considers that such cross-directorship would not undermine the independence of Dr. Tikka with respect to her directorship at the Company.

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. To assist the Directors, the Company Secretary recommends them to attend relevant seminars at the cost of the Company. Relevant reading materials are also identified by the Company Secretary. Each member of the Board has also provided a record of training to the Company, which is set out on page 47 of this Annual Report.

All new Directors receive a comprehensive, formal and tailored 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, risks, governance and Board and committee dynamics.

The Company appointed Mr. Alexandre Emery as an INED and Mr. Mats Berglund as a NED with effect from 2 January 2024. Each of Mr. Emery and Mr. Berglund had on 28 November 2023 and 30 November 2023 respectively received legal advice from qualified solicitor as regards to the requirement under the Listing Rules that are applicable to them as a director and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Each of them confirmed that they understood their obligations as a director of a listed company.

Board Evaluation

The Board has carried out a self-assessment this year led by the Chairman, Mr. Stanley Hutter Ryan, by way of a questionnaire completed by each Director to evaluate the performance of the Board during the year with an aim of ensuring continuous improvement in its functioning which in turn would influence and impact the Group's business and development. Directors' recommendations have been analysed, discussed and prioritised.

The Board considers that it has operated effectively during the year and 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 and diversity (include gender diversity) remains a priority and the Board will undertake appropriate recruitment process.

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
- Review and monitor the training and continuous professional development of the Board and senior management

The Board delegates certain responsibilities to Board Committees outlined below. Executive Director(s) 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.

The Company adopts a diverse approach to the composition of Board members enhancing diverse perspectives and independence.

The Chairman meets with the INEDs without the presence of any other Directors or management at least once a year to facilitate more liberated expression of views. Directors are free to engage external independent professional advisers to assist them to discharge their duties as they think fit, including the identification of suitable director candidates, at the expense of the Company. They are also free to invite any staff members to attend meetings or engage with them directly for information as they think fit.

The Nomination Committee reviews annually the implementation and effectiveness of these mechanisms, and make recommendations on proposed changes to the Board where appropriate.

Board Committees

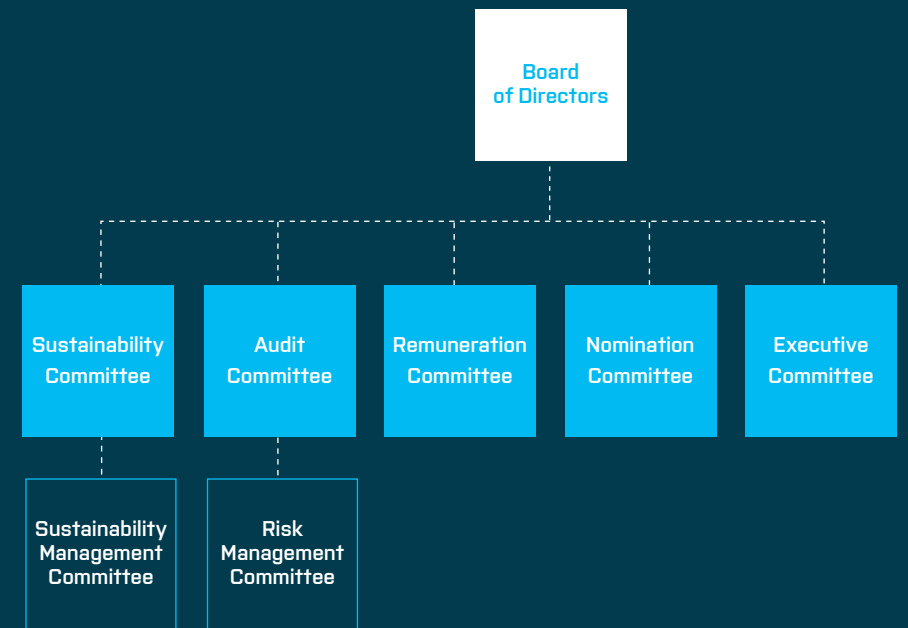
The Board has established the Audit, Remuneration and Nomination Committees in accordance with the Code. The terms of reference of these Board Committees are available on the Company’s website and the Stock Exchange’s website.

The Board elevated board-level oversight of sustainability from our Audit Committee to a Sustainability Committee established in January 2024, comprising Mr. Stanley Ryan, Mr. Mats Berglund and chaired by Dr. Kirsi Tikka. The Board also operates through an Executive Committee to streamline the decision-making process of the Company in certain circumstances.

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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 2023

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 as and when necessary.

The Board met four times during the year. The attendance of each Director at Board meetings, Board Committee meetings and general meeting in 2023 are set out below. High attendance by Board members at Board and Board Committee meetings demonstrates strong commitment of the Directors in discharging their duties.

Meetings held in 2023

	Annual General Meeting	Board Meeting	Audit ¹ Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Training [#]
Executive Directors						
David M. Turnbull (retired after 2023 AGM)	1	0/1				√
Martin Fruergaard (Chief Executive Officer)	1	4/4				√
Peter Schulz (Chief Financial Officer) (resigned on 31 March 2023)	0	1/1				√
Non-executive Director						
Alexander H.Y.K. Cheung	1	4/4	4/4	3/3	2/2	√
Independent Non-executive Directors						
Robert C. Nicholson (retired after 2023 AGM)	0	0/1	1/1			√
Irene Waage Basili ²	0	4/4		3/3	2/2	√
Stanley H. Ryan (Chairman) ³	1	4/4		3/3	2/2	√
Kirsi K. Tikka	0	4/4	4/4		2/2	√
John M.M. Williamson	1	4/4	4/4			√
Total number of meetings held in 2023	1	4	4	3	2	

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

² Mrs. Irene Waage Basili was appointed as the Chairman of the Remuneration Committee and a member of the Nomination Committee on 18 April 2023

³ Mr. Stanley H. Ryan was appointed as the Chairman of the Board and the Nomination Committee on 18 April 2023

[#] Training includes (i) continuous professional development through attending expert briefings/seminars/conferences relevant to the Company’s business or directors’ duties arranged by the Company or external organisations, and reading regulatory/corporate governance or industry related updates; and (ii) induction and familiarisation programmes attended by Directors who are newly appointed or where there is a role change

The Audit Committee

Membership

Chairman: John M.M. Williamson (INED)

Members: Alexandre F.A. Emery (INED, appointed in January 2024), Kirsi K. Tikka (INED, stepped down in January 2024), Alexander H.Y.K. Cheung (NED) and Robert C. Nicholson (INED, retired after 2023 AGM)

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 in compliance with the Code and make recommendations to the Board.
7. Review the independent audit process and the effectiveness of the risk management and internal audit function.
8. Make recommendations to the Board on the appointment, reappointment and removal, remuneration and terms of engagement of the external auditors and other non-audit services.

Work Done in 2023

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 2022 full year audit and the 2023 interim review and the audit strategy memorandum;
- review of the 2022 Annual Report, Sustainability Report and accounts and the 2023 interim report and accounts with a recommendation to the Board for approval;
- review of the Risk Management Committee reports including enterprise risk assessment, the internal audit work plan for 2023, the internal controls testing results and the effectiveness of the risk management and internal control systems and function 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 coverages.

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

The Remuneration Committee

Membership

Chairman: Irene Waage Basili (INED, replacing Robert C. Nicholson (INED) who retired after 2023 AGM)

Members: Stanley H. Ryan (INED), Alexander H.Y.K. Cheung (NED) and Alexandre F.A. Emery (INED, appointed in January 2024)

Main Responsibilities

1. Make recommendations to the Board on the Company's remuneration policy and structure for Directors and certain higher paid employees, 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, certain selected members of management and any proposed new hire with an award of equity with reference to the Board's Corporate goals and objectives.
3. Review and make recommendations to the Board on the terms of appointment for Directors when considered necessary.
4. Make recommendations 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 2023 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 in the Annual Report.

Work Done in 2023

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

- approval of the 2023 year-end bonuses and salary review for 2024 for the Executive Directors and certain employees;
- approval of the grant of restricted share awards to the Executive Director and certain staff members who, in the case of senior leaders, exhibited continuous excellence and values based leadership, and in the case of other employees, demonstrated continuous strong performance and future leadership attainment, and will benefit the development of the Group and should be retained via this means;
- review of the Company's share award program; and
- approval of the revised terms of reference for recommendation to the Board for approval.

The Nomination Committee

Membership

Chairman: Stanley H. Ryan (INED, replacing Robert C. Nicholson (INED) who retired after 2023 AGM)

Members: Alexander H.Y.K. Cheung (NED, retired in January 2024), Kirsi K. Tikka (INED), Irene Waage Basili (INED, appointed in April 2023) and Mats H. Berglund (NED, appointed in January 2024)

Main Responsibilities

1. Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations 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. Review the implementation and effectiveness of the Board Diversity Policy on an annual basis and make recommendations to the Board where appropriate.
4. Identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship.
5. Assess the independence of the Company's INEDs.
6. 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.
7. Review annually the implementation and effectiveness of mechanisms that ensures independent views and input are available to the Board, and make recommendations on proposed changes to the Board where appropriate.

Work Done in 2023

The Nomination Committee held two meetings 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 Diversity Policy and Nomination Policy;
- review of the Board's succession plan and update on the strategy of INED renewal program;
- engagement of an external advisor for the INED selection process and involvement in the interview process leading to the recommendation to the Board the appointment of Mr. Alexandre Emery as INED and Mr. Mats Berglund as a NED;
- assessment of the independence of the Company's INEDs; and
- recommendation to the Board the (a) reconstitution of the Board Committees and (b) establishment and membership of the Sustainability Committee.

The Executive Committee

Membership

Chairman: Chief Executive Officer

Members: Chief Financial Officer and one senior executive

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 for any single unbudgeted investment/project and accumulated US\$10 million for the same investment/project over multiple vessels or multiple years.
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 2023

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:

- execution of contracts of disposal of six smaller and older Handysize vessels and one Supramax vessel and a contract for acquisition of one Supramax vessel;
- execution of two long-term Ultramax vessel charter-in contracts;
- execution of a sustainability linked US\$150 million 3-year senior unsecured revolving credit facility;
- approval of the adoption of SOFR as alternative benchmark rate in place of LIBOR for all loan facilities of the Group;
- approval of supplemental announcements addressing disclosure requirement of the Stock Exchange regarding ship acquisitions and share awards in January and August 2023 respectively;
- publication of an announcement relating to the appointment of an INED and a NED;
- approval of an additional approver in relation to securities dealing requests by certain staff members; and
- approval of the change in bank authorised signatories and representative for all loan facilities of the Group.

Sustainability Governance

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 is a Board Responsibility

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 Corporate Governance Code and ESG Reporting Guide encompassed in the Listing Rules.

As such, the Board also 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 regularly reviews progress made against ESG-related goals and targets.

The Board delegates to the Sustainability Committee more regular oversight of the Group's sustainability programme and the work of the Sustainability Management Committee ("SMC").

Elevated Board-level Oversight

In January 2024, we elevated board-level oversight of sustainability from our Audit Committee to a newly established Sustainability Committee, comprising two INEDs and one NED. The Sustainability Committee is appointed by the Board to assist the Board in overseeing the management team and advising the Board on matters that are material to the long-term sustainability of the Company, including ensuring effective management of the Company's sustainability risks and opportunities, overseeing the Company's sustainability approach, priorities and implementation, monitoring progress towards sustainability targets, and overseeing sustainability reporting.

Functions of SMC

The Group's SMC comprises the CEO, CFO, Head of Sustainability and five more senior executives from different functions. It reports to the Sustainability 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 a dedicated sustainability team to enhance and help to coordinate our approach to 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 technical, personnel, marine & safety and decarbonisation & optimisation managers), the Commercial Operations Director and the Human Resources and Administration Director.

Compliance with ESG Guide

Our sustainability reporting follows the latest Environmental, Social and Governance Reporting Guide ("ESG Guide") of as set out in Appendix C2 to the Listing Rules. 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.



The Sustainability Committee *(established in January 2024)*

Membership

Chairman: Kirsi K. Tikka (INED)

Members: Stanley H. Ryan (INED), Mats H. Berglund (NED, appointed in January 2024)

Main Responsibilities

1. Monitor and review emerging ESG responsibility trends and issues, with a focus on those most relevant to the dry bulk shipping industry.
2. Oversee the Company’s ESG management approach, strategy and the process used to identify, evaluate and manage material ESG-related issues including the risks and opportunities they represent for the Company and to recommend any improvements.
3. Oversee the development and execution of the Company’s ESG policies and practices, provide direction to Management on the Company’s ESG vision and objectives/priorities, ensure alignment with the Company strategy and make recommendations to the Board.
4. Review the internal procedures and system for the generation and maintenance of appropriate and accurate sustainability data.
5. Review Management’s ESG performance reports, including progress made against material ESG-related goals and targets, steps taken to achieve these targets, and covering any other relevant ESG issues; such ESG reports to be submitted to the Board at least two times a year.
6. Consider ESG investments proposed by Management and make appropriate recommendations to the Board.
7. Review the annual “Sustainability Report” to ensure the balance, transparency and integrity of published information as well as proper disclosure and compliance with the reporting principles of the HKEX’s Environmental, Social and Governance Reporting Guide (expected to be upgraded to ESG Reporting Code), and make appropriate recommendations to the Board.
8. Review the ESG-related performance of and work done by Management and the SMC.
9. Ensure that a sustainability culture is promoted across the Company, with sufficient resources and training provided to manage the Company’s material ESG issues and the risks and opportunities they represent.
10. Conduct an annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget to manage the Company’s ESG performance and reporting.

The Sustainability Management Committee

Membership

Chairman: Chief Executive Officer

Members: Chief Financial Officer, Director of Chartering, Director of Operations, Director of Fleet Management, 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 disclosures and compliance with the ESG Guide.
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.

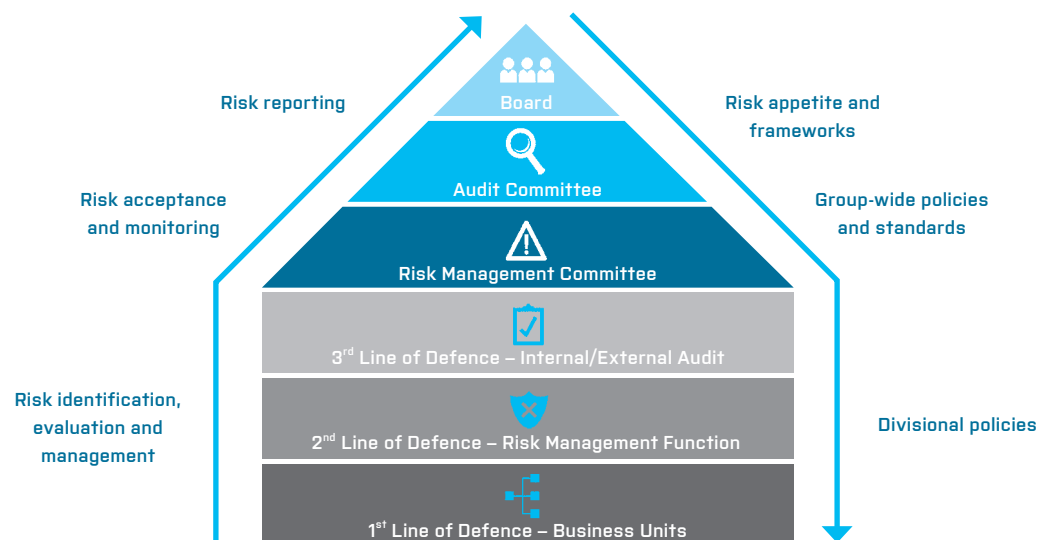
Work Done in 2023

In 2023, the SMC met two times and reported to the Audit Committee on the Group’s sustainability programme, performance and work done. The work undertaken included:

- review of the existing sustainability governance structure with a recommendation to the Board to elevate its oversight of sustainability;
- review of the materiality of ESG topics and risks with reference to the Company’s strategy and industry relevance;
- review of the progress of activating ESG awareness within the Company and the proposed level of ambition for various ESG issues;
- review of the proposed environmental and social KPI targets and steps to achieve them with a recommendation to the Board for approval;
- review of incoming energy-efficiency and decarbonisation regulations and measures in the shipping industry; and
- review of the terms of reference of the Sustainability Management Committee.

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 the 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 can only 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 are responsible for managing risks. They identify operational risks, develop and implement respective controls. These activities are monitored and evaluated by division heads and relevant staff managers. The risk management function engages fully to provide advisory support to business units which 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 of ensuring 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, transparency, desired behaviours and risk appetite. Effective board oversight, with sound organisational structure is established to delegate business functions to respective business units within limits set by the Board or the head office management 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 within risk appetite, 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. Promote and strengthen the Group's risk management culture and improving awareness.
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 and maintain risk management framework and internal audit plan.
6. Manage the annual risk assessment and testing of internal controls.

Work Done in 2023

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 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 on the management of the marine related and other insurances;
- report to the Audit Committee on the results of the IT security assessment performed by external consultants;
- report by way of a deep dive review to the Board the digitalisation pathway;
- assist in the enhancement of the Group's Environmental, Social and Governance (ESG) Reporting in preparation for the upcoming climate-related disclosure requirements 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; and
- 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.

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 and reported to the RMC and the Audit Committee.

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.12 The Year in Review**

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 on an on-going basis. Such systems are crucial for the fulfilment 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 2023, 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. These key risks are by no means exhaustive or comprehensive, and there may be other risks which may not be known or material at this juncture, but could turn out to become material in the future. 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. The Group remains vigilant in monitoring the evolving risk landscape and developing appropriate mitigating measures to address these areas of concern.

1. Investing in Our Fleet p.36-38 [Delivering on Our Strategy](#)

 [p.35 How We Create Value](#)

Risk/Impact

Market Risk A

Adverse financial impacts include:

- freight rate and geopolitical volatility;
- cost volatility including fuel prices and other operating expenses;
- tightened sanctions regulations;
- uncertainty on environmental regulations; 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.

Utilise technology to manage forward fleet and cargo exposure, optimise port calls and monitor operational and financial performance.

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.

Forward freight agreements are used to hedge against the volatility of freight rates.

Constant monitoring of the development of political landscape and keeping track of the sanctions and environmental regulatory development to ensure compliance.

 [p.101 Financial Statements Note 14 Derivative Assets and Liabilities](#)

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.

Furthermore, stricter environmental regulations increase the uncertainty to the economic life of fossil- fuelled vessels. High newbuilding prices remain a deterrent.

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 young second-hand vessels or newbuildings that are dual-fuel with the ability to upgrade to low-emission new fuels;
- progressing with the design of dual-fuelled low-emission vessels in collaboration with our two Japanese partners Nihon Shipyard Co. and Mitsui & Co.;
- continuing to dispose of the older and smaller vessels;
- assessing environmental KPIs such as the EEXI and AER in our vessel purchase due diligence;
- monitoring the development of future low-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 ensure safety and service reliability.


 [Sustainability Report p.35 Pacific Basin Management System](#)

2. Investing in Our People  **p.36-38** *Delivering on Our Strategy*

Risk/Impact

Succession Risk


Inadequate succession planning may lead to prolonged executive searches, disruption to our strategic momentum and the Group's business, and undermine stakeholders' 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 nature of the profession, working at sea can be physically and emotionally demanding which bring challenges to recruit seafarers and to maintain their health and wellbeing as failure to do so may impact the operational safety.

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 Group implemented measures to facilitate work flexibility and travel for staff members.

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 and competitive to attract and retain the best talent;
- conducting staff engagement survey to enhance employee's engagement;
- resuming in-person, interactive officer training and seminars to facilitate education and communication;
- offering regular training for staff ashore and at sea, not only to ensure that they are capable of performing their duties but also to help improve professional fulfilment;
- implementing annual staff performance appraisals, incentives and other initiatives to encourage, retain and otherwise engage staff;
- upgrading satellite data plans and well-being facilities on-board to offer our crews better internet access 24/7 and entertainment facilities;
- providing 24/7 medical and specialist advice to our seafarers; and
- providing an employee wellness program on a global basis including offering counselling services and wellness workshops to all employees.

 **Sustainability Report p.32-53**
Responsibility to our People

3. Deepening Our Relationships p.36-38 Delivering on Our Strategy

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: 

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;
- establishing a due diligence team to perform on-boarding counterparties due diligence;
- enhancing our counterparty on-boarding procedures to enable comprehensive evaluation;
- deploying independent risk intelligence tools and independent risk appraisal reports, along with our self-developed platform to perform sanction checks on all new counterparties 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.105 Financial Statements Note 15
Trade and other receivables

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: 

Our global office network positions us closer to our customers enabling direct and frequent customer engagement, a clearer understanding of their needs and localised customer service. This year, we opened two regional offices in Singapore and Dubai respectively to foster closer ties with our customers around the regions.

Our fleet scale and uniformity, complemented by our comprehensive in-house technical operations, utilising an extensive and integrated marine online trading platform to 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.

Banking Relationships Risk

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

Change from last year: 


Our Group's dedicated corporate finance function develops and maintains relationship with a diverse group of reputable banks worldwide through regular senior management contact. We also work on the diversification of our funding profile. This year, we secured our inaugural sustainability-linked credit facility amounting to US\$150 million.

4. Safeguarding Health and Safety  **p.36-38** [Delivering on Our Strategy](#)

Risk/Impact

Health and Safety Risk

Inadequate safety maintenance and operational standards, increased risk of drug smuggling, piracy or other causes of accidents may lead to injuries, loss of life, severe damage to our third party and owned properties or vessels, affecting profitability and impacting the Group's reputation among seafarers, customers and other stakeholders.

Change from last year: 

Mitigating Measures

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

We adopted comprehensive anti-drug smuggling measures and took appropriate precautions according to the level of risk.

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


We maintain high retention of senior officers and sufficient crews on board to ensure our crews are experienced in our trades with good rest-to-work ratio. We focus on enhancing our seafarers' health, safety and wellbeing on board by providing comprehensive support including physical and mental wellbeing support with the latest in remote medical support services.

We provide training and development for our seafarers, adopting a well-designed and structured approach that boosts the overall health and safety performance of our seafarers and our fleet.

 [Sustainability Report p.36-43](#)
Safety, Health & Wellbeing

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: 

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.36-38 [Delivering on Our Strategy](#)

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 breakdown of security systems could result in communications breakdown, business disruption and potential financial and/or reputational losses. Business disturbances due to cybersecurity risks can be significant.

Change from last year: 


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 stakeholders' confidence.

Change from last year: 

Investor Relations Risk

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

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 that 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 continue to enhance our cyber security maturity by upgrading our IT infrastructure and enhancing employees' knowledge and awareness. We further protect our business against financial loss due to cyber-crimes by taking commercial crime insurance cover.

The Group is committed to good corporate governance to meet the requirements of our business and stakeholders. The Board has established the Audit, Sustainability (supported by the Risk Management Committee and the Sustainability Management Committee), Remuneration and Nomination Committees, to proactively ensure the overall corporate governance, risk management framework and sustainability strategy of the Group are appropriate and effective.

The Group has put in place appropriate internal procedures to monitor changes in applicable laws and regulations, 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.44 Corporate Governance](#)

The Group has a dedicated investor relations function and has in place policies and guidelines on information disclosure and communication with the public. We review our implementation and effectiveness of our Shareholders' Communication Policy annually.

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.78 Investor Relations](#)

6. Safeguarding the Environment  **p.36-38** [Delivering on Our Strategy](#)

Risk/Impact

Environmental and Decarbonisation Risk

Any deficiency in compliance with emissions and other environmental regulations 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 took effect from January 2023.

The EU's decision to include shipping in the European Union Emissions Trading System (EU ETS) is due to take effect from January 2024.

In July 2023, IMO adopted a revised, more ambitious greenhouse gas (GHG) strategy with a goal for international shipping to achieve net-zero emissions by or around 2050, with indicative interim checkpoints. To support the requisite transition to zero emission fuels, IMO will now develop a package of mid-term measures, including technical and economic measures such as a GHG Marine Fuel Standard and a maritime GHG emissions pricing mechanism. Meanwhile, IMO's revised GHG strategy will lead to tighter CII and EEXI rules for the period to 2030, with CII/EEXI revisions due to be completed in 2026 at the latest.

Other emerging regional decarbonisation regulations, such as the FuelEU Maritime, EU's Revised Energy Taxation Directive and the US Clean Shipping Act & International Marine Pollution Accountability Act, could impact the shipping industry significantly in the near future.

The target of net-zero emissions shipping by 2050 creates significant challenges to the shipping industry of constantly reducing the carbon intensity of existing conventional ships and replacing them with entirely new low-emission vessels.

Change from last year: 



Sustainability Report p.25-26

Continuous Preparation for Decarbonisation Rules

Mitigating Measures

We have recently established a dedicated board-level Sustainability Committee, comprising two Independent Non-executive Directors and one Non-executive Director. The Sustainability Committee is appointed by the Board to assist the Board in overseeing the management team and advising the Board on matters that are material to the long-term sustainability of the Company.

Our Sustainability Management Committee chaired by our CEO oversees and executes the Group's sustainability strategy, investment decisions and makes meaningful sustainability recommendations. It also ensures our full compliance with all applicable laws and regulations, adequate Board engagement, proper disclosures and KPI targets are set to drive performance.

We have specialist teams (especially decarbonisation, technical, digitalisation, chartering, operations, asset management and sustainability teams) that collaborate to mitigate risks and harness opportunities around decarbonisation, with support and oversight from management, the Sustainability Committee and the Sustainability Management Committee.

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 younger, larger ships of more fuel-efficient design.

We will only order new builds which are capable of running on low carbon fuel. We are collaborating with top-class industry partners to develop an efficient design for what we expect will be our first dual-fuel ship able to run on either green methanol or fuel oil.

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* by partnering with CLP Holdings Limited (CLP) to voluntarily offset the carbon emissions from our global onshore operations using carbon credits derived from CLP's wind and solar farms in Asia, and we offer the option of voluntarily offsetting of voyage emissions for Pacific Basin customers wanting carbon neutral shipping through this Programme.

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 MRV regulations, EEXI, CII, etc. We continue to take a proactive approach to explore viable technological advancement and alternative fuels to achieve net 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 investment in training, systems, procedures and technology, 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.

7. Maximising Efficiencies & Controlling Costs p.36-38 [Delivering on Our Strategy](#)

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: 

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: 

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 bolster operational efficiency include:

- accelerate the Group's digitalisation and processes automations journey by review and upgrade of IT systems, evaluation and procurement of new software and digital applications, 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.

Active resources 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 stakeholders' 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 proper performance of the Group. Variances from resources planning and cost estimations are regularly monitored to enable effective optimisation of business performance and cost efficiency.

8. Enhancing Corporate & Financial Profile  **p.36-38** [Delivering on Our Strategy](#)

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 Corporate Finance 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.115** [Financial Statements Note 26](#)
Financial Liabilities Summary

 **p.30** [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.

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

Change from last year: 

 **p.56** [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 distribution policy is to pay out a minimum of 50% of net profits for the full year, excluding vessel disposal gains, and any additional distribution can be in the form of special dividends and/or share buyback, 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.

 **p.79** [Investor Relations](#)
Shareholder Return and Dividend

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.101** [Financial Statements Note 14](#)
Derivative Assets and Liabilities


OTHER INFORMATION

Handling Inside Information

The Group adopts the following 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 a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to the Listing Rules (the “Model Code”).

The Board confirms that, having made specific enquiry of all Directors, 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.

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 2023 is as follows::

		US\$’000
Audit	Non-audit	Total
1,122	15	1,137

Our Shareholders

Details of shareholder type and shareholding can be found on page 76 of this Annual Report.


-  **p.76 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. Details of the Shareholders Communication Policy can be found on the Company’s website.

The Board has conducted a review of the implementation and effectiveness of the Shareholders Communication Policy and the related framework during the year. Its review was from three broad angles, namely (i) the specific policy on the means of communication with the shareholders and the channels available for them to access to the Company; (ii) the Company’s internal procedures on proper dissemination of information to the shareholders to ensure their proper understanding of the actions taken by the Company or other useful information of the Company; and (iii) the availability and quality of the two-way dialogue with shareholders such as conducting investor meetings by the Company’s designated investor relations personnel or Directors. The Board has been provided with information that the above have been properly in place or performed during the year. In addition, the Company has designated investor relations and company secretarial functions, staffed by appropriately qualified personnel who are charged with, among other things, communication with shareholders and compliance with relevant disclosure regulations. These functions are well established and receive close scrutiny by the Chief Executive and the Board. Taking into account of the above, the Board considers the current Shareholders Communication Policy has been appropriately implemented and remains effective.

 www.pacificbasin.com
Sustainability > Corporate Governance

-  **p.81 Investor Relations**
Stakeholder Communication Channels

Shareholders Meeting

The Company held one general meeting during the reporting year.

The annual general meeting was held on 18 April 2023 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 2022;
- declaration of final dividend for the year ended 31 December 2022;
- re-election of Directors;
- authorising the Board to fix Directors' remuneration;
- re-appointment of Messrs. PricewaterhouseCoopers as auditors of the Company for the year ended 31 December 2023 and authorising the Board to fix their remuneration;
- granting a general mandate to issue shares;
- granting a general mandate to buy back shares; and
- amendments to and adoption of the Company's second amended and restated Bye-laws.

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

Amendments to Bye-laws of the Company

At the 2023 Annual General Meeting, a special resolution was passed by shareholders to amend the Company's Bye-laws in order to, amongst others, comply with (i) the Core Shareholder Protection Standards as set out in Appendix A1 to the Listing Rules; and (ii) other relevant changes to the applicable laws of Bermuda and the Listing Rules. The second amended and restated Bye-laws of the Company is available on the respective websites of the Company and the Stock Exchange.



www.pacificbasin.com

Investors > News: Proxy Form

Media > FAQ: AGM and Shareholders' Questions

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 lodgement 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.125 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 ten per cent (10%) of the voting rights of the Company, on a one vote per share basis in the paid-up capital carrying the right of voting at general meetings of the Company shall at all times 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.125 Corporate Information** including the Company's registered office and principal office addresses

Planned Financial Calendar in 2024

29 February	2023 annual results announcement
14 March	2023 Annual Report
18 April	First quarter 2024 trading update
16-19 April	Book closure for determining entitlement to attend and vote at the AGM
19 April	Annual General Meeting

Applicable if 2023 final dividend is payable:

24 April	Last day of dealings in shares with entitlement to 2023 final dividend
25 April	Ex-dividend date
26 April by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2023 final dividend
29 April	2023 Final dividend record date and book closure of the share register
9 May	2023 Final dividend payment date

8 August	2024 interim results announcement
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Applicable if 2024 interim dividend is payable:

20 August	Last day of dealings in shares with entitlement to 2024 interim dividend
21 August	Ex-dividend date
22 August by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2024 interim dividend
23 August	2024 Interim dividend record date and book closure of the share register
4 September	2024 interim dividend payment date

17 October	Third quarter 2024 trading update
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Closure of Register of Members

If the proposed final dividend is approved at the 2024 AGM, the register of members will be closed on 29 April 2024 when no transfer of shares will be effected. In order to qualify for the final dividend, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Service Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 April 2024. The ex-dividend date for the 2023 final dividend will be on 25 April 2024.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board comprises 8 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 Director



Martin Fruergaard

Chief Executive Officer and Executive Director
(age 56)

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 (subject to re-election at the 2024 AGM)

External appointments:

Executive Committee member of the Hong Kong Shipowners Association

Committee membership:

Chairman of Executive Committee

Independent Non-executive Directors



Stanley Hutter Ryan

Chairman of the Board and Independent Non-executive Director
(age 62)

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 centre. 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. He also served as a chief executive officer and a president of Darigold, Inc. from February 2016 to March 2022.

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 (subject to re-election at the 2024 AGM)

Appointed as Chairman of the Board with effect from 18 April 2023

External appointments:

Senior advisor of McKinsey & Company
Independent director of Toronto-listed Saputo Inc.

Committee membership:

Chairman of Nomination Committee
Remuneration and Sustainability Committees



Irene Waage Basili

Independent Non-executive Director
(age 56)

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 Odffell 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 2026 AGM

External appointments:

Chief executive officer of Shearwater Geoservices

Committee membership:

Chairman of Remuneration Committee
Nomination Committee

Independent Non-executive Directors



Kirsi Kyllikki Tikka

Independent Non-executive Director
(age 67)

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 at the 2025 AGM

External appointments:

INED of New York-listed Ardmore Shipping Corporation

Committee membership:

Chairman of Sustainability Committee
Nomination Committee



John Mackay McCulloch Williamson

Independent Non-executive Director
(age 65)

Mr. Williamson served as independent non-executive director 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 Limited (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); managing director at NatWest Investment Services, London (1992 to 1994); and INED of Nasdaq-listed Provident Acquisition Corp. (2021-2022).

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 at the 2026 AGM

External appointments:

Non-executive chairman of UK Tote Group Limited

Chairman and non-executive director of London Metal Exchange

Committee membership:

Chairman of Audit Committee



Alexandre Frederic Akira Emery

Independent Non-executive Director
(aged 54)

Mr. Emery was partner and chairman, Asia at Permira, a global private equity investment firm with over US\$82 billion under management. He joined Permira's London office in 2002 and moved to Tokyo to establish its first Asian presence in 2005, which he led until he retired in December 2023. He focused primarily on industrials, consumer goods, financial services, healthcare and technology investments in Asia, China, Korea, and Japan. Prior to joining Permira, Mr. Emery was an engagement manager at McKinsey & Company in London from 1997 to 2002 and a business analyst at Braxton Associates in London from 1993 to 1995. Mr. Emery began his professional career at the French Ministry of Foreign Affairs as part of the French Trade Office, posted to Osaka, Japan from 1991 to 1992.

Education & qualifications:

Yale University: Bachelor of Political Science and East Asian Studies

College of Europe: Master's degree in European Politics

Northwestern University: Master's degree in Business Administration

Term of office:

Appointed as INED in January 2024 for 3 years (subject to re-election at the 2024 AGM)

External appointments:

None

Committee membership:

Audit and Remuneration Committees

Non-executive Directors



**Alexander Howarth Yat
Kay Cheung**

Non-executive Director
(age 52)

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

Current term expires at the 2025 AGM

External appointments:

None

Committee membership:

Audit and Remuneration Committees



**Mats Henrik
Berglund**

Non-executive Director
(age 61)

Mr. Berglund served with Swedish conglomerate Stena group from 1986 to 2005, occupying managerial and leadership positions in various Stena group shipping businesses in Sweden and the USA including group controller of Stena Line, vice president and chief financial officer of both Concordia Maritime and StenTex (a Stena Texaco joint venture), president of StenTex, and vice president and president of Stena Rederi AB (Stena's parent company for all shipping activities). From 2005 to 2011, he was senior vice president and head of Crude Transportation for New York-listed Overseas Shipholding Group Inc. Between March 2011 and May 2012, he served as chief financial officer and chief operating officer at Chemoil Energy Limited, a Singapore-listed global trader of marine fuel products. He acted as the Chief Executive Officer and Executive Director of Pacific Basin from 2012 to July 2021.

Education & qualifications:

Gothenburg University Business School: an Economist (Civilekonom) degree

Advanced Management Program at Harvard Business School

Term of office:

Appointed as Non-executive Director in January 2024 for 3 years (subject to re-election at the 2024 AGM)

External appointments:

Independent director of New York-listed Ardmore Shipping Corporation, Northern Marine Group and Toronto-listed Algoma Central Corporation

Committee membership:

Nomination and Sustainability Committees

Senior Management



**Hans Michael Tonnes
Jorgensen**

Chief Financial Officer
(age 58)

Mr. Jorgensen joined Pacific Basin as Chief Financial Officer in July 2023. He previously spent 21 years with A.P. Moller-Maersk from 1988 to 2009 occupying a number of managerial and leadership positions including general manager and chief financial officer of Maersk Russia (1994 to 1995), general manager and director of Centre Finance for Maersk Line (1995 to 2001), senior director and deputy chief financial officer of Maersk Line (2001 to 2003) and vice president and chief financial officer of Maersk Air Group (2003 to 2005) and group senior vice president and chief financial officer of Maersk Container Business (2005 to 2008). After leaving A.P. Moller-Maersk in 2009, he worked as the executive vice president and chief financial officer of Dampskibsselskabet Norden A/S until 2015. In 2017, he joined ASYAD Shipping Company and ASYAD Drydock Company as the group's chief financial officer until May 2023, and served as acting chief executive officer of ASYAD Shipping Company from 2019 to 2020.

Education & qualifications:

Copenhagen Business School: Graduate Diploma in Financial and Management Accounting, MSc in Business Economics and Auditing and Board Leadership Program

INSEAD Business School: Young Manager Program

IMD Business School: Executive MBA

Term of office:

Appointed as Chief Financial Officer in July 2023

External appointments:

None

Committee membership:

Executive Committee

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 69 to 70 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 389 shore-based staff at 31 December 2023 (2022: 373) and about 5,100 seafarers during the year (2022: 3,900).

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 Schemes which are 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. New awards are considered each year by the Remuneration Committee. Awards typically vest three years after they are granted. Awards granted to first time awardees, if any, typically vest annually over a three-year period	No
Retirement benefit	Retirement benefit is 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 2023 and 2022 ^A

	Directors fee US\$'000	Salaries US\$'000	Bonuses US\$'000	Pension ⁶ US\$'000	Total payable US\$'000	Share-based ⁷ compensation (non-cash charge) US\$'000	Total payable and charged US\$'000
31 December 2023							
Executive Directors							
David M. Turnbull ¹	–	153	–	–	153	362	515
Martin Fruergaard	–	1,093	553	2	1,648	576	2,224
Peter Schulz ²	–	833 ²	–	1	834	510	1,344
	–	2,079	553	3	2,635	1,448	4,083
Independent Non-executive Directors							
Irene Waage Basili	104	–	–	–	104	–	104
Stanley H. Ryan	170	–	–	–	170	–	170
Kirsi K. Tikka	106	–	–	–	106	–	106
John M.M. Williamson	118	–	–	–	118	–	118
Robert C. Nicholson ³	33	–	–	–	33	–	33
Non-executive Director							
Alexander H.Y.K. Cheung	106	–	–	–	106	–	106
	637	–	–	–	637	–	637
Total Directors' remuneration	637	2,079	553	3	3,272	1,448	4,720
Senior Management							
Michael Jorgensen ⁴	–	273	57	1	331	146	477
Other Employees							
	–	172,980 ⁵	8,671	4,075	185,726	4,324	190,050
Total remuneration	637	175,332	9,281	4,079	189,329	5,918	195,247
31 December 2022							
Executive Directors							
David M. Turnbull	–	402	406	2	810	264	1,074
Martin Fruergaard	–	919	1,075	2	1,996	947	2,943
Peter Schulz	–	556	373	2	931	358	1,289
	–	1,877	1,854	6	3,737	1,569	5,306
Independent Non-executive Directors							
Irene Waage Basili	102	–	–	–	102	–	102
Stanley H. Ryan	102	–	–	–	102	–	102
Kirsi K. Tikka	110	–	–	–	110	–	110
John M.M. Williamson	123	–	–	–	123	–	123
Robert C. Nicholson	109	–	–	–	109	–	109
Patrick B. Paul ⁸	31	–	–	–	31	–	31
Alasdair G. Morrison ⁸	31	–	–	–	31	–	31
Non-executive Director							
Alexander H.Y.K. Cheung ⁹	109	–	–	–	109	–	109
	717	–	–	–	717	–	717
Total Directors' remuneration	717	1,877	1,854	6	4,454	1,569	6,023
Other Employees							
	–	186,934 ⁵	22,508	4,691	214,133	5,288	219,421
Total remuneration	717	188,811	24,362	4,697	218,587	6,857	225,444

Notes:

- (1) Mr. Turnbull retired as an Executive Director and Chairman of the Board on 18 April 2023.
- (2) Mr. Schulz stepped down as an Executive Director and Chief Financial Officer on 31 March 2023. The figure includes gardening leave pay, unused leave and long service totalling US\$307,000 as well as a discretionary separation payment of US\$383,000.
- (3) Mr. Nicholson retired as an Independent Non-executive Director on 18 April 2023.
- (4) Mr. Jorgensen was appointed Chief Financial Officer on 17 July 2023.
- (5) Salaries of Other Employees includes crew wages and other related costs of US\$133 million (2022: US\$150 million), which are classified as cost of services in the income statement.
- (6) During the year, a total of approximately US\$27,300 (2022: US\$47,500) 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.
- (7) Share-based compensation represents a non-cash charge to the income statement of the share awards through the vesting period based on their fair values on the grant date (please refer to the accounting policy for share-based compensation on page 70) and does not represent any cash payment. 
- (8) Mr. Paul and Mr. Morrison both retired as an Independent Non-executive Director on 19 April 2022.
- (9) Mr. Cheung was appointed as a Non-executive Director on 3 January 2022.

For the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group were two Executive Directors and three employees (2022: 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.

	2023 US\$'000	2022 US\$'000
Salaries	1,146	752
Bonuses	445	1,029
Pension	226	221
Total Payable	1,817	2,002
Share-based compensation ⁽¹⁾	412	324
Total payable and charged	2,229	2,326

Note:

(1) Share-based compensation represents a non-cash charge to the income statement of the share awards through the vesting period based on their fair values on the grant date (please refer to the accounting policy for share-based compensation below) and does not represent any cash payment. 

During the year, the Group did not pay any of the five highest paid individuals (including two Directors and three other employees) 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.

Emolument bands	2023	2022
HK\$4,500,001 to HK\$5,000,000	1	0
HK\$5,000,001 to HK\$5,500,000	1	0
HK\$7,000,001 to HK\$7,500,000	0	1
HK\$7,500,001 to HK\$8,000,000	1	0
HK\$9,000,001 to HK\$9,500,000	0	0
HK\$10,500,001 to HK\$11,000,000	0	1

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 2023.

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 30 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 2023 is set out on pages 4 to 33 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 2023 is set out in the “Sustainability Highlights” section of this Annual Report and a comprehensive Sustainability Report 2023 is available on our website.

Results

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement on page 84.

Dividend

The Board has recommended the payment of a total final dividend of HK5.7 cents per share (comprising a basic dividend of HK1.6 cents per share and a special dividend of HK4.1 cents per share) for the year ended 31 December 2023. When this proposed final dividend is aggregated with the interim dividend of HK6.5 cents per share declared on 31 July 2023, the total of HK12.2 cents per share represents approximately 75% of the Group’s net profits for the year ended 31 December 2023, which is in line with the distribution policy of paying out dividends of at least 50% of our annual net profits (excluding vessel disposal gains) and any additional distribution can be in the form of special dividends and/or share buyback, after taking into consideration factors such as the Group’s financial position, business plans and strategies, future capital requirements and general economic and business conditions etc.

The recommended final dividend of HK5.7 cents per share will be payable on 9 May 2024, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 19 April 2024, to those shareholders whose names appear on the Company’s register of members on 29 April 2024.

Distributable Reserves

Distributable reserves of the Company at 31 December 2023, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US\$433.7 million as set out in Note 31(b) to the financial statements.

 **p.13** Chief Executive’s Review

Donations/Sponsorships

Charitable and other donations and sponsorships made by the Group during the year amounted to US\$204,000.

Share Capital and Pre-emptive Rights

Movements in the share capital of the Company are set out in Note 22 to the financial statements.

During the reporting year, a total of 2,612,033 conversion shares were issued in May 2023 to bondholders who exercised their conversion right in relation to the 3.0% p.a. coupon guaranteed convertible bonds due in 2025 issued by the Group in December 2019 (the “Bonds”).

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 2023, there remained the Bonds with an outstanding principal amount of US\$33,610,000. The Bonds are convertible into ordinary shares of the Company at a current conversion price of HK\$1.45 per share.

More details are set out in Note 20(b) to the financial statements. 

Purchase, Sale or Redemption of Securities

Other than for satisfying restricted awards granted under the Company’s 2023 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 & 2023 Share Award Scheme

The 2013 Share Award Scheme ("2013 SAS") was adopted by the Board on 28 February 2013 and had an effective term of 10 years. It expired in February 2023 and was replaced by the 2023 Share Award Scheme ("2023 SAS") having an effective term of 12 months up to 31 July 2024, as adopted by the Board on 31 July 2023. Upon expiration of the 2013 SAS, no further Awards shall be offered, but in all other respects the provisions of the 2013 SAS remain in full force and effect. All Awards granted prior to the expiration of the 2013 SAS and not vested at the time shall remain valid.

Both the 2013 SAS and the 2023 SAS enable 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 and to align the interests of the awardees generally with those of the shareholders for the benefit of the development of the Group. They are single share award schemes under which no share options can be granted.

The grant of Awards under the 2013 SAS can be satisfied by purchase of existing shares of the Company through the trustee on the secondary market at the market trading price, as well as through allotment and issue of new shares by the Board utilising the general mandate granted to them by the shareholders. Since the 2013 SAS has expired in February 2023, no shares were issued under the scheme during the year.

The grant of Awards under the 2023 SAS can be satisfied only by purchase of existing shares of the Company through the trustee on the secondary market at the market trading price.

Maximum Number of Shares

Under the 2013 SAS, the total number of shares which may be or already have been issued by the Company or transferred to the trustee of the 2013 SAS in satisfaction of the Awards granted under the 2013 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 2013 SAS. No shares were granted or issued under the scheme during the year. The total number of shares available for grant and issue under the 2013 SAS at the beginning of 2023 was 254,974,102 shares. Since the 2013 SAS has expired on 28 February 2023, the total number of shares available for further grant or issue under the scheme as at the end of 2023 and at the date of the Annual Report was nil.

Under the 2023 SAS, the total number of shares available for grant at the beginning of 2023 was nil as the scheme was adopted on 31 July 2023. The total number of shares available for further grant under the scheme immediately after the grant of awards on 2 August 2023, as at the end of 2023 and at the date of the Annual Report was 87,535,461 shares. The total number of shares available for issue under the 2023 SAS was nil at all times.

Vesting of Awards

Under the 2013 SAS and the 2023 SAS, awards typically vest three years after they are granted. Awards granted to first time awardees, if any, typically vest annually over a three-year period.

Limit for Each Eligible Participant

The maximum number of shares for any specific eligible participant which may be subject to an Award or Awards (i) under the 2013 SAS, 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 and (ii) under the 2023 SAS, in the 12-month period up to the date of grant shall not in aggregate exceed 1% of the issued share capital of the Company as at the date of the grant.

Procedure of Granting Restricted Awards

The Board has entered into a trust deed to appoint a trustee to administer Awards under the 2013 SAS and the 2023 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. The Remuneration Committee administers and oversees the 2013 SAS and the 2023 SAS. Their review and approval is required prior to the granting of Awards to any eligible participants. No shares were granted during the year under the 2013 SAS and the scheme expired in February 2023. At the direction of the Board, the trustee shall acquire existing shares in the market in accordance with the rules of the 2023 SAS.

There is no exercise period for any share awards under the schemes. Awardees are not required to make payment upon acceptance of the share awards.

The trustee of the schemes shall not exercise any voting rights in respect of any shares held pursuant to the relevant trust deed.

Clawback Mechanism to recover or withhold any unvested portion of any Award

The unvested portion of any Award shall lapse on the date on which an awardee ceases to be an eligible participant by reason of the termination of his employment for serious misconduct, or has become insolvent or has been convicted of any criminal offence involving his integrity.

Awards Granted


Details of the grant of long-term incentives and movements of the outstanding incentives under the 2013 SAS and 2023 SAS (on an aggregate basis) during the year ended 31 December 2023 are as follows:

'000 shares/units	Date of Grant	Unvested at 31 Dec 2023	Unvested at 1 Jan 2023	Granted in the year ³	Vested in the year ^{4&5}	Lapsed in the year ⁶	Vesting period ⁷		
							2024	2025	2026
Directors									
Martin Fruergaard	02-Aug-21	1,212	2,422	-	(1,210)	-	1,212	-	-
	03-Mar-22	1,359	1,359	-	-	-	-	1,359	-
	02-Aug-23	1,637	-	1,637	-	-	-	-	1,637
David M. Turnbull ¹	03-Mar-20	-	1,249	-	(1,249)	-	-	-	-
	02-Mar-21	-	1,479	-	(1,479)	-	-	-	-
	03-Mar-22	-	706	-	(706)	-	-	-	-
Peter Schulz ²	03-Mar-20	-	1,683	-	(1,683)	-	-	-	-
	02-Mar-21	-	1,992	-	(1,992)	-	-	-	-
	03-Mar-22	-	975	-	(975)	-	-	-	-
		4,208	11,865	1,637	(9,294)	-	1,212	1,359	1,637
Senior Management									
Michael Jorgensen ⁸	02-Aug-23	1,758	-	1,758	-	-	879 ⁸	879 ⁸	-
Other Employees									
	03-Mar-20	-	18,846	-	(18,724)	(122)	-	-	-
	02-Mar-21	22,088	23,354	-	(1,118)	(148)	22,088	-	-
	03-Mar-22	13,526	15,171	-	(1,574)	(71)	1,211	12,315	-
	02-Aug-23	14,279	-	14,346	(67)	-	155	155	13,969
		49,893	57,371	14,346	(21,483)	(341)	23,454	12,470	13,969
		55,859	69,236	17,741	(30,777)	(341)	25,545	14,708	15,606

Two out of the five highest paid individuals during the year were the two Directors whose interest in the share awards were disclosed in the above table. Details of the remaining three individuals' interest in the share awards under the 2013 SAS and 2023 SAS are as follows:

'000 shares/units	Date of Grant	Unvested at 31 Dec 2023	Unvested at 1 Jan 2023	Granted in the year ³	Vested in the year ⁴	Lapsed in the year	Vesting period ⁷
	03-Mar-20	-	2,070	-	(2,070)	-	-
	02-Mar-21	2,557	2,557	-	-	-	2024
	03-Mar-22	1,321	1,321	-	-	-	2025
	02-Aug-23	1,513	-	1,513	-	-	2026
		5,391	5,948	1,513	(2,070)	-	

Notes:

- (1) A total of 3,434,000 share awards vested to Mr. Turnbull upon his retirement as a Director and Chairman on 18 April 2023.
- (2) A total of 4,650,000 share awards vested to Mr. Schulz upon his stepping down as a Director and Chief Financial Officer on 31 March 2023.
- (3) 17,741,000 share awards granted on 2 August 2023 under the 2023 SAS represented 0.34% of the weighted average number of shares in issue for the year. The closing price of the shares of the Company immediately before the grant date (2 August 2023) was HK\$2.27. The fair value of the share awards as at the date of grant was HK\$2.2 per share. These shares were purchased in the market at an average purchase price of HK\$2.25 per share. There is no performance target attached to these awarded shares. In view that (i) the awardees are employee participants and the primary purpose of the scheme is to serve as retention incentives and rewards for the employees' contribution and dedication to the Group; and (ii) the awards granted are subject to certain vesting conditions in accordance with the scheme rules, which already cover situations where the awards will lapse, the Remuneration Committee considers that such mechanism appropriate and aligns with the purpose of the 2023 SAS. (Please refer to the accounting policy for share-based compensation on page 70.) 
- (4) A total of 20,451,000 shares were vested on 14 July 2023 according to the vesting period. For Other Employees, a total of 2,242,000 shares vested early due to the retirement and redundancy of four employees.
- (5) The weighted average closing price of the Shares immediately before the dates on which the share awards were vested was HK\$2.61.
- (6) A total of 341,000 shares lapsed due to the resignation of one employee.
- (7) The vesting date in each of these years is 14 July unless otherwise stated.
- (8) The 1,758,000 share awards granted to Mr. Jorgensen shall vest in equal amounts on 2 August 2024 and 14 July 2025 respectively.

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 Director		
Martin Fruergaard, CEO	2-Jul-21	3 years until July 2024
Independent Non-executive Directors		
Irene Waage Basili	1-May-14	3 years until 2026 AGM
Stanley H. Ryan, Chairman	5-Jul-16	3 years until 2024 AGM
Kirsi K. Tikka	2-Sep-19	3 years until 2025 AGM
John M.M. Williamson	2-Nov-20	3 years until 2026 AGM
Alexandre F.A. Emery	2-Jan-24	3 years until January 2027
Non-executive Directors		
Alexander H.Y.K. Cheung	3-Jan-22	3 years until 2025 AGM
Mats H. Berglund	2-Jan-24	3 years until January 2027

Notes:

Pursuant to the Company's Bye-law 84(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.

Messrs. Martin Fruergaard and Stanley Ryan shall retire at the 2024 AGM by rotation pursuant to the Company's Bye-laws 84(1) & (2). In addition, Messrs. Alexandre Emery and Mats Berglund, both appointed by the Board in January 2024, shall retire and be eligible for re-election at the 2024 AGM pursuant to Bye-law 83(2). All retiring Directors, being eligible, offer themselves for re-election.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming 2024 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 transaction, arrangement and contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or an entity connected with the Director 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 2023, 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/ Trust & similar interests	Long/Short position	Total Share interests	Approximate percentage holding of issued share capital	
					31 Dec 2023	31 Dec 2022
Martin Fruergaard ¹	7,473,000	–	Long	7,473,000	0.14%	0.11%
John M.M. Williamson	56,000	0	Long	56,000	less than 0.01%	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 2023.

Biographical Details of Directors

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

Note:

(1) Restricted share awards were granted during the year under the 2023 Share Award Scheme and have been disclosed on page 73 of this Report. 

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 2023, 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 2023	31 Dec 2022
M&G Plc	Interest of corporation controlled	Long	507,116,244	9.63%	6.74%
		Short	15,733,756	0.30%	0.34%
Pzena Investment Management, LLC ¹	Investment manager/ Beneficial owner	Long	472,801,305	8.98%	6.14%
Brown Brothers Harriman & Co.	Approved lending agent	Long	423,567,646	8.05%	6.00%
FMR LLC	Interest of corporation controlled	Long	369,223,465	7.01%	not applicable
Pandanus Associates Inc.	Interest of corporation controlled	Long	368,781,000	7.01%	not applicable
Citigroup Inc. ²	Approved lending agent/Interest of corporation controlled	Long	321,214,968	6.10%	5.61%
		Short	9,961,012	0.18%	0.03%
Wellington Management Group LLP	Investment manager	Long	320,512,794	6.09%	not applicable
		Short	41,383	0.00%	
BlackRock, Inc.	Interest of corporation controlled	Long	313,067,876	5.95%	not applicable
		Short	18,223,000	0.35%	
JP Morgan Chase & Co. ³	Approved lending agent/Interest of corporation controlled/ Person having a security interest/Investment manager	Long	312,837,351	5.94%	not applicable
		Short	20,723,577	0.39%	

Notes:

(1) The long position in shares held by Pzena Investment Management, LLC is held in the capacities as investment manager (472,323,305 shares) and Beneficial owner (478,000 shares).

(2) The long position in shares held by Citigroup Inc. is held in the capacities of Approved lending agent (309,957,883 shares) and Interest of corporation controlled (11,257,085 shares). The short position is held in the capacity of Interest of corporation controlled.

(3) The long position in shares held by JP Morgan Chase & Co. is held in the capacities of Approved lending agent (133,424,647 shares), Interest of corporation controlled (132,336,848 shares), Person having a security interest (43,158,856 shares) and Investment manager (3,917,000 shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 31 December 2023, 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 Part 1 of Appendix C1 to the Listing Rules. Please also refer to the Corporate Governance Report of this Annual Report. 

Audit, Remuneration, Nomination, Sustainability and Executive Committees

Details of the audit, remuneration, nomination, sustainability and executive 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 2024 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, approximately 98.93% of the Company's total issued share capital is held by the public, which fulfils the Listing Rules' minimum requirement of 25%.

By Order of the Board



Mok Kit Ting, Kitty

Company Secretary

Hong Kong, 29 February 2024

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



Given our strong cash generation and the sector's long-term prospects supported by favourable demand and supply fundamentals, market interest in Pacific Basin and the sector continues, albeit at a reduced level compared to the last two years. We have maintained active investor engagement throughout the year through various channels including non-deal roadshows, conferences, and investor events, which have predominantly transitioned back to in-person formats, fostering deeper connections with the investment community. We also continued to conduct online earnings calls and investor meetings, as well as leveraging the extensive reach of online channels such as social media for effective and transparent communication.

During the year, we received various commendations and awards relating to our investor relations, governance and sustainability including HKICPA's Best Corporate Governance and ESG Awards 2023, and Hong Kong ESG Reporting Awards and Hong Kong Awards for Environmental Excellence. We are grateful for all these votes of confidence in recognition of our commitment to transparent and responsible business practices and accountability to our stakeholders.



www.pacificbasin.com
About Us > Awards

Share and Convertible Bond Information

The Company's Shares and Convertible Bonds in issue as at 31 December 2023:

- 5,263,823,056 ordinary shares, each with a par value of US\$0.01
- US\$33.6 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.110 Share Capital

Pacific Basin Share Price Performance vs Hang Seng Index



Convertible Bonds Price Performance

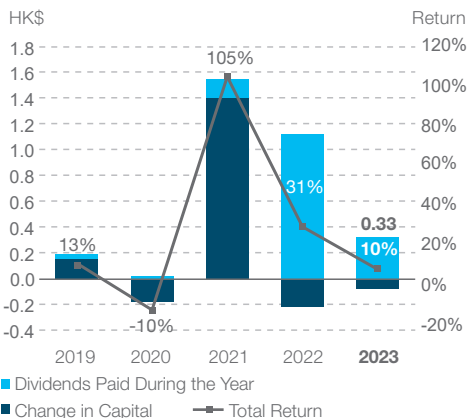


Shareholder Return and Dividend

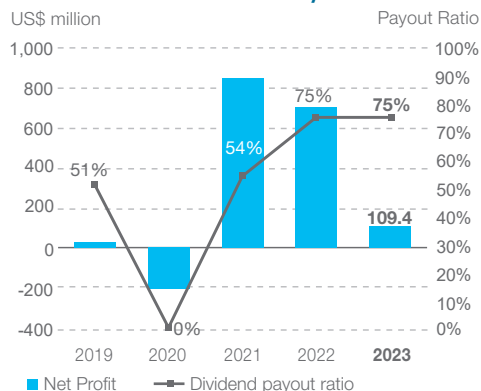
We return value to our shareholders by way of both appreciation in share price and dividends. In 2023, our total shareholders' return was 10%.

Our distribution policy is to pay out dividends of at least 50% of our annual net profit, excluding vessel disposal gains. Any additional distribution can be in the form of special dividends and/or share buyback.

Total Shareholders' Return



Net Profit and Dividend Payout Ratio



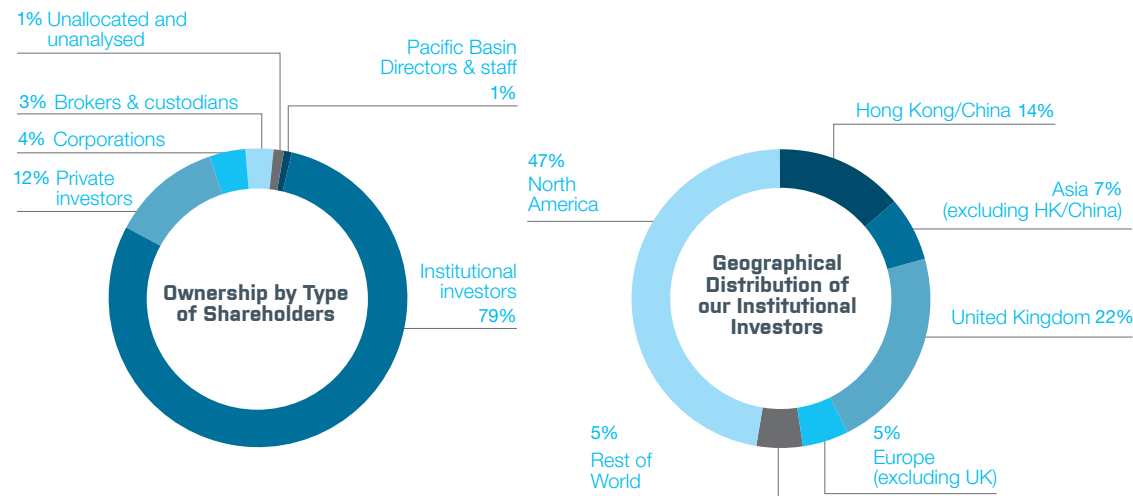
Our Shareholders

As at 31 December 2023, Orient Capital was able to analyse the ownership of approximately 99% of the Company's share capital. Institutional Investors still accounted for the largest portion of the Company's shareholder base, owning over 4.1 billion shares or 79% of our share capital.

We were able to identify 278 shareholders as at 31 December 2023. 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	82	29%	28,777,194	1%
1,000,001-10,000,000	141	51%	470,735,719	10%
>=10,000,001	55	20%	4,216,453,993	89%
Total	278	100%	4,715,966,906	100%

* Number of shareholders discovered and analysed

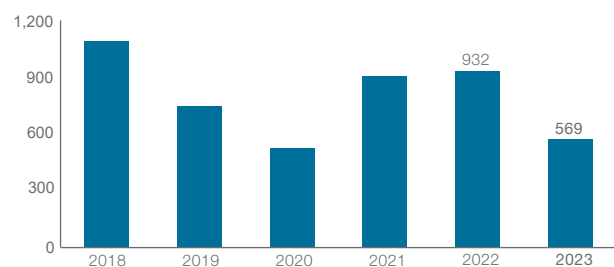


Our Activities in 2023

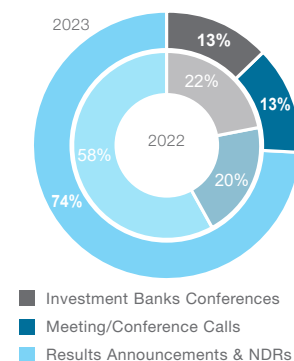
Investor Meetings

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 2023, we talked to 569 (2022: 932) shareholders and investors.

Number of Investors We Engaged



Type of Investor Meetings



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.

Analysts covered Pacific Basin in 2023

8

Research Reports covered Pacific Basin in 2023


45

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

Investor Perception

During 2023, investor interest in the Company and dry bulk shipping industry continued despite lower freight rates, due to our strong cash generation and outperformance, as well as attractive long-term prospects of the sector given favourable conditions in demand and supply. Investors were interested to discuss how the implementation of IMO's decarbonisation regulations and EU ETS will influence the fundamentals of the shipping sector, disruptions in key transit routes, demand and supply dynamics, and our growth and capital allocation strategies.

Key Investor Concerns in 2023

-  Implementation of IMO's greenhouse gas emission reduction rules and the impact this will have on shipping, and our strategy to address them
-  Impact of demand and supply fundamentals on dry bulk trade
-  Freight rate seasonality and sustainability
-  Capital allocation strategy
-  Our fleet expansion plan
-  ESG development

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:

Company Website

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

Social Media Communications



Facebook, Twitter, LinkedIn, YouTube and WeChat Company news, video clips, photos and events news are published through our social media sites.

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.

Financial Reporting

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



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.



Stakeholder
Communication
Channels

Aligned with our sustainability efforts, we have transitioned to electronic dissemination of corporate communications under the Hong Kong Stock Exchange's expansion of paperless listing regime, all our corporate communications, including financial reports, notices of meeting, listing documents, circulars and proxy forms, will be available on our Pacific Basin website and the website of Hong Kong Stock Exchange in both English and Chinese versions. Shareholders are recommended to provide their email address to ensure timely receipt of the latest corporate communications.

Our stakeholders can also subscribe to our news by filling out the subscription form on our website to receive alerts about Pacific Basin's latest developments.

CORPORATE INFORMATION

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Bermuda

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Share Registrar

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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

5,263,823,056 as at 31 December 2023

Website

www.pacificbasin.com



Sustainability Report 2023



Both our Annual Report and
Sustainability Report are now available at
www.pacificbasin.com/ar2023



Please send us your feedback
via our online feedback form

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

CORPORATE GOVERNANCE REPORT 2023



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