

# CORPORATE GOVERNANCE REPORT

Höegh LNG Holdings Ltd. (“HLNG” or the “Company”) is an exempted limited liability company domiciled and incorporated under the laws of Bermuda and stock-listed on Oslo Børs (Oslo stock exchange).

As a company incorporated in Bermuda, the Company is subject to Bermuda law regarding corporate governance. In addition, as a listed company on Oslo stock exchange, the Company is subject to Oslo stock exchange’s “Continuing obligations of stock exchange listed companies” section 7 “Corporate Governance Report” (the “Continuing Obligations”).

The Company has adopted and implemented a corporate governance system which, in all material respects, complies with the Norwegian Code of Practice for Corporate Governance Code (the “Corporate Governance Code”) referred to in the Continuing Obligations section 7. The Corporate Governance Code and the Continuing Obligations are published on Oslo stock exchange’s web site – [www.oslobors.no](http://www.oslobors.no). The Corporate Governance Code is also available at the web pages of the Norwegian Corporate Governance Board - NUES - [www.nues.no](http://www.nues.no).

The board of directors of the Company (the “Board”) has prepared the following report on the Company’s compliance with the Corporate Governance Code and the Continuing Obligations section 7.

## 1. Implementation and reporting on corporate governance

The Board has adopted a corporate governance policy (the “Corporate Governance Policy”) to reflect the Company’s commitment to good corporate governance. In furtherance of this goal, the Board has also adopted a code on board proceedings (“Rules of Procedure for the Board of Directors”), an insider trading policy, ethical rules, a corporate social responsibility policy, an anti-corruption manual and a competition compliance manual (together the “HLNG Corporate Governance Policy”).

Through compliance with the HLNG Corporate Governance Policy as adopted by the Board, the Board and management contributes to achieving the following

objectives:

Trust: Good corporate governance establish a basis for trust in the Board and the management by the shareholders and other stakeholders.

Transparency: Communication with HLNG’s shareholders is based on transparency regarding Company business that are of importance for assessing the Company’s development and financial position.

Independence: The relation between the Board, the management and the shareholders shall be on an independent basis to ensure that decisions are made on qualified and neutral basis.

Equality: HLNG treats all its shareholders equal.

Control and management: Good control and governance mechanisms contribute to predictability and reduction of risk. Following the establishment of the subsidiary Höegh LNG Partners LP and its listing on the New York Stock Exchange in August 2014, the Company started in 2014 a process of performing a full review of its corporate governance policies and procedures in order to ensure compliance with the U.S. Sarbanes-Oxley Act by end 2015.

## 2. Business

In accordance with common practice for Bermuda registered companies, the Company’s objectives and powers as set out in its Memorandum of Association are broad and are therefore wider and more extensive than recommended in the Corporate Governance Code. The Memorandum of Association is available on the Company’s web pages (Governance – Governance Documents).

The Group’s strategy is to continue to focus its growth plans on the FSRU and the FLNG market, with the objective of securing long-term contracts with strong counterparts at attractive returns. The Group develops, constructs, owns and operates vessels that perform floating LNG services and participate in developing projects related to the LNG sector based on the following vision, mission and core values:

<b>Vision</b>	To be the industry leader of floating LNG terminal solutions.
<b>Mission</b>	To develop, manage and operate the Group's assets to the highest technical and commercial standards, thereby maximizing the benefits to its shareholders and other stakeholders.
<b>Core Values</b>	Innovative, Competent, Committed and Reliable.

In order to meet the Group's goals, succeed with the Group's strategy and be able to adapt to market changes, the importance of being innovative with respect to the technical, operational, financial and commercial aspects of the Group's activities are central.

### 3. Equity and dividends

The issued share capital in the Company at year-end 2014 was USD 698,988.27, consisting of 69,898,827 fully paid common shares, each with a nominal value of USD 0.01. In addition, as of end February 2015, a total of 2,189,000 options have been granted to top management and key employees (for further details please see the Directors' Report).

The total book equity per 31 December 2014 was USD 460 million. Net of mark-to-market of hedging reserves, the adjusted book equity per 31 December 2014 was USD 572 million. The Board regards the current equity as an appropriate level considering HLNG's objectives, strategy and risk profile.

The Board of Directors has approved the following dividend policy: The Company intends to pay a regular dividend to support its goal of providing attractive risk-adjusted returns to shareholder. The timing and amount of any dividend payments will depend on market prospects, investment opportunities, current earnings, financial conditions, cash requirements and availability, restrictions in our debt agreements, the provisions of Bermuda law and other factors. The Company paid its first quarterly dividend in March 2015.

Pursuant to Bermuda law and as is common practice for Bermuda registered companies, the Board has wide powers to issue any authorised but unissued shares in the Company on such terms and conditions as it may decide, and may, subject to any resolution of the shareholders in general meeting and to the rights of any issued shares, attach such rights and restrictions as the

Board may determine. Likewise, the Board may, without approval from the shareholders in a general meeting, acquire the Company's own shares to be cancelled or held as treasury shares. These Bye-law provisions (items 3.3, 3.4 and 5) are neither limited to specific purposes nor to a specified period as recommended in the Corporate Governance Code.

### 4. Equal treatment of shareholders and transactions with close associates

The Company has only one class of shares.

A Director who, to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract, transaction or arrangement with the Company and has complied with the provisions of the Bermuda Companies Act and the Bye-Laws with regard to disclosure of his interest, shall be entitled to vote in respect of any contract, transaction or arrangement in which he is so interested, his vote will be counted, and he will be taken into account in ascertaining whether a quorum is present.

According to the Company's Ethical Rules, executive personnel (and any other employees) cannot take part in any dealings or decision-making in matters of special importance to him/her or related party so that they may be considered to have a strong personal or financial interest in the matter. An employee shall immediately notify the CEO, business area leader, or Head of HR when he/she realises that a conflict of interest may arise. If a conflict of interest exists, the employee shall immediately withdraw from further dealings with the relevant matter.

### 5. Freely negotiable shares

The common shares of the Company are freely transferable and the Company's constitutional documents do not impose any transfer restrictions on the Company's common shares save as set out below:

- Bye-law 14.3 includes a right for the Board of Directors to decline to register a transfer of any common share registered in the share register, or if required, refuse to direct any registrar appointed by the Company the transfer of any interest in a share, where such transfer would result in 50% or more of the shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons

resident for tax purposes in Norway or, alternatively, such shares or votes being effectively connected to a Norwegian business activity. The purpose of this provision is to avoid that the Company is being deemed a Controlled Foreign Company pursuant to Norwegian tax rules.

- The 2013 Annual General Meeting approved to amend the Bye-laws to include a right for the Company to request a holder of nominee shares to disclose the actual shareholder. The Board may decline to register any transfer where a holder of nominee shares does not comply with its obligations to disclose the actual shareholder as further set out in the Bye-laws, where the default shares represent at least 0.25% (in nominal value) of the issued shares of their class.

## 6. General meetings

The shareholders of the Company are responsible for making certain key decisions concerning the Company's business, including among other things in the annual general meeting the appointment of the auditor, the election of the board of directors and the nomination committee and the determination of the remuneration of the directors and the members of the nomination committee. The Bye-laws 19 to 24 sets out extensive rules with regard to the conduct of general meetings, including in relation to notices, general meetings to be held at more than one place, proceedings, voting, proxies and corporate representatives.

Pursuant to Bye-law 22.8, the Board may choose one of its members to preside as chairman at a general meeting.

## 7. Nomination committee

At the 2014 Annual General Meeting, one of the members of the nomination committee resigned. One new member was elected and two members were re-elected. The members are Stephen Knudtzon (chairman), Ted Roberts (member) and Morten W. Høegh (member). Stephen Knudtzon and Ted Roberts are independent of the Board and the executive personnel of the Company. Ted Roberts represents Mandatum Life Insurance Company Limited, Helsinki, Finland, which is among the 20 largest shareholders of the Company. Morten W. Høegh, Chairman of the Board of Directors, is independent of the executive personnel of the Company. He represents the largest shareholder of

the Company, Leif Høegh & Co Ltd.

The roles and responsibilities for the Nomination Committee are set out in the Guidelines for the Nomination Committee, as such are approved by the shareholders. The Nomination Committee provides a written report setting out its work and recommendation, and this report is submitted to the shareholders at the Annual General Meeting. There are currently no specific arrangements on the Company's web site for a shareholder to submit proposals to the Nomination Committee other than the possibility to send an e-mail to the Company.

## 8. Corporate assembly and board of directors: Composition and independence

The Company does not have a corporate assembly.

A presentation of the Board of Directors is given on the Company's web pages.

All Directors are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the shares in the Company), except for Leif O. Høegh, who is an indirect shareholder in Leif Høegh & Co Ltd., the largest shareholder of the Company, and Morten W. Høegh, who is the primary beneficiary under a family trust that is an indirect shareholder of Leif Høegh & Co. Ltd. In addition, Guy D. Lafferty is employed by Høegh Capital Partners and is an advisor to the Høegh family.

In 2014, the Board had four regular board meetings where all directors were present. The Board had also eight interim board meetings, with Timothy Counsell attending all save for one, Cameron Adderley attending six interim meetings and his alternate directors Tonesan Amisssah-Erskine attending one meeting and James A. Bodi two meetings. In addition, the Board had an information meeting, where all Directors save for Cameron Adderley participated.

The Company has appointed two board committees; an audit committee ("Audit Committee") and a governance and compensation committee (the "Governance and Compensation Committee"). In addition, in connection with the initial public offering of Høegh LNG Partners LP, an MLP IPO committee was established (the "MLP IPO Committee"). The members of the committees were appointed among the members of the Board.

- **Members of the Audit Committee:** Until December 2014, the Audit Committee consisted of the following Board members: Andrew Jamieson (Chairman), Morten W. Høegh, Guy D. Lafferty and Ditlev Wedell-Wedellsborg, each member being elected for a period in office of one year. Ditlev Wedell-Wedellsborg resigned as a member in December 2014 and was appointed chairman of the Governance and Compensation Committee following the resignation of Jon Erik Reinhardsen. The members are independent of the executive personnel of the Company and the Group. Andrew Jamieson is considered to be independent of the major shareholder of the Company.
- **Members of the Governance and Compensation Committee:** The Governance and Compensation Committee consisted of Jon Erik Reinhardsen as Chairman until he resigned as Director in September 2014 and as mentioned above, was replaced by Ditlev Wedell-Wedellsborg in December 2014. Leif O. Høegh and Cameron E. Adderley, each member being elected for a period in office of one year. The members are independent of the executive personnel of the Company and the Group. Ditlev Wedell-Wedellsborg and Cameron E. Adderley are considered to be independent of the major shareholder of the Company.
- **Members of the MLP IPO Committee:** The MLP IPO Committee consisted of Morten W. Høegh, Ditlev Wedell-Wedellsborg, Cameron E. Adderley and Timothy J. Counsell. The Committee had two meetings.

Morten W. Høegh, Leif O. Høegh, Guy D. Lafferty, Jon Erik Reinhardsen, Andrew Jamieson and Ditlev Wedell-Wedellsborg each own directly or indirectly shares in the Company.

Bye-law 25 regulates the appointment and removal of directors.

## 9. The work of the Board of Directors

The Board has among its tasks to establish the Group's overall objectives and strategies, employ the CEO and President of the Company, resolve budget and business plans, consider and approve financial statements and quarterly financial reports, monitor the financial development, establish policies and resolve issues with

strategic implications and material consequences. The work of the Board is scheduled in an annual plan with fixed information- and decision points. If required, interim board meetings are arranged in accordance with the Rules of Procedure for the Board of Directors.

The Board conducts on an annual basis a self-evaluation of its own performance and expertise, which includes an evaluation of the composition of the Board and the manner in which its members function, both individually and as a group, in relation to the objectives set out for the Board's work. Such report is made available to the Nomination Committee.

The Board has authorised Høegh LNG AS to carry out the day-to-day management of the assets under a Management Agreement comprising administrative, commercial and technical activities. The Board establishes and defines the authority and extent of decisions to be resolved by the President & CEO and the Board through the Company's Decision Guides.

### The work of the Board Committees

The Audit Committee's and the Governance and Compensation Committee's tasks are defined in committee charters, which are reviewed annually. See also item 10 below. The committees' work is of a preparatory nature in order to increase the efficiency of the work of the Board and does not imply any delegation of the Board's legal responsibilities. The committees report to the Board.

## 10. Risk management and internal control

The Board appreciates the importance of internal control and systems for risk management.

HLNG has robust management systems certified according to the International Safety Management code, ISO 9001, ISO 14001 and OHSAS 18001.

The CEO reports regularly to the Board on HSE issues, quality assurance issues, financials, on-going business and business developments, ship management and key performance indicators.

The Company has a HSEQ & QA function, which is responsible for the internal audit function in HLNG and meets regularly with the Audit Committee. The HSEQ & QA function assists HLNG accomplishing its objectives by bringing a systematic, disciplined approach to

evaluate and improve the effectiveness of risk management, control and governance processes.

The Company will by end 2015 have in place effective internal control over financial reporting satisfying the Sarbanes-Oxley Act 404 requirements. This includes having in place an annual process that includes risk assessment of fraud, corruption and misstatement in financial reporting, design and implementation of key controls, updated documentation and completeness of necessary remediation. The internal control framework is based on COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission).

The Group is also subject to extensive external control by its auditors, external owners in joint ventures and charterers.

The management and the Compliance Officer monitor that the Group acts in accordance with applicable law and regulations.

The Company has implemented an integrated Quality Management System ("QMS") specified to demonstrate capability to plan, and operate and control the processes involved in the services rendered. Health (including occupational health), safety and environment management and project risk management are all included in the QMS.

The Audit Committee has the responsibility to oversee and assess the internal control and external audit activities and reports to the Board. Further, the Audit Committee's responsibilities include:

- Reviewing the financial statements of the Company and the Group
- Discussing with the Management, the HSEQ/QA officer and the external auditor the quality and adequacy of Høegh LNG's internal controls for managing business, financial and regulatory risk, including computerised information system controls and security;
- Discussing with management the status of pending litigation, taxation matters and other areas related to the legal and compliance area as may be appropriate related to financial issues.

The Governance and Compensation Committee's primary responsibilities in providing assistance and

facilitating the decision making in the Board include:

- Evaluating the procedures and strategies for corporate governance and CSR in HLNG and the Group (including the Group's policies on ethics, anti-corruption, conflicts of interest and competition law compliance) and recommend improvements;
- Assessing HLNG's and the Group's compensation and benefits strategy for its executive personnel by an annual review of the organisation's overall compensation plan (or practices), which includes monitoring the effectiveness of the design, performance measures and award opportunities offered by HLNG's and the Group's executive personnel compensation plans;
- Overseeing the President & CEO's effort to identify and develop potential successors for key executive personnel;
- Prepare and facilitate the Board's annual self-evaluation.

## 11. Remuneration of the Board of Directors

The remuneration of the Board in 2014 was a total of USD 189,794, including the granting of shares (issuance of 962 shares, equivalent to USD 10,000) and USD 20,000 to each of Morten W. Høegh, Leif O. Høegh, Guy D. Lafferty, Jon Erik Reinhardsen, Andrew Jamieson and Ditlev Wedell-Wedellsborg.

Appleby Services (Bermuda) Ltd. received an annual fee of USD 40,000 for the provision of Cameron E. Adderley and Timothy J. Counsell's services as Directors of the Company. Both are partners of Appleby and thereby each an owner of Appleby Services (Bermuda) Ltd.

The chairman of the Audit Committee and the chairman of the Governance and Compensation Committee will each receive USD 10,000 as payment for services rendered by them as chairmen in the period from the 2014 Annual General Meeting to the 2015 Annual General Meeting, to be paid following the 2015 Annual General Meeting.

Andrew Jamieson has also provided certain consultancy services to the Company and was remunerated USD 30,000 annually for these services until the agreement was terminated with effect 1 April 2014.

Morten W. Høegh received USD 5,000 as member of the Company's Nomination Committee and he also receives an annual salary of GBP 36,000 from Leif Høegh (U.K.) Limited (a subsidiary of the Company) for his part-time employment with Leif Høegh (U.K.) Limited.

The Company has no pension or retirement benefits for the members of the Board.

No member of the Board has service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

## 12. Remuneration of executive personnel

The Board approves the remuneration to the President & CEO. In addition, the Board approves the main terms of the remuneration package offered to executive personnel, including frame for any annual salary adjustments, pension schemes and also the variable elements of the remuneration package (bonus scheme, membership in stock option scheme and participation in co-investment vehicle).

Further details on executive remunerations for the current financial year are provided in Note 32 to the 2014 Full Year Financials.

As a Bermuda entity, the Norwegian Public Company Act sections 6-16a and 6-37 do not apply to HLNG. Hence, the Board does not produce a statement on how salary and other remuneration, etc. of the Company's executive personnel are determined, neither is the statement submitted to the Annual General Meeting for consideration.

## 13. Information and communications

HLNG has a policy of openness when it comes to reporting information to stakeholders. Periodical reports include quarterly reports and the Annual Report. All reports are published through stock exchange releases and at the Company's web page. Main events are also reported through press and/or stock exchange releases.

The Rules of Procedure for the Board of Directors includes guidelines in order to secure disclosure in accordance with the financial calendar adopted by the Board.

Outside of the general meeting, contact with the shareholders is handled by the Company's management,

mainly the CEO, CFO and Head of Investor Relations, which aims at maintaining an active dialogue with the investor market and other relevant interested parties. In 2014, the Company conducted 191 meetings with investors, held 7 conference presentations and 5 broker presentations.

The Company complies with the Oslo Børs Code of Practice for Reporting IR Information, with the following comments:

- The Company discloses information in the English language only.
- The Company publishes interim reports as soon as possible, and aims to publish the reports no later than on the 15th day of the second month after the end of the quarter. The Company publishes a list of the 20 largest shareholders. The Company does not publish a list of beneficial owners based on the 20 largest shareholders.
- Employees and primary insiders are required to obtain prior written approval from the Company before any trading in the Company's share is executed.
- The Company informs about future prospects on a project basis within the various business segments.
- The following KPI's are communicated: Expected unleveraged return, expected EBITDA per year and the expected debt to equity ratio. The Company does not provide any guidance on expected revenue, net profit or any accounting related information or figures.
- Information about financial strategy and external debt are included in the notes to the full year financials.

## 14. Take-overs

The Company endorses the principles concerning equal treatment of all shareholders. It is obliged to act professionally and in accordance with the applicable principles for good corporate governance set out in the Corporate Governance Code in the event of a take-over bid.

## 15. Auditor

The auditor is appointed at the general meeting and has the duty to audit the Company's financial reporting. The

Company's auditor is currently Ernst & Young.

In order to safeguard the Board's access and control of the auditor's work, the auditor meets with the Audit Committee. The auditor is also given copies of agenda and documentation for and minutes from board meetings.

Information of the fee paid to the auditor can be reviewed in the Company's 2014 Full Year Financials.

Hamilton/ Paris, 24 March 2015

The Board of Directors and the President of Høegh LNG Holdings Ltd.



**Morten W. Høegh**  
Chairman



**Leif O. Høegh**  
Deputy Chairman



**Cameron E. Adderley**  
Director



**Timothy J. Counsell**  
Director



**Andrew Jamieson**  
Director



**Guy D. Lafferty**  
Director



**Ditlev Wedell-Wedellsborg**  
Director



**Sveinung J.S. Støhle**  
President