

# Governance

## Our Directors

### David M. Turnbull

Chairman (age 59)

David spent 30 years with the Swire Group where he held various senior management positions. He was chairman of Swire's Hong Kong-listed companies Swire Pacific, Cathay Pacific Airways and Hong Kong Aircraft Engineering Company.

#### Education & qualifications:

Cambridge University: Master of Arts degree in Economics

#### Term of office:

Appointed INED in May 2006  
Appointed Chairman in January 2008 and Executive Director in July 2008  
Current term expires at the 2017 AGM

#### External appointments:

Non-executive director of Green Dragon Gas and Greka Drilling (both London AIM listed)

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

#### Committee membership:

Executive Committee



### Mats H. Berglund

Chief Executive Officer (age 52)

Mats joined Swedish family-owned conglomerate Stena in 1986. From 1986 to 2005, he occupied 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. Between March 2011 and May 2012, he served as chief financial officer and chief operating officer at Chemoil Energy, a Singapore-listed global trader of marine fuel products.

#### Education & qualifications:

Gothenburg University Business School: a "Civilekonom" degree (equivalent to MBA in Business and Finance)

Advanced Management Program at Harvard Business School in 2000

#### Term of office:

Appointed Executive Director in June 2012

Current term expires at the 2015 AGM

#### External appointments:

None

#### Committee membership:

Chairman of Executive Committee



### Andrew T. Broomhead

Chief Financial Officer (age 53)

Andrew joined Pacific Basin in 2003 as the Group's Chief Financial Officer and Company Secretary. He was appointed as an Executive Director in September 2010 responsible for Group finance and accounting, investor relations, and corporate governance and compliance. He stepped down from Company Secretary in 2012. Andrew has previously worked with Deloitte, Haskins & Sells, Samuel Montagu, International Finance Corporation, Bakrie Investindo and Sanwa International Finance. He has been based in the UK, USA, Singapore, Indonesia and Hong Kong, working in Asia for over 20 years.

#### Education & qualifications:

Cambridge University: Master of Arts degree in Natural Sciences.

Fellow of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Breakthrough Programme for Senior Executives at IMD Business School

#### Term of office:

Appointed Executive Director in September 2010

Current term expires at the 2016 AGM

#### External appointments:

Non-executive director of The Standard Club Ltd since 16 May 2014

#### Committee membership:

Executive Committee



### Chanakya Kocherla

Chief Technical Officer (age 57)

Charlie joined Pacific Basin in December 2000 as part of the Company's acquisition of Jardine Ship Management and, since 2010, is Group Managing Director of the Company's PB Towage division. He was previously Managing Director of PB Maritime Services and Director, Fleet - responsible for operations of Pacific Basin's owned and technically managed fleet (including technical operations, manning and training, quality, health, safety and the environment, and newbuildings). He has also served as a director of several wholly owned subsidiaries and jointly owned entities

of the Company. Charlie has over 30 years' experience in the shipping industry, including 14 years at sea and experience with several ship types both at sea and ashore.

#### Education & qualifications:

Directorate of Marine Engineering Training, India: Marine Engineer College of Maritime Studies, Southampton, UK: Certificate of Competency (Motor)

Various executive development programmes in Hong Kong, Singapore and the IMD Business School

#### Term of office:

Appointed Executive Director in June 2012

Current term expires at the 2015 AGM

#### External appointments:

None

#### Committee membership:

Executive Committee



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## Robert C. Nicholson

Independent Non-executive Director (age 59)

Robin was a senior partner of Reed Smith Richards Butler where he established the corporate and commercial department. He then served as a senior advisor to the board of directors of PCCW Limited. He joined First Pacific Company Limited's board in June 2003 and was appointed as an executive director in November 2003.

**Education & qualifications:**

University of Kent

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

**Term of office:**

Appointed INED in March 2004

Current term expires at the 2016 AGM

**External appointments:**

Executive director of HK-listed First Pacific and held non-primary directorships in its subsidiaries or associates including Metro Pacific Investments Corporation, Philex Mining Corporation and Philex Petroleum Corporation (all Philippines-listed)

Executive chairman of UK-listed Forum Energy plc

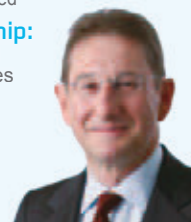
Commissioner of Indonesia-listed PT Indofood Sukses Makmur Tbk

INED of HK-listed Lifestyle Properties Development Limited

**Committee membership:**

Chairman of Remuneration and Nomination Committees

Audit Committee



## Patrick B. Paul

Independent Non-executive Director (age 67)

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

**Education & qualifications:**Oxford University: Master of Arts degree  
Chartered accountant**Term of office:**

Appointed INED in March 2004

Current term expires at the 2015 AGM

**External appointments:**

INED of Johnson Electric Holdings (HK-listed)

INED of The Hongkong and Shanghai Hotels (HK-listed)

**Committee membership:**

Chairman of Audit Committee

Remuneration and Nomination Committees



## Alasdair G. Morrison

Independent Non-executive Director (age 66)

Alasdair served with the Jardine Matheson Group for 28 years holding various senior positions including that of group managing director. He then moved to Morgan Stanley where he was a managing director and then chairman of Morgan Stanley Dean Witter Asia, and chairman and chief executive officer of Morgan Stanley Asia. He spent five years as Senior advisor to Citigroup Asia Pacific until January 2015.

**Education & qualifications:**

Cambridge University: Master of Arts degree

Program for Management Development at Harvard Business School

**Term of office:**

Appointed INED in January 2008

Current term expires at the 2015 AGM

**External appointments:**

INED of MTR Corporation (HK-listed)

**Committee membership:**

Audit, Remuneration and Nomination Committees



## Daniel R. Bradshaw

Independent Non-executive Director (age 68)

Daniel has served for 35 years with Johnson, Stokes and Master (now Mayer Brown JSM) as a solicitor, partner, head of the firm's shipping practice and now as a consultant. He was vice chairman of the Hong Kong Shipowners Association, a member of the Hong Kong Port and Maritime Board and the Hong Kong Maritime Industry Council.

**Education & qualifications:**Victoria University of Wellington (New Zealand): Bachelor of Laws and a Master of Laws  
Admitted as a solicitor in England and Hong Kong**Term of office:**

Appointed Non-executive Director and Deputy Chairman in April 2006

Stood down as Deputy Chairman in January 2008 and was redesignated as INED in September 2010

Current term expires at the 2017 AGM

**External appointments:**

Non-executive director of Euronav (listed on Euronext in Brussels and NYSE)

INED of IRC (HK-listed) and Gaslog Partners LP (listed on NYSE)

Director of Greenship Offshore Manager Pte. Ltd., Kadoorie Farm &amp; Botanic Garden Corporation, and WWF Hong Kong

**Committee membership:**

Audit, Remuneration and Nomination Committees



## Irene Waage Basili

Independent Non-executive Director (age 47)

Irene held various managerial positions in the shipping industry, including Western Bulk Carriers Holding ASA and Van Ommeren Shipping Holdings BV. From 1999 to 2007 she held positions in Wallenius Wilhelmsen Logistics, first as a manager of contracting and strategy and later as Vice President, Global Commercial in 2004. From 2007 to 2011, Irene served as Vice President, Marine of Petroleum Geo Services with responsibility for fleet and marine strategy following its acquisition of Arrow Seismic ASA where she was the chief executive officer.

**Education & qualifications:**

Boston University: Bachelor of Business Administration degree

**Term of office:**

Appointed INED on 1 May 2014

Current term expires in May 2017, subject to re-election at the 2015 AGM

**External appointments:**

Chief executive officer of GC Rieber Shipping and Director of Kongsberg Gruppen ASA (both listed on the Oslo Stock Exchange)

**Committee membership:**

Audit, Remuneration and Nomination Committees



# Corporate Governance

## High Standards

High standards of corporate governance are central to achieving objective value for our investors.

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

Throughout the year ended 31 December 2014, the Group has complied with all code provisions of the Code as set out in Appendix 14 of the Rules Governing the Listing of the Securities on the Stock Exchange (the “Listing Rules”). The Group continues to adopt the recommended best practices under the Code with the exception that the Group provides a quarterly trading update, instead of publishing quarterly financial results, to enable its shareholders to assess its performance, financial position and prospects. The Group believes a trading update is a more appropriate mean in providing its shareholders the key information to assess the development of its business on a quarterly basis.

## The Board of Directors

### Board Composition and Responsibilities

As at the date of this Annual Report, the Board comprises the Chairman, three Executive Directors and five Independent Non-executive Directors (“INEDs”), which exceeds the Listing Rule requirement that INEDs shall represent at least one-third of the Board. The Board of Directors is collectively responsible for directing and supervising the affairs of the Company. The roles and responsibilities of each Board member are clearly set out and are available on the Company’s website and their biographical details are set out in the “Directors” section of this Annual Report.

During the year ended 31 December 2014, all Directors have provided confirmation to the Company that sufficient time and attention has been given to the affairs of the Company.

All Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, as well as the identity of the public companies or organisations.

In accordance with the Company’s Bye-laws, at each annual general meeting 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.

An effective Board is a key to setting the strategic direction and policies of the Company. To achieve this, the Board thought needs stimulating with a balance of fresh perspectives and a long-term understanding of shipping cycles. We lay out below some of the important criteria in achieving an effective Board:

- **Dynamic Board composition**

Since listing in 2004, there have been a total of 20 Board members, and currently the Board comprises 9 members. During the last five years, the changes in the number of Executive Directors and Non-executive Directors (including INEDs) are:

	At 1 Jan 2010	Movements		At 31 Dec 2014
Executive Directors	4	-3	+3	4
Non-executive Directors	6	-2	+1	5
	10	-5	+4	9

- **Separate formalised roles for the Chairman and CEO**

The Chairman oversees the executive team and discusses the daily affairs of the company with the CEO. He has in the past provided continuity of management during unexpected absences, hence safeguarding long-term management leadership. The Chairman is responsible for reviewing proposed plans for the company prior to presentation to the Board. His review takes into account long-term goals and fleet growth combined with more immediate matters related to debt levels, cash flow, cash balances, risk assessment, other required capital expenditure and shareholder requirements.

The CEO carries out 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 appropriate information is provided regularly so that Board members can actively contribute to the Group’s development.

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- **Executive Directors commitment to the business activities of the Group**

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

- **Role of the INEDs**

The INEDs play a key role in protecting shareholders' interests. They bring a broad range of financial, regulatory 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 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 ability to contribute to the affairs of the Group, and of overriding importance is that each INED possesses a mind-set that is independent and constructively challenges the Group's views. INEDs are not required to have a shipping background as, with time on the Board, they become familiar with the specific risks of shipping and better able to exercise their independent judgement when the Board debates strategy. Independence from executive management is particularly important as the Group has no controlling shareholder; hence continuity of the INEDs provides stability to the Board decision-making process, compensating for any turnover in the executive management team. The Board believes that it is not appropriate to apply an arbitrary period of service beyond which a director is no longer considered independent. However, the Board will periodically seek new INEDs to join the Board so as to sustain its source of independent views.

- **New INED appointment**

In recognition of the importance in identifying people with relevant experience for the Group, the Chairman and the Nomination Committee engage international search firms to identify suitable candidates when needed. The Nomination Committee acknowledges the importance of diversity within the Board in terms of nationality, industry experience, background and gender.

Following such a recruitment process, the Company was pleased to welcome Mrs. Irene Waage Basili to the Board in May 2014 as an Independent Non-executive Director, who adds diversity to the Board as well as a shipping business and management expertise.



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Our Directors  
Biography of  
Irene Waage Basili

- **Assessment of INEDs' independence**

The Board considers that all of the existing INEDs bring strong independent oversight and continue to demonstrate independence. The five INEDs have given written confirmation to the Company that they remain independent. In reaching these conclusions, each INED was considered and confirmed that they:

1. Have demonstrated continued independent judgement which positively contributes to the development of the Company's strategy and policies;
2. Do not receive any remuneration from the Company apart from director's fees and does not participate in the Group's staff incentive plan or pension scheme;
3. Have not held an executive position in the Company;
4. Do not receive remuneration from a third party in relationship to the directorship;
5. Do not have, and has not had in recent years, any direct financial, business, family or other material relationships with the Group, its management, advisers and business;
6. Do not hold any cross directorships or other significant links with other directors through involvement with other companies;
7. Hold less than 1% of the common stock of the Company; and
8. Do not serve as a director or employee of a significant competitor of the Group.

- **Directors' Continuous Professional Development**

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills as required by the Code. With the assistance of the Company Secretary, all Directors receive updates on legal, compliance and regulatory issues as directors of a Hong Kong-listed company, as well as updates on the industries and the markets in which the Group operates and significant changes in financial accounting standards, all of which were presented at one of the Board meetings during the year. Relevant training courses and reading materials were also identified by the Company during the year and records of training of all Directors have been provided to the Company Secretary. Mrs. Irene Waage Basili was given an induction on appointment before she formally joined the Board in May 2014.

- **Board Evaluation**

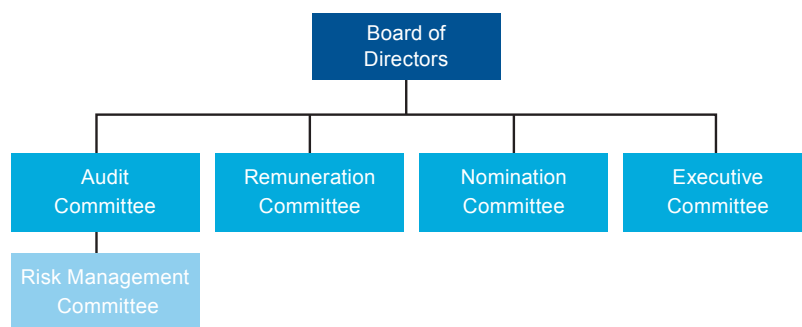
The annual board evaluation was conducted by the Chairman of the Board and by the Chairman of the Audit Committee by way of individual interviews with each Director in November 2014. The Board considers that it is well composed from the diversity and structure perspective with desirable combination of skills, experience and perspectives and its operation has been effective. The Directors continue to consider succession planning a key focus.

## The Board and its members' responsibilities

Primary Responsibilities	<ul style="list-style-type: none"> <li>• Accountable to the shareholders of the Company</li> <li>• Development of the Group's long-term corporate strategies and broad policies</li> <li>• Approve budgets and business plans</li> <li>• Approve acquisition or disposal of investments and assets in particular those that require shareholders' notification or approval under the Listing Rules</li> <li>• Oversee the management of the Group</li> <li>• Prepare accounts and financial statements of the Group</li> <li>• Evaluate the performance of the Group</li> <li>• Lead corporate governance best practice</li> <li>• Periodically assess the achievement of targets set by the Board</li> <li>• Oversee matters that may involve a conflict of interest of a substantial shareholder or a Director</li> </ul>
Delegates to	<ul style="list-style-type: none"> <li>• Board Committees: detailed evaluation of certain responsibilities (outlined later in this section)</li> <li>• Executive Directors: oversight of the Group's business operations; implementation of strategies laid down by the Board; and the making of day-to-day operating decisions</li> </ul>

## Board Committees

The Board has established Audit, Remuneration and Nomination Committees in accordance with the Code and all members of these three Board Committees are INEDs. The Board also operates through an Executive Committee to streamline the decision-making process of the Company in certain circumstances. Decisions made by the Board and the Board Committees are based on detailed analysis prepared by the management which includes: (i) monthly performance analysis; (ii) periodic investment and divestment proposals relating to our vessels and equity interests; and (iii) periodic Board meetings to evaluate management strategic priorities. The terms of reference of these Board Committees are available on the Company's website.



[www.pacificbasin.com](http://www.pacificbasin.com)  
[About Us > Corporate Responsibilities >](#)  
[Corporate Governance](#)  
[Board & Board Committees](#)



### Board in action – March 2014

Mr. Chanakya Kocherla met the crew on board M.V. "Jumeirah Beach" at our ship launching ceremony



## Board, Board Committee Meetings and Annual General Meeting in 2014

The meetings schedule of the Directors and Board Committees is planned a year in advance in order to facilitate participation by all members of the Board and Board Committees. The Board has four regular meetings annually to discuss business strategy, operational issues and financial performance and it met in total on four occasions during 2014. The attendance of each Director at Board meetings, Committee meetings and the AGM are set out below.

	AGM	Board	Audit Committee <sup>1</sup>	Remuneration Committee	Nomination Committee
<b>Executive Directors</b>					
David M. Turnbull (Chairman)	1	4/4			
Mats H. Berglund (Chief Executive Officer)	1	4/4			
Andrew T. Broomhead (Chief Financial Officer)	1	4/4			
Chanakya Kocherla (Chief Technical Officer)	0	4/4			
Jan Rindbo – resigned on 7 November	0	3/3			
<b>Independent Non-executive Directors</b>					
Patrick B. Paul	1	4/4	4/4	1/1	1/1
Robert C. Nicholson	1	4/4	4/4	1/1	1/1
Alasdair G. Morrison	1	4/4	4/4	1/1	1/1
Daniel R. Bradshaw	1	4/4	4/4	1/1	1/1
Irene Waage Basili – joined on 1 May	N/A	3/3	3/3	1/1	1/1
<b>Total number of meetings held during the year</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>

<sup>1</sup> Representatives of the external auditor participated in all four of the Audit Committee meetings held

## The Audit Committee

### Membership

Chairman: Patrick B. Paul

Members: All five INEDs

### Main Responsibilities

1. Review the financial statements and oversee 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 control and risk management system;
3. Review the work of the Risk Management Committee;
4. Review the Group's process for monitoring compliance with the laws and regulations affecting financial reporting;
5. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and
6. Review the independent audit process and the effectiveness of the internal audit functions.

### Work Done in 2014

The Audit Committee held four meetings during the year. Its work included:

- review and discussion of the external auditors' Audit Committee Report in respect of the 2013 full year audit and 2014 interim review;
- review of the 2013 Annual Report and accounts and the 2014 interim report and accounts with a recommendation to the Board for approval;
- review and approval of the Risk Management work plan for 2014;
- review of the Risk Management Committee reports and consideration of the Internal Audit requirements;
- review of the adequacy of the Group's marine related insurance cover;
- recommendation of the revised terms of reference of the Remuneration Committee to the Board for approval;
- noting that there were no continuing connected party transactions for 2013; and
- annual review of the terms of reference of the Risk Management Committee.

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

## The Remuneration Committee

### Membership

Chairman: Robert C. Nicholson

Members: All five INEDs

### Main Responsibilities

1. Make recommendation to the Board on the Company's policy and structure for Directors' remuneration and 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 packages of the Executive Directors and certain higher paid employees;
3. Review and make recommendation to the Board on the terms of appointment for Directors when considered necessary;
4. Make recommendation to the Board relating to Directors to ensure fair (and not excessive) compensation payments and appropriate arrangements after considering contractual entitlements, in the case of any loss or termination of office or appointment and dismissal or removal for misconduct;
5. Administer and oversee the Company's 2013 Share Award Scheme and other equity or cash-based schemes of the Company in place from time to time, and explicit review and approve the granting of share awards to any staff members in the Group;
6. Approve the disclosure statements of the Company's policy and remuneration for Directors; and
7. Ensure no Director approves his or her own remuneration. The remuneration of Non-executive Directors is determined by the Chairman and the CEO based on the responsibilities of each individual and international market practice.

### Work Done in 2014

The Remuneration Committee met once during the year and, together with e-mail communication, has carried out the following:

- approval of the remuneration package of an Executive Director relocating to Hong Kong;
- approval of the grant of restricted awards to certain staff members;
- approval of the amendment to increase the level of basic salary over which the Remuneration Committee has authority; and
- assessment of the performance of Executive Directors and certain higher paid employees and approval of their 2014 bonuses, 2015 pay review and share awards.

## The Nomination Committee

### Membership

Chairman: Robert C. Nicholson

Members: All five INEDs

### Main Responsibilities

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

### Work Done in 2014

The Nomination Committee held one meeting during the year. Its work included:

- review of succession planning documents covering key positions within the senior management level of the Group;
- review of the existing structure, size and composition of the Board;
- assessment of the independence of each INED;
- consideration of the adequacy of the number of INEDs by reference to the Stock Exchange regulations;
- recommendation to the board of the appointment of Mrs. Irene Waage Basili as an INED, the first female member of the Board of the Company; and
- review of the competency of existing senior staff of the Group for business needs.

## The Executive Committee

### Membership

Chairman: Mats H. Berglund

Members: All four Executive Directors

### Main Responsibilities

1. Identify and execute transactions within the parameters approved by the Board;
2. Identify and execute the sale and purchase of vessels;
3. Identify and execute transactions for long-term inward charters;
4. Set cargo cover levels that fall within the normal course of the business of the Group;
5. Identify and execute transactions for non-vessel marine fixed assets exceeding US\$5,000,000;
6. Make decisions over loans and related guarantees; and
7. Exercise the Company's general mandate to buy back Shares in accordance with the parameters set by the Board and the limits approved by the shareholders.

### Work Done in 2014

The Executive Committee considered a range of business matters based on detailed analysis submitted by management including the following approvals:

- announcements on the commencement and expiration of the exercise period of put option right of the Group's 1.75% coupon Convertible Bonds due 2016 and an announcement on completion of the partial investor put;
- announcements on the conversion price adjustments in respect of the Group's Convertible Bonds;
- execution of loan documentation for three 12-year post-delivery JBIC term loans of an aggregate amount of US\$350 million to finance 18 newbuildings;
- announcement of the 2014 AGM voting results;
- acquisition of a handysize vessel that did not require announcement under the Listing Rules;
- announcement on the re-designation of Chief Technical Officer;
- extension of a cargo contract from 2016 to 2021;
- approval of a six year cargo contract commencing 2018; and
- approval of 2 bilateral loan facilities amounting to US\$101 million for drawdown within 2014.

## Risk Management & Internal Controls

### Framework

The risk management and internal controls system is to help the Group achieve its long-term vision and mission by identifying and evaluating the Group's risks and by 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 it enhances long-term shareholder value. The risks the Group is subject to are directly linked to the Group's strategy.

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Strategy Delivery & Risks



The Board has overall responsibility for the Group's system of internal controls and the assessment and management of risks. The primary responsibility for detailed risk identification and management lies with the respective business heads. The Risk Management Committee ("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 managing the internal audit function. It regularly reviews the completeness and accuracy of risk assessments, risk reporting and the adequacy of risk mitigation efforts.

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) framework and has the following five components:

#### • Control Environment

Defined organisational structures are established. Authority to operate various business functions is delegated to respective management within limits set by head office management or the Executive Directors. The Board meets on a regular basis to discuss and agree business strategies, plans and budgets prepared by individual business units. The performance of the Group is reported to the Board on a monthly basis.

#### • Risk Assessment

The Group identifies, assesses and ranks the risks that are most relevant to the Group's success according to their likelihood, financial consequence and reputational impact.

#### • Control Activities

Policies and procedures are set for each business function which includes approvals, authorisation, verification, recommendations, performance reviews, asset security and segregation of duties.

#### • Information and Communication

The Group documents operational procedures of all business units. The risks identified and their respective control procedures are documented in risk registers by the RMC and reviewed by the Audit Committee at least annually.

#### • Monitoring

The Group adopts a control and risk self-assessment methodology, continuously monitoring its business risks by way of internal review and communication of key control procedures to employees.



## The Risk Management Committee

### Membership

Chairman: Mats H. Berglund

Members: CFO, Company Secretary, Risk and Internal Audit Manager

### Main Responsibilities

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

### Work Done in 2014

The RMC met three times during the year and reported to the Audit Committee twice on the annual risk assessment and internal control review and testing. Its work in 2014 included:

- review significant and emerging risks of the Group with division heads, particularly in relation to geographical deployment of vessels, bunker management and marine insurance;
- review of the Group's information technology systems to identify if there are any security and efficiency issues;
- enhancement of online risk assessment questionnaire for collaborating with division heads on annual risk assessment; and
- review of composition of the Risk Management Committee and its terms of reference.

### Annual Assessment

Risks identified and their respective mitigating controls are documented in the risk registers and reviewed by the Audit Committee at least annually. The mitigating controls are reviewed and tested periodically by reference to the Group's strategy and risk ranking of each individual risk area.

The RMC, with the assistance of appropriate staff from other departments, conducts regular meetings with division heads and managers from the headquarters and regional offices so as to keep abreast of issues and new risks that are embedded in the business operations. The criteria for assessing the effectiveness of internal controls are based on whether the mitigating controls have operated throughout the period being reviewed. The result of the annual assessment is communicated with division heads and managers to formulate measures to rectify any major control weaknesses.

## Internal Control System Effectiveness

The activities of the RMC are reviewed at least twice a year by the Audit Committee which continuously assesses the internal audit requirements as the Group develops. The internal control system is designed for the identification and management of risks that are significant to the fulfilment of the Group's business objectives. The Audit Committee reviews the findings and the opinion of the RMC on the effectiveness of the Group's system of internal control and reports to the Board annually.

In respect of the year ended 31 December 2014, the Board has reviewed the internal control system of the Group and no significant areas of concern were identified.

## STAKEHOLDER SURVEYS

We conducted annual customer and investor surveys during the year which generated feedback that we are acting on to further enhance the quality of our service and our investor relations and corporate governance practices.

## DISCLOSURE OF INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information:

- the Group 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 in June 2012;
- the Corporate Communications Policy was revised and adopted with effect from 2013;
- the Group 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;
- the Group has included in its Code of Conduct a strict prohibition on unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the Executive Directors, Corporate Communications & Investor Relations Officers and Director of Business Analysis are authorised to communicate with parties outside the Group.

## DIRECTORS' SECURITIES TRANSACTIONS

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

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year.

## SENIOR MANAGERS' AND STAFF'S SECURITIES TRANSACTIONS

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

No incidence of non-compliance by these senior managers and staff was noted by or reported to the Company during the year except that a senior manager traded in the Company's securities during an eligible period prior to receipt of written approval from the Company. All senior managers and staff members of the Company who are bound by the Model Code were formally reminded that the Dealing Rules stipulate that written approval must be received before such transactions can proceed.

## 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.

## AUDITORS' REMUNERATION

Remuneration paid to the Group's external auditors, for services provided for the year ended 31 December 2014 is as follows:

		US\$'000
Audit	Non-audit	Total
1,096	594	1,690

## OUR SHAREHOLDERS

As at 31 December 2014, Pacific Basin had 412 registered shareholders of whom 345 or 83.7% have their registered addresses in Hong Kong.

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[Investor Relations](#)


Details of our Shareholder analysis



**Board in Action**

Board of Directors met shareholders at the AGM

## SHAREHOLDER COMMUNICATIONS POLICY

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

## SHAREHOLDERS MEETING

During the year, the Company held one general meeting with shareholders, namely the Annual General Meeting, at the JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on 16 April 2014. The following resolutions, all voted on by polls, were passed and approved:

- receipt and adoption of the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2013;
- declaration of final dividend of HK 5 cents per share for the year ended 31 December 2013;
- re-election of Directors;
- authorising the Board to fix Directors' remuneration;
- re-appointment of Messrs. PricewaterhouseCoopers as auditors for the year ended 31 December 2014 and authorising the Board to fix their remuneration;
- granting a general mandate to issue shares;
- granting a general mandate to buy back shares; and
- granting a specific mandate to issue shares to satisfy Awards pursuant to the 2013 Share Award Scheme.

[www.pacificbasin.com](http://www.pacificbasin.com) 

[Media > FAQ: AGM and Shareholders' Questions](#)

[Investor Relations > News: Proxy Form](#)

## SHAREHOLDERS' RIGHTS

Should shareholders wish to call a special general meeting, this must be convened according to the Company's Bye-laws, which state in summary:

- Shareholders holding not less than one-tenth of the paid up capital of the Company can, in writing to the Board or the Secretary of the Company, request a special general meeting to be called by the Board so as to carry out any business specified in such request.
- The signed written request, which should specify the purpose of the meeting, should be delivered to the Company's registered office in Hong Kong. The meeting will be held within two months after receiving the request. If the Board fails to start convening such meeting within twenty-one days of receiving the request, the shareholders themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Shareholders who have any questions for the Board may send an e-mail or letter to:

*Company Secretary*  
Pacific Basin Shipping Limited  
7th Floor, Hutchison House  
10 Harcourt Road  
Central, Hong Kong  
E-mail: [companysecretary@pacificbasin.com](mailto:companysecretary@pacificbasin.com)

## PUBLIC FLOAT

At the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, approximately 98% of the Company's total issued share capital is held by the public.

## MARKET CAPITALISATION

Year end	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Closing price (HK\$)	3.35	3.60	4.90	12.58	3.52	5.63	5.17	3.11	4.35	5.55	3.13
Market Capitalisation (US\$ mil)	539	591	976	2,550	796	1,400	1,280	772	1,083	1,382	782

## FINANCIAL CALENDAR FOR 2015

### Planned Date

26 February	2014 annual results announcement
17 March	2014 Annual Report
21 April	First quarter trading update
22 April	2015 Annual General Meeting
24 April	Last day of dealings in shares with entitlement to 2014 final dividend
27 April	Ex-dividend date
28 April by 4.30pm HK time	Deadline for lodging transfers for entitlement to 2014 final dividend
29 April	Book closure date & 2014 final dividend record date
12 May	2014 final dividend payment date
30 July	2015 interim results announcement
11 August	Last day of dealings in shares with entitlement to 2015 interim dividend
12 August	Ex-dividend date
13 August by 4.30pm HK time	Deadline for lodging transfers for entitlement to 2015 interim dividend
14 August	Book closure date & 2015 interim dividend record date
26 August	2015 interim dividend payment date
14 October	Third quarter trading update



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[Investor Relations > Corporate Calendar](#)

# Remuneration Report

This Remuneration Report sets out the Group's remuneration policies and amounts for all staff including Executive Directors and Non-executive Directors. Pages 58 to 59 comprise the auditable part of the Remuneration Report and form an integral part of the Group's financial statements. At 31 December 2014, the Group employed a total of 363 full time, shore-based staff (2013: 372), which has since reduced to 340.

## GROUP'S REMUNERATION POLICY

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

When considering remuneration adjustments and annual bonuses, the Board makes reference to the prevailing market conditions, local market practice, the levels of emolument of existing staff of the Company and, very importantly, the 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.

Equity awards are provided through the Company's Share Award Scheme which is designed to provide Executive Directors and other employees with long-term financial benefits that are aligned to and consistent with the creation of shareholder value as an incentive and recognition for their contribution to the Group. The Board has not granted, and currently has no intention to grant any equity awards to Independent Non-executive Directors as they administer the scheme at their sole discretion.

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.

Below sets out the key components of remuneration:

Key remuneration components	Executive Directors and All staff	Non-executive Directors
Fixed base salary	Salaries are reviewed annually. Prevailing market conditions and local market practice, as well as the individual's role, duties, experience, responsibilities and performance are taken into account when assessing salaries.	No
Annual discretionary cash bonus	Bonuses are determined based on the overall performance of the individual and the Group. Bonuses for Executive Directors are assessed by the Remuneration Committee and those of all other staff are assessed by the Chief Executive Officer. Bonuses to Directors and employees are expected to be no more than 12 months' salary equivalent.	No
Long-term equity incentives	Awards typically vest annually over a three year period. New Awards for existing awardees are considered each year by the Remuneration Committee to maintain the incentive period, in which case they vest at the end of the third year.	No
Retirement benefit	In line with market practice.	No
Fixed annual director's fee	No	Yes and in line with market practice

## REMUNERATION FOR THE YEARS ENDED

31 December 2014	Directors' fee US\$'000	Salaries US\$'000	Bonuses US\$'000	Pension US\$'000	Total Payable US\$'000	Share-based compensation US\$'000	Total payable and charged US\$'000
<b>Executive Directors</b>							
David M. Turnbull	–	364	30	2	396	214	610
Mats H. Berglund	–	1,046	63	2	1,111	538	1,649
Andrew T. Broomhead	–	495	40	2	537	328	865
Chanakya Kocherla	–	670 <sup>1</sup>	38	22	730	304 <sup>2</sup>	1,034
Jan Rindbo <sup>3</sup>	–	494 <sup>3</sup>	–	–	494	(150) <sup>3</sup>	344
	–	3,069	171	28	3,268	1,234	4,502
<b>Independent Non-executive Directors</b>							
Patrick B. Paul	96	–	–	–	96	–	96
Robert C. Nicholson	90	–	–	–	90	–	90
Alasdair G. Morrison	83	–	–	–	83	–	83
Daniel R. Bradshaw	83	–	–	–	83	–	83
Irene Waage Basili <sup>4</sup>	67	–	–	–	67	–	67
	419	–	–	–	419	–	419
Total Directors' remuneration	419	3,069	171	28	3,687	1,234	4,921
<b>Other Employees</b>	–	38,058	4,486	2,856	45,400	4,077	49,477
Total remuneration	419	41,127	4,657	2,884	49,087	5,311	54,398

Note:

- (1) Included in the salary of Mr. Kocherla is a compensation for additional tax incurred of US\$178,000 due to the withdrawal of his superannuation fund upon his relocation from Australia to Hong Kong.
- (2) Included in share-based compensation of Mr. Kocherla is a reimbursement of the difference between Australian income tax and Hong Kong income tax amounted to US\$97,000 in relation to the restricted share awards granted to him.
- (3) Mr. Rindbo resigned as an Executive Director on 7 November 2014. As a consequence, 2,163,000 share awards lapsed resulting in a credit to the income statement. His salary for the period included a director's fee of US\$80,000.
- (4) Mrs. Basili joined the Board as an Independent Non-executive Director on 1 May 2014.

31 December 2013	Directors' fee US\$'000	Salaries US\$'000	Bonuses US\$'000	Pension US\$'000	Total Payable US\$'000	Share-based compensation US\$'000	Total payable and charged US\$'000
<b>Executive Directors</b>							
David M. Turnbull	–	364	125	2	491	213	704
Mats H. Berglund	–	1,029	650	1	1,680	709	2,389
Jan Rindbo	–	563 <sup>1</sup>	400	1	964	297	1,261
Andrew T. Broomhead	–	470	250	2	722	329	1,051
Chanakya Kocherla	–	494	250	63	807	199	1,006
Wang Chunlin <sup>2</sup>	–	348	721	70	1,139	(297) <sup>2</sup>	842
	–	3,268	2,396	139	5,803	1,450	7,253
<b>Independent Non-executive Directors</b>							
Patrick B. Paul	96	–	–	–	96	–	96
Robert C. Nicholson	90	–	–	–	90	–	90
Alasdair G. Morrison	83	–	–	–	83	–	83
Daniel R. Bradshaw	83	–	–	–	83	–	83
	352	–	–	–	352	–	352
Total Directors' remuneration	352	3,268	2,396	139	6,155	1,450	7,605
<b>Other Employees</b>	–	32,809	5,450	2,709	40,968	4,279	45,247
Total remuneration	352	36,077	7,846	2,848	47,123	5,729	52,852

Note:

- (1) Included a director's fee of US\$96,000.
- (2) Mr. Wang retired as an Executive Director upon the conclusion of the 2013 AGM on 19 April 2013. As a consequence, 1,284,000 share awards lapsed resulting in a credit to the income statement.



For the year 2014, the five individuals whose emoluments were the highest in the Group were the five Executive Directors (2013: five Executive Directors).

During the year, the Group did not pay the Directors any inducement to join or upon joining the Group. No Directors waived or agreed to waive any emoluments during the year. The median salary of employees excluding the Chief Executive Officer during the year was US\$62,814 (2013: US\$58,000).

In the year ended 31 December 2013, certain Other Employees benefited from a profit sharing arrangement amounting to approximately US\$1,029,000 and such arrangement ended thereafter. This amount combined with the total remuneration of 2013 forms the total employee benefit expenses for 2013 as presented in Note 5 to the financial statements.

## ACCOUNTING POLICIES ON EMPLOYEE BENEFITS

### 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\$25,000. 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 contributions being fully vested.

### Share-Based Compensation

The Group operates an equity-settled, share-based compensation scheme. Restricted share awards and share options 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 granted, 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. At each balance sheet date, the Company reviews its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of the original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

In respect of share options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised.

The grant by the Company of share-based compensation 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 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 2014.

## PRINCIPAL ACTIVITIES, ANALYSIS OF OPERATIONS AND FINANCIAL SUMMARY

The principal activity of the Company is investment holding. The Company’s principal subsidiaries (set out in Note 38 to the financial statements) are engaged in the ownership and international operation of modern Handysize and Handymax 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. 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.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 73. Taking into consideration the Group’s performance, operating cash flow and current financial position, the Directors have recommended the payment of a final dividend of HK 5 cents per share for the year ended 31 December 2014. No interim dividend was declared.

The proposed final dividend for 2014 of HK 5 cents per share will be considered at the Annual General Meeting scheduled for 22 April 2015.

## RESERVES AND DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2014, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US\$651.2 million.

Movements in the reserves of the Group and of the Company are set out in Note 25 to the financial statements.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to US\$41,000.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group are set out in Note 6 to the financial statements.

## SHARE CAPITAL AND PRE-EMPTIVE RIGHTS

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

Details of the convertible bonds issued by the Group are set out in Note 23 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Following the exercise of the put option right by bondholders of the Group’s convertible bonds due 2016, redemption and cancellation of the bonds (having an aggregate full principal amount of US\$20,400,000 together with accrued but unpaid interest thereon) was completed on 14 April 2014. The remaining outstanding aggregate principal amount of the bonds was reduced to US\$209,600,000, representing 91.13% of the total principal amount of the bonds originally issued.

Save as disclosed above and other than for satisfying restricted awards granted under the Company’s 2013 Share Award Scheme and the Long Term Incentive Scheme as disclosed below, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the share capital or convertible bonds of the Group during the year.

## 2013 SHARE AWARD SCHEME (“SAS”) AND 2004 LONG TERM INCENTIVE SCHEME (“LTIS”)

The LTIS adopted in 2004 expired on 14 July 2014 and was replaced by the SAS adopted by the Board on 28 February 2013, which is a single share award scheme under which no share options can be granted. The remaining 400,000 share options granted under the LTIS were exercised by the grantee in June 2014 and all other unvested awards granted under the LTIS shall remain valid until they fully vest in July 2015 or lapse in accordance with the rules of the LTIS.

### Purpose and Eligible Participants of the SAS

The SAS enables the Company to grant share awards or unit awards (“Awards”) to eligible participants, being principally executive Directors and employees, as an incentive and recognition for their contribution to the Group. The SAS incentivises performance of participants by linking part of their remuneration to the achievement of the Group. The value offered is related to job position and contribution to the management of the business. Since the adoption of the SAS, the Board has not granted, and currently has no intention to grant, any Awards to Independent Non-executive Directors as they administer the scheme at their sole discretion in accordance with the rules of the SAS.

### Maximum Number of Shares

The total number of shares which may be or have been issued by the Company or transferred to the trustee of the SAS in satisfaction of the Awards granted under the SAS must not, in aggregate, exceed 10% of the issued share capital of the Company as at the first date of each financial year during the term of the SAS (equivalent to 193,697,711 shares as at 1 January 2015). There were 23,357,000 unvested restricted awards under the SAS and LTIS which represents 1.21% of the issued share capital of the Company as at 26 February 2015.

## Vesting of Awards

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

### Limit for Each Eligible Participant

The maximum number of shares which may be subject to an Award or Awards at any one time shall not in aggregate exceed (i) 1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company for any specific eligible participant; and (ii) 0.1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company for any Independent Non-executive Director.

### New Shares to be issued

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

## Procedure of Granting Restricted Awards

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

### Life of the Schemes

The SAS has an effective term of 10 years from 28 February 2013 which replaces the LTIS expired in July 2014.

### Awards Granted

Details of the grant of long-term incentives and the movements of the outstanding incentives during the year ended 31 December 2014 under both the SAS and the LTIS on a combined basis are as follows:

### (i) History and Movement of Restricted Awards Granted

'000 shares/units	Date of first award	Total awarded	Vested to date	At 31 Dec 2014	At 1 Jan 2014	Granted during the period	Vested <sup>2</sup> or lapsed	Vesting in July of		
								2015	2016	2017
<b>Directors</b>										
David M. Turnbull	5-Aug-08	2,407	(1,315)	1,092	1,097	347	(352)	300	445	347
Mats H. Berglund	1-Jun-12	4,198	(1,752)	2,446	2,607	715	(876)	876	855	715
Andrew T. Broomhead	11-May-07	3,307	(1,540)	1,767	1,691	453	(377)	764	550	453
Chanakya Kocherla	11-May-07	2,199	(1,028)	1,171	1,095	333	(257)	428	410	333
Jan Rindbo (resigned) <sup>1</sup>	11-May-07	4,778	(2,615)	–	2,109	557	(2,666)	–	–	–
<b>Other Employees</b>		16,889	(8,250)	6,476	8,599	2,405	(4,528)	2,368	2,260	1,848
				17,064	19,211	5,735	(7,882)	6,956	5,992	4,116
				23,540	27,810	8,140	(12,410)	9,324	8,252	5,964

Notes:

- (1) Mr. Rindbo resigned as an Executive Director and Chief Operating Officer with effect from 7 November 2014 and the restricted awards of 2,163,000 shares lapsed upon his resignation.
- (2) 833,000 shares vested due to termination of employment of seven employees and 423,000 shares vested due to the retirement of three employees. 1,682,000 shares lapsed following resignation of three employees.

The closing price of the shares of the Company immediately before the grant of 7,273,000 restricted awards on 5 May 2014 was HK\$4.45 and before the grant of 867,000 restricted awards on 13 August 2014 was HK\$4.69.

### (ii) Share Options and Share Valuation under the LTIS

Share options were granted on 14 July 2004 under the LTIS at an exercise price of HK\$2.50 per share. The remaining 400,000 fully vested share options of Other Employees were exercised in June 2014.

Save as disclosed above, no right to subscribe for the securities of the Company or its associated corporations within the meaning of the Securities and Futures Ordinance (the "SFO"), has been granted by the Company to, nor have any rights been exercised by, any person during the year.

## DIRECTORS

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

	Date of appointment to:					Executive Committee	Terms of appointment
	Board	Audit Committee	Remuneration Committee	Nomination Committee			
<b>Executive Directors</b>							
David M. Turnbull	17 May 2006	–	–	–	–	1 July 2008	3 years until 2017 AGM
Mats H. Berglund	1 June 2012	–	–	–	–	1 June 2012	3 years until 2015 AGM
Andrew T. Broomhead	1 September 2010	–	–	–	–	1 January 2010	3 years until 2016 AGM
Chanakya Kocherla	25 June 2012	–	–	–	–	25 June 2012	3 years until 2015 AGM
Jan Rindbo (resigned)	1 April 2007	–	–	–	–	23 January 2008	Resigned on 7 November 2014
<b>Independent Non-executive Directors</b>							
Patrick B. Paul	25 March 2004	18 May 2004	10 June 2004	30 November 2004	–	–	3 years until 2015 AGM
Robert C. Nicholson	25 March 2004	18 May 2004	10 June 2004	30 November 2004	–	–	3 years until 2016 AGM
Alasdair G. Morrison	1 January 2008	1 January 2008	1 January 2008	1 January 2008	–	–	3 years until 2015 AGM
Daniel R. Bradshaw	7 April 2006	7 April 2006	7 April 2006	7 April 2006	–	–	3 years until 2017 AGM
Irene Waage Basili	1 May 2014	1 May 2014	1 May 2014	1 May 2014	–	–	3 years until 2017 AGM

### Notes:

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

Mrs. Irene Waage Basili, an Independent Non-executive Director of the Company appointed by the Board during the year, shall retire at the 2015 Annual General Meeting in accordance with the Company's Bye-law 86(2). In addition, Messrs. Mats H. Berglund, Chanakya Kocherla, Patrick B. Paul and Alasdair G. Morrison shall retire at the 2015 AGM by rotation pursuant to the Company's Bye-laws 87(1) & (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 2015 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

## BIOGRAPHICAL DETAILS OF DIRECTORS

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

## 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 2014, the discloseable 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 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	Number of underlying Shares under equity derivatives	Total Share interests	Approximate percentage of the issued share capital of the Company	
						31 Dec 2014	31 Dec 2013
David M. Turnbull <sup>1</sup>	1,906,000	3,662,682 <sup>2</sup>	Long	–	5,568,682	0.29%	0.27%
Mats H. Berglund <sup>1</sup>	4,198,000	–	Long	–	4,198,000	0.22%	0.20%
Andrew T. Broomhead <sup>1</sup>	2,448,000	2,328,068 <sup>3</sup>	Long	–	4,776,068	0.25%	0.22%
Chanakya Kocherla <sup>1</sup>	2,721,667	–	Long	–	2,721,667	0.14%	0.12%
Patrick B. Paul	120,000	–	Long	–	120,000	less than 0.01%	less than 0.01%
Daniel R. Bradshaw	–	386,417 <sup>4</sup>	Long	–	386,417	0.02%	0.02%

Notes:

- <sup>(1)</sup> Restricted awards granted under the 2013 Share Award Scheme and the Long Term Incentive Scheme have been disclosed on page 61 of this Report.
- <sup>(2)</sup> 3,662,682 shares are in the form of convertible bonds due 2016 at nominal value of US\$3,350,000 and are held by a Trust named Bentley Trust (Malta) Limited, of which Mr. Turnbull is the founder.
- <sup>(3)</sup> 2,328,068 shares are held via Paulatim Investments Limited which is jointly owned by Mr. Broomhead and his wife, of which 1,312,005 shares are in the form of convertible bonds due 2016 at nominal value of US\$1,200,000 and 320,359 shares are in the form of convertible bonds due 2018 at nominal value of US\$200,000.
- <sup>(4)</sup> Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, of Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficially owns 353,241 shares via Cormorant Shipping Limited and is taken to be interested in the 33,176 shares held by Goldeneye Shipping Limited.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 31 December 2014.

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 2014, 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 2014	31 Dec 2013
Aberdeen Asset Management Plc and its Associates (together the "Group") on behalf of accounts managed by the Group	Investment manager	Long	348,899,000	18.01%	15.87%
Michael Hagn	Interest in corporation controlled	Long	252,703,500	13.05%	13.05%
Mondrian Investment Partners Limited	Investment manager	Long	117,091,000	6.05%	5.98%

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 31 December 2014, 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.



### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company 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 TRANSACTION

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

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

### AUDIT AND REMUNERATION COMMITTEES

Details of the audit and remuneration committees are set out in the Corporate Governance Report of this Annual Report. 

### AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming 2015 AGM.

### PUBLIC FLOAT

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

By Order of the Board



**Mok Kit Ting, Kitty**

Company Secretary

Hong Kong, 26 February 2015

# Investor Relations

We are committed to ensuring that the investment community and our other stakeholders are provided relevant information about Pacific Basin on a regular basis, so that they have a comprehensive picture of our business, our performance and our prospects with which to assess the value of the Company.

In 2014, we received 13 Investor Relations and Corporate Governance awards. Our 2013 Annual Report was ranked 15<sup>th</sup> globally by e.com (report watch). Our Online Annual Report received its first recognition with a Silver Award from the League of American Communications Professionals' 2013 Vision Awards Annual Report Competition.

[www.pacificbasin.com](http://www.pacificbasin.com)

[About Us > Corporate Responsibilities > Corporate Governance > Shareholders/Communication](#)

Our Shareholder Communication Policy is available on our website and is regularly reviewed to ensure its effectiveness

## Stakeholder Engagement

We proactively engage with a broad range of institutional and retail investors as well as media and other interest groups.

**COMMUNICATION CHANNELS** – We believe that the transparency stimulated by active stakeholder engagement builds recognition of our brand and ultimately enhances shareholder value. We facilitate engagement through the following channels:

### Financial Reporting

- Annual and Interim Reports
- Online Annual Report
- Voluntary quarterly trading updates
- Press releases on business activities

[www.pacificbasin.com/ar2014](http://www.pacificbasin.com/ar2014)

Our 2014 Interactive online report and feedback form

### Shareholder Meetings And Hotlines

- Group and one-on-one meetings
- Shareholder hotline and e-mail:  
Tel: +852 2233 7000  
E-mail: [ir@pacificbasin.com](mailto:ir@pacificbasin.com)

### Vessel Tours

Ship visits for analysts, investors, press and guests are organised during vessel port calls or at ship naming ceremonies.

### Investor Perception Studies

We conduct an annual consultation of investors and analysts for views on our group strategy, executive management, Annual Report and our corporate communications, investor relations and CSR programmes by way of telephone and online surveys

### Social Media Communications

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



### Company Website – [www.pacificbasin.com](http://www.pacificbasin.com)

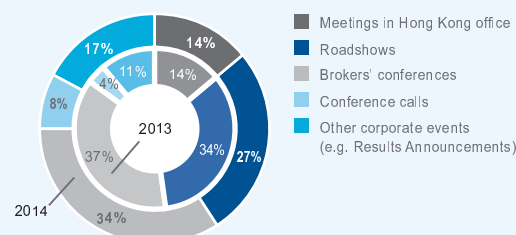
Our corporate website is considered our primary communication medium covering the entire range of Pacific Basin's activities. English, Chinese (Traditional and Simplified) and Japanese versions of the site are available covering:

- Profiles of Group's business
- Fleet profile
- Board and senior management biographical data
- Corporate Governance, Risk Management and CSR
- Board Committee's Terms of Reference
- Financial information and excel downloads
- Press kits
- Career opportunities

**ROADSHOWS** – Roadshows are conducted every quarter following earnings results announcements and trading updates. In 2014, we met investors in 13 cities in North America, Europe and Asia-Pacific.

**INVESTOR MEETINGS** – In 2014, we met 691 (2013: 558) shareholders and investors

### Type of Investor Meetings



## Stakeholder Engagement continued

**COMMUNICATIONS WITH SELL-SIDE ANALYSTS** – We encourage active analyst coverage to help investors evaluate the Company and its opportunities and challenges. Analysts’ briefings, meetings and conference calls are arranged with management from time to time, usually after results announcements. A significant number of key brokers publish reports on the Company.

Following the Annual Results announcement, we talked to the investor community sharing our published information and helped to enhance investors’ understanding of our business model and the factors driving the valuation of the Company.

We held our 2014 Analyst Day in May at our Hong Kong headquarters. In an open dialogue between analysts and management, we shared our views on the industry, important accounting considerations, and reviewed Company developments described in the 2013 Annual Report and 2014 first quarter trading update. We invited our Chief Operating Officer and Head of Asset Management to share their views on the dry bulk market.



[www.pacificbasin.com](http://www.pacificbasin.com)  
[Investor Relations > Financial Disclosure](#)  
 Analyst Day Presentation

[Investor relations > Share Information > Research Coverage](#)  
 Contact details of the Analysts

## KPIs measuring Investor Relations Performance

KPI

**Investor Engagement** – 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 investment community to enhance their understanding of our business. The number of investor contacts during a year is the key measure of our engagement with investors.

**Sell-Side Analyst Engagement** – Analyst coverage (as measured by the number of active research reports covering Pacific Basin) in the trailing six month period is a key measure of our profile in the shipping sector.

**17 brokerages**

covered Pacific Basin in 2014 (2013: 21)

**>125 research reports**

on Pacific Basin in 2014 (2013: >120)

**22 analysts**

attended our 2014 Analyst Day (2013: 19)

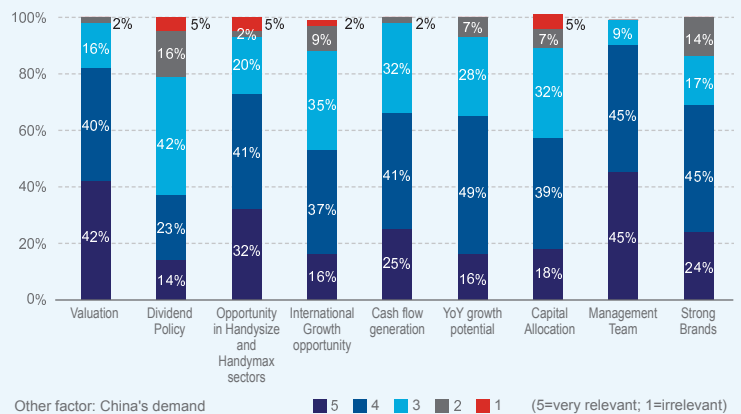
**Investor Perception Studies** are conducted annually to gauge feedback on our Annual Report, Investor Relations programme, corporate governance and group strategy.

As we found in 2013, investors still consider the quality of our management team, valuation of our stock, and the investment opportunity in the Handysize and Handymax sectors to be the most compelling reasons to invest in Pacific Basin.

### Number of Investors We Meet



### Feedback extracted from the 2014 Investor Perception Study Compelling Factors for investing in Pacific Basin



## Share and Convertible Bond Information

As at 31 December 2014, the Shares and Convertible Bonds of the Company were as follows:

- 1,936,577,119 ordinary shares in issue, each with a par value of US\$0.10
- US\$210 million of 1.75% coupon Convertible Bonds due 2016
- US\$124 million of 1.875% coupon Convertible Bonds due 2018

[www.pacificbasin.com](http://www.pacificbasin.com)  
Investor Relations > Share Information  
Dividend History



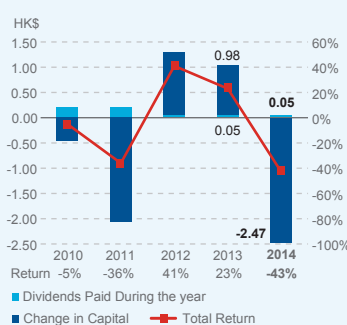
### Our Share Price Performance vs Hang Seng Index in 2014



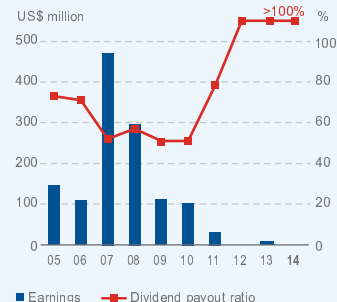
### Convertible Bonds Price Performance in 2014



### Total Shareholders' Return



### Net Profit and Dividend Payout Ratio since 2005



## DIVIDEND

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

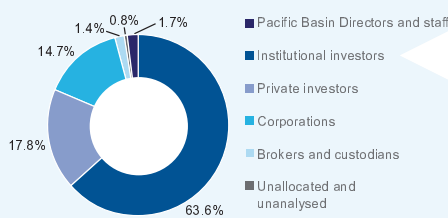
## OUR SHAREHOLDERS

As at 31 December 2014, Nasdaq OMX was able to analyse the ownership of about 99.2% of the Company's share capital. Institutional investors still accounted for the largest portion of the Company's shareholder base, owning nearly 1.2 billion shares or 63.6% of our share capital.

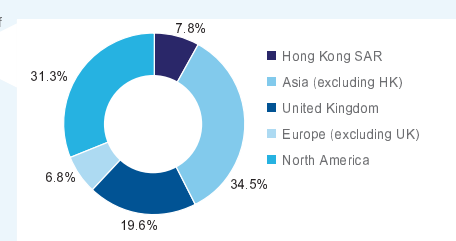
We had 1,457 registered shareholders as at 31 December 2014. The actual number of investors interested in our shares is likely to be greater, as some of their shares are held through nominees, investment funds, custodians, etc.. Each custodian or nominee or broker is considered as a single shareholder as below.

Shareholding	No. of Shareholders	% of Shareholders	Total Holding	% of Issued Share Capital
<=500	18	1.2%	638	0.0%
501-1000	44	3.0%	43,468	0.0%
1001-100,000	649	44.5%	28,665,741	1.5%
100,001-500,000	499	34.3%	108,838,708	5.6%
>=500,001	247	17.0%	1,799,428,864	92.9%
<b>Total</b>	<b>1,457</b>	<b>100.0%</b>	<b>1,936,977,119</b>	<b>100.0%</b>

### Ownership by Type of Shareholders



### Geographical Distribution of our Institutional Investors



## OUR BONDHOLDERS

Our bondholders comprise a range of institutional investors including portfolio fund managers, fixed income, mutual and equal fund holders, as well as private investors.



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Financial Statements  
Note 23(c)

Terms and details of the Convertible Bonds

## No distinction between institutional investors and retail investors

We listen carefully to the views and feedback we receive from all investors. More than 66% of our shareholders are institutional investors, while 17% are private or retail investors who hold our shares through brokers and custodians. A separate Q&A and dialogue with our Board of Directors is arranged at our Annual General Meeting.

## Key concerns raised by investors

In 2014, issues and major concerns about the Company included:

- the outlook for the dry bulk sector (demand side in particular)
- future capex plan and loan repayment profile
- cost of Handysize and Handymax fleet and chartered-in costs
- the challenging outlook for our towage business
- any further impairment in the towage business

# News and Achievements

## 2014

### JAN

- Dubai office established

### FEB

- Corporate Governance Asia Excellence Awards 2014 – Best Investor Relations by Company (HK)

### MARCH

- Appointment of new INED, Irene Waage Basili – our first female board member



### APR

- HK Marine Department Award for Outstanding Performance in Port State Control Inspections in 2013
- Secured US\$350 million Japanese export credit financing for 18 bulk carriers

### MAY

- BIMCO Shipping Company of the Year Award



- External appreciation for outstanding performance of Astoria Bay in Port Angeles, USA

### JUL

- 10<sup>th</sup> Anniversary of listing on HK Stock Exchange

### AUG

- 2013 Vision Awards Annual Report Competition – Silver Award in Media & Services Category
- Communicate Magazine – Corporate Awards 2014 – Silver Award in Best printed report (International category)
- e.com Report Watch Top 400 Global Annual Reports – ranked 15<sup>th</sup> globally, 2<sup>nd</sup> in HK, A rating
- Institutional Investor Magazine 2014 All-Asia Executive Team
  - Best Investor Relations Program: Second Place (Industrials, Buy Side)
  - Best CEO: Second Place – Mats Berglund (Industrials, Buy Side)
  - Best CFO: Second Place – Andrew Broomhead (Industrials, Buy Side)

### SEP

- 2014 International ARC Awards – Gold Winner in Interactive Annual Report (Shipping Services)

### OCT

- Lloyd's List Global Awards 2014 – Safety Award
- Lloyd's List Asia Awards 2014 – Best Ship Operator



- Best of Asia 2014 Corporate Governance Awards – Asia Icon in Corporate Governance – Asia Corporate Director of the Year – Mats Berglund

### NOV

- IBJ Awards 2014 – Award for Safety in Bulk Handling (Marine)

### DEC

- The Asset Corporate Award 2014 – Platinum Award



- Corporate Governance Asia Awards 2014 Company Secretary of the Year – Kitty Mok
- IR Magazine Awards 2014 – Certificate of Excellence for Investor Relations
- Carbon Footprint Repository for Listed Companies in Hong Kong – Certificate of Commendation

