

## Types of Risk

BW LPG is exposed to a variety of risks in the course of doing business and operations. These risks are managed by an established Enterprise Risk Management (ERM) process that identifies, assesses, reports and responds to potential threats. Our ERM process weaves through many other work processes across the Company. Below summarises the types of risk we are exposed to.

	<b>Risk Area</b>	<b>Mitigating Strategy</b>
<b>Decarbonisation</b>	Shipping faces increasingly stringent regulatory controls on emissions which impact the type of fuel we can use to power our vessels. Vessels may have to reduce speed to meet emission regulations. The industry will need rapid developments in technology to meet ambitious emission targets.	<p>We will retrofit 15 vessels with LPG dual-fuel propulsion technology and consider ways to further renew our fleet. We also implement initiatives to optimise voyages and explore energy saving fittings.</p> <p>We continue to monitor and assess developments in new technology that will further our decarbonisation ambition.</p>
<b>Human Capital</b>	Shipping is evolving rapidly, and we need qualified staff that are equipped with the relevant competency. Failure to do so can impact our ability to implement our strategic objectives and move ahead of competition.	We offer competitive salaries and benefits to attract and retain talent. We also offer training opportunities to build on competencies, and ensure we have a sustainable talent pipeline.
<b>Macro-economic and Market</b>	Growing VLGC newbuilding orders coupled with reducing LPG import/export volumes may exert downward pressure on freight rates. Challenging market conditions may be made worse if we use inferior data in our demand-supply model and make poor commercial decisions.	We closely monitor freight rates and market outlook, and subscribe to reputable research agencies to access quality market research reports. We leverage on in-house commercial expertise to maintain market agility, and choose not to add to the global orderbook. We also leverage on our Product Services division to capture market opportunities and maximise fleet utilisation.



	<b>Risk Area</b>	<b>Mitigating Strategy</b>
<b>Financial</b>	<p>As the business grows, we must ensure adequate risk management to combat unpredictable market fluctuations. Volatile market conditions can also increase the possibility of losses from hedging and cargo trading exposures.</p>	<p>We use financial instruments such as interest rate swaps, bunker swaps and freight forward agreements to hedge material exposures. Cross-departmental teams work closely with our risk management team to continuously check and monitor risk limits.</p>
<b>Technology</b>	<p>The ability to collect and make sense of data is critical to optimise assets and performance. To prevent obsolescence, we must continue to digitalise our vessels, increase automation, embrace promising new technology, and upgrade our IT infrastructure.</p> <p>The growing trend of automation and digitalisation, coupled with alternative working arrangements increase cybersecurity risks and risk of data breaches.</p>	<p>We invest in promising new technology (eg. SMARTShip) and regularly maintain and upgrade our hardware and systems on our vessels board and in our offices.</p> <p>We mitigate cybersecurity risks by implementing appropriate measures and conducting audits that identify potential vulnerabilities. We also conduct training to raise awareness of and alertness to cyber security threats.</p>

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