

corporate governance

Chemoil Energy Limited (the "Company"), is committed to maintaining high standards of corporate governance through practices underpinned by integrity, transparency and accountability benchmarked to the Code of Corporate Governance 2005 (the "Code").

Board's Conduct of its Affairs

Principle 1: The Company requires an effective Board to lead the company with due diligence.

Chemoil is led by an entrepreneurial Board that establishes the corporate policies and strategic direction to build sustainable value for all shareholders. The Board sets the direction and goals, as well as supervises and monitors the performance of the executive management.

The Board's principal functions are:

- approving major investments, acquisitions, divestments and funding proposals
- approving the annual budgets and business plans
- regularly reviewing the performance of the Group's business
- approving the periodic and full-year financial results for release to the Singapore Exchange Securities Trading Limited ("SGX-ST")
- recommending dividend payments for shareholders' approval
- ensuring the adequacy and integrity of internal controls, risk management, financial reporting and compliance processes
- assuming responsibility for corporate governance

Two main sub-Board Committees support the Board in the execution of their responsibilities, namely:

1. Audit Committee
2. Nominating and Remuneration Committee

The membership and attendance of the directors at the Board and Board Committee meetings held in FY2010 are set out in the table below:

Name of Director	Board Meeting	Audit Committee Meeting	Nominating and Remuneration Committee Meeting
Michael Bandy	7	NA	NA
Philip Anderson	6	NA	7
Raymond Bartoszek ⁵	5	NA	NA
Alexander Beard ²	5	NA	NA
Mark Catton ²	5	NA	6
Michael Lim ³	7	7	NA
Peter Meade	7	7	7
Fuminobu Oda	7	6	NA
Steven Simpson ⁴	NA	NA	NA
Masanobu Takagi	7	NA	NA
Vivian Chandran ¹	2	NA	1
Sharon Chandran ¹	2	NA	NA
Harrison Chang ¹	2	NA	NA
No. of Meetings Held	7	7	7

Notes:

- 1 Resigned with effect from 31 March 2010.
- 2 Appointed with effect from 31 March 2010.
- 3 Resigned on 19 November 2010.
- 4 Appointed on 19 November 2010.
- 5 Appointed with effect from 31 March 2010 and resigned on 31 January 2011.

Attendance at Board meetings by telephone and conferencing via audio-visual communication are allowed under the Company's Articles of Association.

Board Composition and Balance

Principle 2: The Company values an independent element on the Board

In FY2010, the Board comprised 9 Directors, one of whom is an Executive Director, with the remaining 8 directors being Non-Executive Directors. 3 of the 8 Non-Executive Directors are also Independent Directors. The Company has adopted the Code's definition of "Independent Director" and its guidance in respect of relationships which would deem a Director to be regarded as non-independent. As 3 out of its 9 directors were independent directors, the Company did have one-third of its Board Members staffed by independent directors and was Code-compliant for FY2010.

The composition of the Board takes into consideration the nature and scope of the Group's operations to ensure diversity and relevant skill set for effective decision making. The Directors of the Board have varied qualifications and expertise in accounting, finance, business management, strategic planning, engineering, biochemistry and most also have experience in the marine fuel industry.

With the appointment of Mr. Thomas Kevin Reilly as CEO and Director on 3 January 2011, Mr. Clyde Michael Bandy was requested by the Board to stay on for a period of time as the Chairman to facilitate a smooth transition of management leadership. This brings the total number of non-independent directors to 7 out of a total of 10 Directors, and thus the Company will, for a short period of time, not be fully compliant with Guideline 2.1 of the Code which prescribes that at least one-third of the directors should be independent. This is temporary in nature and intended to ensure an orderly and smooth transition for the Company as well as to enable the new CEO to benefit from the incumbent Chairman's in-depth knowledge and background of the Company's business matters.

The Board confirms that the following factors sufficiently ensure that power is not concentrated in the hands of one individual and that there is accountability and independent decision making by the Board:

- Active participation by Independent Directors during Board meetings, who challenge the assumptions and proposals of the management on all issues affecting the affairs and businesses of the Group.
- The appointment of a Lead Independent Director to address shareholder concerns which could not have been resolved through the normal channels of the Chairman and CEO, or for which such contact is inappropriate. The Lead Independent Director also acts as the principal liaison between the Independent Directors and the Chairman on sensitive issues.

Brief profiles of the Directors are provided under the section "Board of Directors" in this annual report.

Chairman and Chief Executive Officer

Principle 3: Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making

Mr Bandy was the Chairman and Chief Executive Officer ("CEO") of the Company from January 2008. Prior thereto he was the Lead Independent Director of the Company. In January 2008, the Company's founder and Chairman passed away suddenly, and Mr. Bandy was requested by the founder's family as well as the Board of Directors to assume the roles of Chairman and CEO as they felt that with his skill set and in-depth knowledge of the industry and the Company, he would be best placed to stabilise and lead the Company forward.

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The intention was always to separate the roles once the transition process was completed, and this was accomplished on 3 January 2011 with the appointment of Mr. Reilly as the Company's new CEO. At the Board's request, Mr. Bandy continued in his role as Chairman to facilitate the transition of the management leadership.

With the separation of roles, the Chairman will bear responsibility for providing leadership to the Board, and the CEO will have executive responsibility for the Company's business. The Chairman ensures that Board meetings are held when necessary and sets the agenda in consultation with other Directors. He reviews all Board papers, prior to their being presented to the Board, and ensures that Board members are provided with complete, accurate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group.

Board Membership

Principle 4: The process for the appointment of new directors to the Board should be formal and transparent

The Nominating and Remuneration Committee ("NRC") wholly comprised non-executive directors, the majority of whom, including the Chairman, are independent.

The members of the NRC were:

- Mr. Philip Anderson Chairman
- Mr. Mark Catton* Member
- Mr. Peter Meade Member

* Appointed with effect from 31 March 2010 in replacement of Mrs. Vivian Chandran who resigned with effect from 31 March 2010.

The NRC ensures that directors appointed to the Board possess the relevant background, experience and expertise to make fair and sound decisions.

New directors of the Company are appointed after a review and recommendation by the NRC to the Board of Directors. New directors are required to submit themselves for re-election at the next annual general meeting ("AGM") of the Company in accordance with the Company's Memorandum and Articles of Association. The Articles also provide that at least one-third of the directors retire from office and are subject to re-election at every AGM. All directors are required to retire from office at least once every three years. The shareholders approve the re-election of directors at the AGM.

The NRC has assessed the independence of the non-executive directors, namely, Mr. Philip Anderson, Mr. Peter Meade and Mr. Steven Simpson and is satisfied that there are no relationships which would deem them not to be independent.

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board

The NRC undertakes an annual formal review of both the Board's performance as a whole, as well as individual director's performance and reports the outcome to the Board. The Chairman of the Board may take actions as may be appropriate according to the results of the performance evaluation, which will be based on objective performance criteria proposed by the NRC and approved by the Board.

Access to Information

Principle 6: Board members should have complete, adequate and timely information

The Board has separate and independent access to senior management and the representatives of the Company Secretary at all times. The management provides information requested by the Board promptly and keeps the Board informed of all material events and transactions as these occur. The management consults Board members as necessary and appropriate. The Board is provided with Board papers prior to Board meetings to enable them to be informed, and accorded sufficient time to seek clarification and arrange consultations if required.

The representatives of the Company Secretary attend and document all Board meetings. The Company Secretary assists the Chairman in implementing appropriate Board procedures to facilitate the effective functioning of the Board, and compliance with the Company's Memorandum and Articles of Association and the relevant rules and regulations applicable to the Company.

The appointment and removal of the Company Secretary are subject to the approval of the Board.

The Board in fulfilling its responsibilities can, as a group or individually, when deemed fit, direct the Company to appoint external professionals to render advice.

Remuneration Matters

Principle 7: The policy on executive remuneration and for fixing remuneration packages of individual directors should be formal and transparent

Principle 8: Remuneration of directors should be adequate but not excessive

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

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Framework of Remuneration and Remuneration Packages

The NRC makes recommendations on the remuneration of directors based on expert industry and company advice, ensuring a transparent and sound policy that maximizes shareholders' value and talent retention. It has recommended a framework of remuneration, and specific remuneration packages, which include performance-related components for the Executive Director, approved by the Board.

Policy in Respect of Directors' Remuneration

With effect from April 2010, only independent directors of the Company were paid Directors' fees. Directors' fees are subject to the approval of shareholders at the Company's Annual General Meetings. The framework for determining director's fees in FY2010 is set out below:

All amounts in US\$	Base fee	Lead Independent Director	Committee Chair	Non-chair Committee Member
Michael Bandy ²	-	-	-	-
Philip Anderson	50,000	-	10,000	-
Raymond Bartoszek ²	-	-	-	-
Alexander Beard ²	-	-	-	-
Mark Catton ²	-	-	-	-
Michael Lim*	44,158	8,832	17,663	-
Peter Meade**	50,000	1,168	-	15,000
Fuminobu Oda ²	12,500	-	-	2,500
Steven Barry John Simpson***	5,842	-	2,337	-
Masanobu Takagi ²	12,500	-	-	-
Vivian Chandran ¹	12,500	-	-	1,250
Sharon Chandran ¹	12,500	-	-	-
Harrison Chang ¹	12,500	-	-	-

Directors are paid attendance fees for all scheduled and ad-hoc physical and telephonic meetings.

¹ Fees pro-rated to their period of service as Directors.

² Non-independent Directors do not receive any fees from April 2010.

* Resigned on 19 November 2010.

** Appointed Lead Independent Director on 19 November 2010.

*** Appointed on 19 November 2010

Level and Mix of Remuneration for Key Executives and Directors for the Year Ended 31 December 2010

The level and mix for each key executive or director's remuneration in bands of S\$250,000 are set out below:

Key Executives

Name	Directors' Fees %	Base/ Fixed Salary %	Variable or Related Income/ Bonus %	Benefits in Kind %	Value of Share Options Granted %	Total %
Between S\$2,750,001 and S\$3,000,000 Michael Bandy (Chairman & CEO in FY2010)	-	48.99	29.39	0.72	20.90	100.00
Between S\$750,001 and S\$1,000,000 Sanjay Anand	-	58.08	31.41	-	10.51	100.00
Between S\$500,001 and S\$750,000 Jerome Lazatin Lorenzo*	-	73.19	11.39	1.75	13.67	100.00
Between S\$250,001 and S\$500,000 Adrian Tolson	-	62.76	13.95	9.80	13.49	100.00

* Resigned on 3 March 2011

Chemoil Group has many valued key executives worldwide. For FY2010, Messrs. Lorenzo, Tolson and Anand were designated as the Executive Officers of the Group and were then considered the primary key executives, apart from the Chief Executive Officer whose remuneration is already disclosed above. The Nominating and Remuneration Committee has recommended to the Board and the Board accepts the recommendation to disclose the remuneration of these 3 Executive Officers in bands of S\$250,000. Due to the sensitive nature of this subject, the Board is of the opinion that such disclosure would be adequate for purposes of Code compliance.

Non-Executive Directors

Name	Directors' Fees %	Base/ Fixed Salary %	Variable or Related Income/ Bonus %	Benefits in Kind %	Value of Share Options Granted %	Total %
Below S\$250,000						
Philip Anderson	76.91	-	-	-	23.09	100.00
Raymond Bartoszek ¹	-	-	-	-	-	-
Alexander Beard ⁺	-	-	-	-	-	-
Mark Catton ⁺	-	-	-	-	-	-
Michael Lim	79.72	-	-	-	20.28	100.00
Peter Meade	84.36	-	-	-	15.64	100.00
Fuminobu Oda	100.00	-	-	-	-	100.00
Steven Barry John Simpson*	100.00	-	-	-	-	100.00
Masanobu Takagi	100.00	-	-	-	-	100.00
Vivian Chandran	100.00	-	-	-	-	100.00
Sharon Chandran	100.00	-	-	-	-	100.00
Harrison Chang	100.00	-	-	-	-	100.00

+ Appointed as directors on 31 March 2010. With effect from 1 April 2010 only Independent Directors were paid fees

* Appointed on 19 November 2010

¹ Appointed as director on 31 March 2010 and resigned on 31 January 2011

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	Direct interest as at			Deemed interest as at		
	1.1.2010	31.12.2010	21.1.2011	1.1.2010	31.12.2010	21.1.2011
Interest in the Company's ordinary shares of HK\$0.0000125 each.						
Michael Bandy	-	-	-	-	-	-
Philip Anderson	-	-	-	200,000	200,000	200,000
Raymond Bartoszek ⁺	-	-	-	-	-	-
Alexander Beard [*]	-	-	-	-	-	-
Mark Catton [*]	-	-	-	-	-	-
Peter Meade	-	-	-	-	-	-
Fuminobu Oda	-	-	-	-	-	-
Masanobu Takagi	-	-	-	-	-	-
Steven Simpson ^{**}	-	-	-	-	-	-
Thomas Reilly ^{***}	-	-	-	-	-	-
(Options to subscribe for ordinary shares)						
Michael Bandy	7,422,898	9,781,945	9,781,945	-	-	-
Philip Anderson	516,000	692,000	692,000	-	-	-
Peter Meade	352,000	528,000	528,000	-	-	-
Steven Simpson ^{**}	-	-	-	-	-	-

⁺ Appointed with effect from 31 March 2010 and resigned on 31 January 2011

^{*} Appointed with effect from 31 March 2010.

^{**} Appointed on 19 November 2010.

^{***} Appointed on 3 January 2011.

Details of the 2006 Share Option Scheme

The NRC administers the 2006 Share Option Scheme. Please refer to Note 20 of the Notes to the Financial Statements for details of the Scheme.

The aggregate number of share options that may be granted shall not exceed 5% of the issued share capital of the Company.

Details in respect of employees who received more than 1,000,000 options in aggregate over the years are set out below:

	Options granted during the financial year under review (including terms)	Aggregate options granted since commencement of Scheme to the end of the financial year under review	Aggregate options exercised since commencement of Scheme to the end of the financial year under review	Aggregate options outstanding as at the end of the financial year under review
Jerome Lorenzo*	350,000	2,875,333	350,000	2,175,333
John Beckman	200,000	2,425,333	-	2,425,333
Emilio Heredia	125,000	1,950,333	-	1,950,333
Helen Surh	300,000	2,725,333	-	2,725,333
Adrian Tolson	300,000	2,725,333	-	2,725,333
Sanjay Anand	350,000	2,875,333	350,000	2,525,333
Vasanth Kumar Nair	250,000	1,280,948	1,030,948	250,000
James Takeuchi	200,000	1,130,948	200,000	930,948

* Resigned on 3 March 2011, 350,000 options lapsed

Information on Directors participating in the Scheme is as follows:

Michael Bandy	2,359,047	9,781,945	-	9,781,945
Michael Lim*	176,000	704,000	-	528,000
Philip Anderson	176,000	692,000	-	692,000
Peter Meade	176,000	528,000	-	528,000

* Resigned on 19 November 2010, 176,000 options lapsed

As at 31 December 2010, no options have been granted to controlling shareholders (as defined in the Listing Manual of the SGX-ST) of the Company or their associates (as defined in the Listing Manual of the SGX-ST).

As at 31 December 2010, no options have been granted at a discount.

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Accountability and Audit

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects

Principle 11: Establishment of Audit Committee with written terms of reference

The Board is provided with management accounts that present a balanced and comprehensible assessment of the Group's performance, position and prospects on a quarterly basis.

Financial results of the Company and the Group are disseminated through announcements via SGXNET, by news releases, through media and analyst briefings as well as postings on the Chemoil website.

Audit Committee

The Audit Committee ("AC") comprises 3 members, the majority of whom, including the Chairman, are independent. The members of the AC were:

- | | |
|-----------------------|----------|
| • Mr. Steven Simpson* | Chairman |
| • Mr. Fuminobu Oda | Member |
| • Mr. Peter Meade | Member |

* Appointed on 19 November 2010 in replacement of Mr. Michael Lim who resigned on 19 November 2010.

The AC undertook a review of all non-audit services provided by the external auditors during the financial year, and is of the view that these would not affect the independence of the external auditors. Fees paid/payable to PricewaterhouseCoopers Singapore and other auditors, including PricewaterhouseCoopers firms outside Singapore, for non-audit services was nil and US\$157,859 respectively, in 2010.

The AC has the power to conduct or authorize investigations into any matters within its scope of responsibility. The AC is authorized to obtain independent professional advice whenever deemed necessary for the discharge of its responsibilities. Such expenses will be borne by the Company.

The AC has the co-operation of and complete access to the Company's management. It has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable the discharge of its functions.

The AC was established and operates in accordance with written terms of reference which set out its duties and responsibilities clearly.

Internal Controls and Risk Management

Principle 12: Maintain a sound system of internal controls

The Group has put in place a framework to ensure and maintain a sound system of internal controls throughout. A more detailed report in respect of the Group's approach to risk management and internal controls are set out in the "Managing Risks" section of this annual report.

Risk Management Committee

Also an Executive Risk Management Committee ("ERMC") has been set up to assist the Board in fulfilling its responsibilities by identifying, reviewing, recommending and approving:

- (a) the types and levels of business risks of the Company, its subsidiaries, joint ventures and associated companies in the course of business.
- (b) the policies, procedures and methodologies for identifying, measuring, monitoring and managing risks that are consistent with its risk appetite.

Internal Audit

Principle 13: Independent internal audit function

The internal audit function is outsourced to Protiviti, an independent global provider of internal audit and consulting services. This function has also been enhanced by the appointment of a Director, Internal Audit, a secondee from the Glencore Group.

The major elements in place which support the independence, quality assurance, and effective execution of the internal audit function include:

- (a) A formal Internal Audit Charter, drafted in accordance with the International Standards for the Professional Practice for Internal Auditing set by the Institute of Internal Auditors. The Charter sets out the roles and responsibilities, authority, and other matters pertaining to the internal audit function as well as management's responsibilities.
- (b) Functional reporting lines for the internal audit function to the CEO and Chairman of the Audit Committee.
- (c) Opportunities for private discussions between the AC and the Internal Audit function without management present.
- (d) Both the Protiviti Engagement Managing Director and Engagement Manager are Certified Internal Auditors and IIA Qualified Quality Assessors, and have experience in assessing quality programs for large corporate internal audit functions. They ensure that the function is adequately staffed and resourced.

The AC is therefore satisfied with the adequacy of internal controls and the internal audit function.

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Communication with Shareholders

Principle 14: Regular, effective and fair communication with shareholders

Principle 15: Greater shareholder participation at annual general meetings

In line with the Singapore Exchange's Listing Rules, the Board's policy is to ensure that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

- SGXNET announcements and news release
- Annual reports prepared and issued to all shareholders
- Company's website at www.chemoil.com where shareholders can access information on the Group

At general meetings, each distinct issue is proposed as a separate resolution.

At the Company's annual general meetings, shareholders are given the opportunity and have expressed their views, comments and raised enquiries to directors and management. The Chairmen of the Audit and the Nominating and Remuneration Committees are required to be and have been present at annual general meetings to answer any questions relating to the work of their committees.

Other Governance Practices

Securities Transactions

Insider trading policy

The Company has in place a policy prohibiting share dealings by directors and employees of the Group in the two weeks before the release of quarterly results and one month before the release of the full-year results, with the restriction ending on the day after the announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods. An officer should also not deal in the Company's securities on short-term considerations.

Interested Person Transactions

The Company has established procedures to ensure that all interested person transactions are reported in a timely and thorough manner to the AC and that these transactions are conducted at arm's length and are not prejudicial to the interests of other shareholders.

During the financial year ended 31 December 2010, the following interested person transactions were entered into by the Group:

Name of interested persons	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions of value less than S\$ 100,000 and transactions entered into pursuant to the IPT mandate) US\$'000	Aggregate value of all interested person transactions entered into under the IPT mandate during the financial year under review (excluding transactions of value less than S\$ 100,000) US\$'000
Itochu Petroleum Company Singapore Ltd.	6,624	31,193
Itochu Enex Ltd.	-	9,799
Pebble Beach Shipping	331	-
Baron Shipping Corporation	571	-
Andorra Service Limited Hong Kong	7,094	-
Total	14,620	40,992

Name of interested persons	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions entered into pursuant to the SPS agreement) US\$'000	Aggregate value of all interested person transactions entered into under the SPS agreement during the financial year the financial year under review US\$'000
Glencore Ltd.	907	827,957
Glencore Singapore Pte Ltd.	2,104	983,529
Glencore Energy UK Ltd.	27	37,931
Glencore Grain Rotterdam BV	-	200
Glencore Commodities Ltd. – Singapore	-	70,653
Glencore International AG	-	15,947
Glencore Commodities Ltd.	-	287,460
ST Shipping & Transport Inc.	1,456	29,380
ST Shipping & Transport Pte Ltd. (Singapore)	-	35,658
ST Shipping & Transport Pte Ltd. (US)	-	313
ST Shipping & Transport Pte Ltd. (UK)	-	15,653
Total	4,494	2,304,681

Material Contracts

Apart from the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its Chief Executive Officer, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or entered into since the end of the previous financial year, save for the acquisition of the marine fuel group business from OceanConnect Holdings Inc., details of which were set out in the announcement released on SGXNet on 3 January 2011.