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CORPORATE GOVERNANCE REPORT



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CORPORATE GOVERNANCE REPORT

Corporate governance enhances business performance by reducing risk and improving accountability, and is essential for maintaining the trust of Höegh LNG's stakeholders and its strong standing in the financial markets.

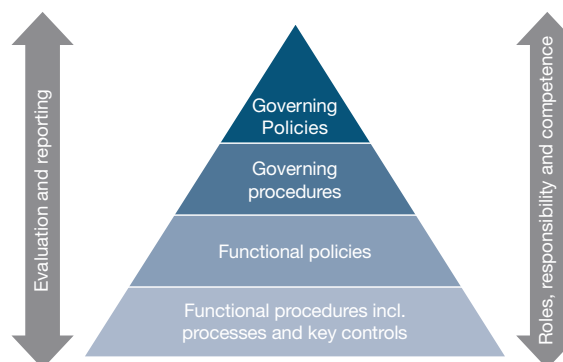
The company is an exempted company limited by shares domiciled and incorporated under the laws of Bermuda and is stock-listed on Oslo Børs (the Oslo stock exchange). The company is subject to Bermudian law regarding corporate governance. As a listed company on Oslo Børs, the company is required to provide a report on the company's corporate governance as further set out in section 7 of Oslo Børs' continuing obligations of stock exchange listed companies (the "*continuing obligations*").

The company has adopted and implemented a corporate governance system which, other than as stated herein, complies with the Norwegian code of practice for corporate governance (the "*Norwegian corporate governance code*") referred to in section 7 of the continuing obligations. The Norwegian corporate governance code is published at www.nues.no and the continuing obligations are published on the Oslo Børs web site at www.oslobors.no.

This report is based on the requirements covered in the Norwegian corporate governance code and section 7 of the continuing obligations, and is approved by the company's board.

Implementation and reporting on corporate governance

The governing principles set out in the company's bye-laws, the governing principles policy and the Höegh LNG code of conduct, as further described below, are the foundations of corporate governance in Höegh LNG.



The governing principles policy (i) identifies the key governing bodies in Höegh LNG, (ii) describes the roles and responsibilities of the governing bodies and functions of the group and (iii) specifies requirements for the business with regard to important governing processes, documents and systems. The board has also adopted governing procedures to implement the principles set out in the governing principles policy. These procedures include separate charters for the board of directors, the audit committee, the governance, compliance and compensation committee and the nomination committee (which are also approved by the general meeting), as well as instructions for both the President & CEO and the compliance officer.

Höegh LNG employees, as representatives of the group, are required to adhere to and be in compliance with Höegh LNG's standards for ethics, health, safety, the environment and quality as further set out in the Höegh LNG code of conduct, the insider trading policy and the procedure for governmental investigation as adopted by the board. In addition, the board has adopted a supplier code of conduct, which all suppliers are required to adhere to.

Through compliance with the above, the board and management contributes to achieving the following objectives:

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

Transparency: Communication with Höegh LNG's shareholders is based on transparency concerning both the company's business and its financial position.

Independence: The relationship between the board, the management and the shareholders will be on an independent basis.

Equality: Höegh LNG treats all its shareholders equally.

Control and management: Good control and governance mechanisms contribute to predictability and reduce risk.

Business

As is common practice for Bermudian-registered companies, the company's objectives and powers as set out in its Memorandum of Association are broad and therefore wider and more extensive than recommended in the Norwegian corporate governance code. The Memorandum of Association is available on the company's website (governance – governance documents).

Höegh LNG's strategy is to continue to concentrate its growth plans in the FSRU market in order to secure long-term contracts with strong counterparties at attractive returns. The group develops, constructs, owns and operates vessels based on the following vision, mission and core values:

Vision

To be the market leader for floating LNG solutions.

Mission

To develop, manage and operate the group's assets to the highest technical, ethical and commercial standards, thereby providing value for customers and maximising benefits for shareholders and other stakeholders.

Core Values

Innovative, competent, committed and reliable.

Equity and dividends

The issued share capital in the company at 31 December 2017 was USD 772 447.46, consisting of 77 244 746 fully paid common shares, each with a nominal value of USD 0.01. Excluding the 1 211 738 shares held by the company as treasury shares, the number of outstanding shares is 76 033 008.

A total of 1 905 126 options granted to management and key employees were outstanding at 31 December 2017.

The total book equity at 31 December 2017 was USD 705 million. Net of mark-to-market of hedging reserves, the adjusted book equity at 31 December 2017 was USD 763 million. The board regards the current level of equity as appropriate in view of Höegh LNG's objectives, strategy and risk profile.

The company has paid steady quarterly dividends since March 2015, and increased the dividend from USD 0.10 per share to USD 0.125 per share in the first quarter of 2017. While Höegh LNG continues to deliver solid financial results, the board of directors resolved in February 2018 to reduce the quarterly dividend to USD 0.025 per share in response to the project delays experienced during 2017. Once greater clarity regarding the long-term employment of FSRUs under construction has been achieved, the board will reconsider the level of quarterly dividend distribution.

The company intends to pay a regular dividend to support its goal of providing attractive returns to shareholders. 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 Höegh LNG's debt agreements, the provisions of Bermudian law and other factors.

Pursuant to Bermudian law and common practice for Bermudian-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 a 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 (bye-laws 3.3, 3.4 and 5) are neither limited to specific purposes nor to a specified period as recommended in the Norwegian corporate governance code. The authorised share capital of the company is 150 million shares, as approved by the general meeting in 2012.

Equal treatment of shareholders and transactions with close associates

The company has only one class of shares.

A director who has an interest in any way, whether directly or indirectly, a contract or proposed contract, transaction or arrangement with the company and has complied with the provisions of the Bermudian Companies Act and the bye-laws with regard to the disclosure of their interest, is entitled to vote in respect of any contract, transaction or arrangement in which they are so interested, their vote will be counted, and they will be taken into account in ascertaining whether a quorum is present.

According to the charter for the board, however, no director, the President & CEO nor any executive personnel may take part in any dealings or decision-making in matters of special importance to them or a related party whereby they may be considered to have a strong personal or financial interest in the matter.

According to the code of conduct, an employee must immediately notify the President & CEO, their business area leader or the head of HR when they realise that a conflict of interest may arise. If a conflict of interest exists, the employee must immediately withdraw from further dealings with the relevant matter.

In the event of any material transaction between Höegh LNG and a major shareholder (defined as a person/company holding more than five per cent of Höegh LNG's voting rights), any such shareholder's parent company, directors and executive personnel, or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the annual general meeting pursuant to applicable law or regulations. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

Freely transferable shares

The common shares of the company are freely transferable and the company's constitutional documents impose no 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 to transfer 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 the company being deemed a controlled foreign company pursuant to Norwegian tax rules.
- Bye-laws 52 and 53 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 in their class.

General meetings

The shareholders of the company are responsible for making certain key decisions concerning the company's business. These include at 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 directors and members of the nomination committee. Alternate directors are appointed by the board and are not elected by the general meeting. Bye-laws 19 to 24 set out extensive rules with regard to the conduct of general meetings, including in relation to the notice of general meetings, general meetings to be held in more than one place, proceedings, voting, proxies and corporate representatives.

Pursuant to bye-law 22.8, the board may select one of its members to chair a general meeting.

Nomination committee

The members of the nomination committee are elected by the general meeting for one year, and Stephen Knudtzon (chairman), Morten W. Høegh (member) and William Homan-Russell (member) were re-elected in 2017. Knudtzon and Homan-Russell are independent of the board and the executive personnel of the company. Homan-Russell represents Tufton Oceanic Limited, which is a large shareholder of the company. Morten W. Høegh is independent of the executive personnel of the company and represents the largest shareholder of the company, Leif Høegh & Co Ltd. Morten W. Høegh's appointment on the nomination committee deviates from the recommendation of the code, which does not recommend a dual role as a member of both the nomination committee and the board.

The roles and responsibilities of the nomination committee are set out in the charter for the nomination committee, as approved by the general meeting. The nomination committee provides a written report setting out its work and

recommendations, and this report is enclosed with the notice and agenda for the relevant general meeting. The company has made provision for any shareholder to submit proposals to the nomination committee via the company's website.

Corporate assembly and board of directors: Composition and independence

The company does not have a corporate assembly².

A presentation of the board is provided on the company's website.

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 Morten W. Høegh, who together with his immediate family are the primary beneficiaries under family trusts which, together with Leif O. Høegh, are indirect shareholders of Leif Høegh & Co. Ltd.

The board held four regular meetings in 2017, with all directors present at three of them and one absent from one meeting. The board also held ten interim meetings, with the Bermuda-resident director and alternates present. In addition, the board had an information meeting, where all directors were present.

The company has appointed two board committees: an audit committee and a governance, compliance and compensation committee. In connection with the bond issue of January 2017, a bond committee was also established. The members of these committees were drawn from among the directors and, in the case of the bond committee, from among alternate directors as well.

- *Members of the audit committee:* The audit committee consisted from May 2017 of the following directors: Andrew Jamieson (chairman), Leif O. Høegh and Jørgen Kildahl, each being elected for a term of one year. The members are

² Pursuant to Norwegian company law, companies with more than 200 employees, in the absence of any agreement with the employees to the contrary, must have a corporate assembly with members elected by the shareholders and the employees. The main duty of the corporate assembly is the election of the board of directors. In addition, the corporate assembly has certain duties in respect of supervision, issuing opinions and decision making.

independent of the executive personnel of the company and the group. Jamieson and Kildahl are considered to be independent of the major shareholder of the company.

- *Members of the governance, compliance and compensation committee:* The governance, compliance and compensation committee consisted from May 2017 of Ditlev Wedell-Wedellsborg (chairman), Morten W. Høegh, Christopher Finlayson and Steven Rees Davies, each being elected for a term of one year. The members are independent of the executive personnel of the company and the group. Wedell-Wedellsborg, Finlayson and Rees Davies are considered to be independent of the company's major shareholder.

- *Members of the bond committee:* The committee consisted of Morten W. Høegh, Jørgen Kildahl, Steven Rees Davies, Tonesan Amissah and Jerome Wilson.

Morten W. Høegh, Leif O. Høegh, Andrew Jamieson, Ditlev Wedell-Wedellsborg, Christopher Finlayson and Jørgen Kildahl each own common shares in the company directly or indirectly.

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

As recommended by the code, all directors (save for Steven Rees Davies) as well as members of the top management hold shares in the company as set out in the table below:

Name	Title	Shareholding in the company per 31 December 2017	Holding in Høegh LNG Partners LP per 31 December 2017
Morten W. Høegh	Chairman	See Note ¹	See Note ¹
Leif O. Høegh	Director	See Note ¹	See Note ¹
Andrew Jamieson	Director	7 094	4 091
Christopher Finlayson	Director	2 738	-
Ditlev Wedell-Wedellsborg ²	Director	7 094	-
Jørgen Kildahl	Director	2 285	-
Sveinung J. S. Støhle ³	President & CEO	134 738	7 968
Steffen Føreid ³	CFO	21 805	7 591
Ragnar Wisløff ³	CDO	23 934	5 178
Vegard Hellekleiv ³	COO	23 364	-
Øivin Iversen ³	CTO	346	-
Tom Solberg ³	COS	-	-

Notes:

¹ Leif Høegh & Co. Ltd., which is indirectly controlled by Leif O. Høegh and family trusts under which Morten W. Høegh and his immediate family are the primary beneficiaries, held a total of 32 479 952 shares, representing 42.05% of the shares in the company and 311 591 common units in Høegh LNG Partners LP as per 31 December 2017. In addition, Brompton Cross entities, which are co-investment vehicles for the management of Høegh Capital Partners, indirectly controlled by Leif O. Høegh and by family trusts under which Morten W. Høegh and his immediate family are primary beneficiaries, hold the following ownership interest in the company and Høegh LNG Partners LP ("HMLP"), as applicable.

- Brompton Cross VII Limited holds 40 800 shares, representing 0.05% of the shares in issue, and 25 000 common units in HMLP.
- Brompton Cross VIII Limited holds 28 500 shares, representing 0.04% of the shares in issue.
- Brompton Cross IX Limited holds 28 500 shares, representing 0.04% of the shares in issue.

² In addition, Ditlev Wedell-Wedellsborg owns 15 242 shares in the company through Niki Invest Aps. and 10 000 common units in Høegh LNG Partners LP through DWW Landbrug Aps.

³ Top management have also been granted share options in the company and phantom units in HMLP as further set out in Note 23 to the 2017 annual financial statements.

The work of the board of directors

The board is responsible for the administration of Höegh LNG and for safeguarding the proper organisation of the business, including the overall management of the company and the group as further set out in the charter for the board of directors. The board makes decisions and, in certain cases, grants the authority to make decisions on issues which, owing to the nature of the business, are unusual or of major significance to the company.

The board will ensure that Höegh LNG adheres to generally accepted principles for the effective control of company activities, and provides the necessary guidelines for such activities and corporate management. The board will also ensure that Höegh LNG protects its reputation in relation to owners, employees, customers and the public.

The board approves strategies, business plans and budgets for the activities of Höegh LNG and its subsidiaries.

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 charter for the board of directors.

The board conducts a self-evaluation of its own performance and expertise on an annual basis, 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. This report is made available to the nomination committee.

The board has authorised Höegh LNG AS to carry out the day-to-day management of the company's assets under a management agreement comprising administrative, commercial and technical activities. The board establishes and defines the authorities to be exercised, and the extent of decisions to be taken, by the President & CEO and the board through the company's decision guide.

The work of the board committees

The tasks of the audit committee and the governance, compliance and compensation committee are defined in committee charters, which are reviewed annually. See also item 10 below. The work of the committees is preparatory in nature, in order to increase the efficiency of the board, and does not imply any delegation of the board's legal responsibilities. The committees report to the board.

Risk management and internal control

The board appreciates the importance of internal control and systems for risk and security management, and Höegh LNG has robust management systems certified in accordance with the International Safety Management code, ISO 9001 and ISO 14001 and in compliance with OHSAS 18001.

The President & CEO reports regularly to the board on risk, security and compliance, HSE, quality assurance issues, financials, on-going business and business developments, vessel management and key performance indicators.

Höegh LNG has a QA and risk management function, which is responsible for the internal audit function in Höegh LNG and meets regularly with the audit committee. This function helps Höegh LNG to achieve its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of enterprise risk and security management, control and governance processes. In addition, the group's wholly-owned fleet management company has a separate HSEQ & QA function.

The company has in place a system of internal controls for financial reporting. This comprises an annual process which includes risk assessment of fraud, corruption and misstatements 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).

Høegh LNG is also subject to extensive external control by its auditors, external partners in joint ventures and charterers.

Both management and the compliance officer monitor that Høegh LNG acts in accordance with applicable law and regulations.

The company has implemented an integrated governing management system ("GMS") to demonstrate its capability for planning, operating and controlling the processes involved in the services rendered. Health (including occupational health), safety and environmental management, and project and security risk management are all included in the GMS.

The company has put ethical hotlines in place which allows employees, as well as external parties in the case of HMLP, to report any non-compliance issues – anonymously if desired. These reports are received by Høegh LNG's compliance officer for the company, and by the chairman of HMLP's audit committee for HMLP.

The audit committee will provide direction, advice and recommendations to the board on financial reporting, internal controls and auditing matters. It is responsible for assessing and monitoring business and financial risks and overseeing the implemented risk mitigating actions. The committee is the formal reporting body for internal controls with regard to financial reporting.

The governance, compliance and compensation committee provides direction, advice and recommendations to the board related to corporate governance, ethics and compliance, corporate social responsibility (CSR) and remuneration matters (including remuneration of the President & CEO). The committee is required to understand, assess and monitor risks related to these areas and to oversee the risk-mitigating actions which are implemented.

Remuneration of the board of directors

Remuneration of the directors of the board totalled USD 320 000 in 2017 as further set out below.

Each of Morten W. Høegh, Leif O. Høegh, Andrew Jamieson, Ditlev Wedell-Wedellsborg, Christopher Finlayson and Jørgen Kildahl were granted 1 381 shares (worth USD 15 000) and USD 35 000 in cash. The chairman receives the same remuneration as the other directors.

The chairman of the audit committee and the chairman of the governance, compliance and compensation committee each received USD 10 000 as payment for services rendered by them as chairmen of the respective committees.

Estera Services (Bermuda) Ltd. is remunerated on the basis of invoices for its services, including the provision of Steven Rees Davies as a director and the services of alternate directors to the company.

In addition, Morten W. Høegh received USD 5 000 as a 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.

The company has no pension or retirement benefits for directors.

No director has service contracts with the company or any of its subsidiaries providing for benefits on termination of their employment.

Remuneration of executive personnel

The board approves the remuneration to the President & CEO. In addition, it approves the main terms of the remuneration package offered to employees in Høegh LNG, including the parameters for any annual salary adjustments, pension schemes and the variable elements in the remuneration package (bonus and stock option schemes).

The company has a stock option scheme in place for members of management and key personnel, with awards currently being made every second year (see Note 23 to the 2017 annual financial statements). The terms of the scheme and the option agreements, including its members, are approved by the board. There are no restrictions on the ownership of awarded stock options.

Further details on remuneration of executive personnel for the current financial year are provided in Note 31 to the 2017 annual financial statements.

As a Bermudan entity, section 6-16a of the Norwegian Public Company Act and section 7-31b of the Norwegian Accounting Act do not apply to Høegh LNG. Hence, the board does not produce a statement on how salary and other remuneration, etc for the company's executive personnel are determined, nor is such a statement submitted to the annual general meeting for consideration.

Information and communications

Høegh LNG has a policy of openness with regard to reporting information to stakeholders. Periodical reports include quarterly reports and the annual report. All reports are published through stock exchange releases and on the company's website. Important events are also reported through press and/or stock exchange releases. In connection with the release of quarterly reports, the President & CEO and the CFO hold open webcasts which are accessible from the company's website.

The charter for the board of directors includes guidelines to secure disclosure in accordance with the financial calendar adopted by the board.

Outside the general meeting, contact with the shareholders is handled by the President & CEO, the CFO and the head of IR. The aim is to maintain an active dialogue with the investor market and other relevant interested parties.

The company complies with the Oslo Børs code of practice for IR, with the following comments:

- The company discloses information in the English language only.
- The company publishes half-yearly and 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 informs about future prospects on a project basis within the various business segments. The following key performance indicators (KPIs) 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.
- As the proportion of shares registered through nominee accounts is limited compared to the company's total issued shares, the company does not publish a list of beneficial owners.
- Information about financial strategy and external debt are included in the notes to the annual financial statements.
- For overview of notifiable primary insider trades and disclosure of large shareholdings, please be referred to stock exchange notices published through Newsweb.

Takeovers

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 Norwegian corporate governance code in the event of a takeover bid.

Auditor

The auditor is appointed by the general meeting and has the duty to audit the company's financial reporting. The company's auditor has been Ernst & Young since 2006. Lead partners have been changed in accordance with rotation requirements for publicly listed entities.

In order to safeguard the board's access to and control of the auditor's work, the auditor meets with the audit committee and, once a year, with the full board. The auditor is also given copies of the agenda of, documentation for and minutes from audit committee and board meetings.

As a Bermudian entity, section 7-31a of the Norwegian Accounting Act does not apply to Höegh LNG. Hence, the company does not include detailed information on the remuneration paid to the auditor in its financial statements.