STEAMSHIPS
TRADING COMPANY LIMITED

31st May 2018

To: ASX / POMSOX
Market Announcements

2017 CORPORATE GOVERNANCE STATEMENT

To supplement the Appendix 4G submitted to the exchanges on 31st March 2018, Steamships hereby annex a copy of the board approved 31 December 2017 Corporate Governance statement which can also be found at http://www.steamships.com.pg/about-us/corporate-governance

Michael R Scantlebury
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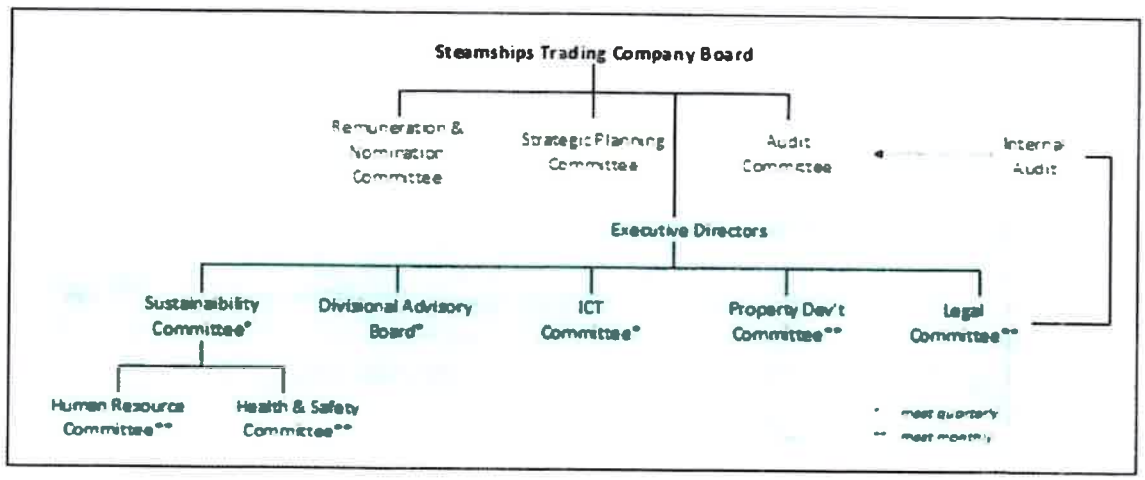
STEAMSHIPS

Corporate Governance Statement 31st December 2017

The following corporate governance report has been approved by the Board of Directors.

Steamships has formalised the below governance structure:

STEAMSHIPS CORPORATE GOVERANCE STRUCTURE



Director's attendance at the Board and relevant Board Committee meetings during 2017 is outlined below:

	Board Meeting	Audit & Risk Committee	Remuneration & Nomination Committee	Strategic Planning Committee
P. Aitsi	3/4			
G. Aopi	3/4			
M.R. Bromley	4/4	4/5	2/2	1/1
D.H. Cox	4/4	5/5		1/1
G. L. Cundle (Chairman)	4/4		2/2	1/1
G.J. Dunlop	4/4	5/5		1/1
W.T. Kamit	3/4	4/5		
B.N. Swire	2/4			
J.H. Woodrow	3/4			
P.W. Langslow*	4/4	5/5	2/2	1/1
M.R. Scantlebury *	4/4	5/5		

* Executive Directors

* Executive Directors

A commitment to good governance

Steamships and its Board are committed to achieving and demonstrating the highest standards of corporate governance and ethical behaviour, and they expect these standards from all employees. The Group believes that the maximisation of long term returns to shareholders is best achieved by acting in a socially responsible manner that recognises the interests of community stakeholders.

Steamships is committed to:

- Providing high-quality products and services to meet customers' needs;
- Maintaining high standards of business ethics and corporate governance;
- Ensuring the safety and wellbeing of employees and others with whom the Group has contact; and
- Promoting sustainable business practice.

Steamships believes it complied with the Australian Stock Exchange Corporate Governance Principles (the third edition) during the twelve months ended 31 December 2017, except where noted in the following pages.

Steamships reports against the Australian Stock Exchange (ASX) recommendations by addressing each key principle in the order it is listed in the ASX guidelines. Each section addressing a key principle includes references to relevant information that appears elsewhere in the 2017 Annual Report or on Steamships' website.

Lay solid foundations for management and Oversight

Steamships focuses on the long-term development and growth of business where it can add value through its industry-specific expertise, its partnerships and its knowledge of Papua New Guinea, gained through its long history in the country. In order to achieve this, the Group combines the efforts of dedicated management teams in the individual Divisions, supported by a Corporate Office management team, to provide services such as strategic direction, investment and performance review, ICT, treasury, legal support, health & safety development, human resources management and people development services.

Steamships' Board of Directors, together with Divisional advisory boards, has the responsibility to set the strategic direction of the Group; to review the operational and financial performance of the Group's activities; to monitor the achievements of the Group against its objectives; to review the management of business risk; and to report to the shareholders. Steamships has formalised and defined the functions reserved for the Board and those delegated to management in a formal Board

Charter. This Charter defines Board duties to facilitate accountability to the Group and its shareholders.

Steamships has adopted a structured approach to strategic business planning across all Divisions. The Group has implemented a key performance indicator monitoring system to ensure it remains focused on core strategies and the action plans outlined to achieve them. Progress against the strategies and indicators are measured on a quarterly basis.
The Board has formed a Strategic Planning Committee that meets annually to review a three-year forward plan together with the detailed forthcoming annual operating & capital budget in discussion with the Division General Managers. This review in no way diminishes the responsibility of the full Board to review and approve the Group's strategy at a more macro level.

Core strategies are implemented by means of programs, budgets and procedures. Implementation involves the organisation of the Group's resources and motivation of the staff to achieve objectives.

The Managing Director reviews the performance of senior executives regularly and at least annually. These reviews address individual and corporate key performance indicators and compliance with the Group code of conduct and ethics. A report on the annual reviews is presented to the Remuneration and Nomination Committee which provides feedback to the Board on senior management succession plans.

The Board assesses the performance of the Managing Director and Finance Director, according to the formal performance evaluation process. Performance evaluations for all senior Executives were carried out during 2017 in accordance with this process.

The Group is committed to the development of its employees by ensuring its succession program is appropriate and monitored. Although the expertise and skills of expatriate staff are still required, an active program of training and skills transfer seeks to enable the Group to promote PNG citizen staff and to build a strong, long-term workforce for the future.

The Remuneration and Nomination Committee is responsible for nominating potential Directors for election to the Board. Before presenting a candidate to security holders, the Committee undertakes appropriate checks as to the suitability of the candidate. Any material aspects of this evaluation are communicated to security holders prior to the election of the relevant candidate.

All directors and senior executives have written engagement agreements in place. The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. During 2017 the chairman of the board conducted a performance evaluation of the board, its committees and the directors.

Copies of the Board Charter, Board Committee Charters and Terms of Reference and the formal process for Senior Management Performance Evaluation can be found on Steamships' website in the corporate governance section.

Diversity

Steamships' approach to diversity is based on fostering an inclusive culture, improving talent management, enhancing recruitment practices and ensuring pay equity. While Steamships is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group.

Steamships is a corporate supporter of the 'Coalition for Change' and the lobbying for legislation to combat violence against women and children. As a responsible corporate citizen, and significant employer of women, we are also actively engaged in discussion with the Business Coalition For Women and other organisations in addressing issues of gender inequity and violence.

In 2015 the Steamships board set an objective of capturing gender diversity metrics for its workforce at different seniority levels and across different industries, with a target to progressively improve the balance where possible, and for management to start to identify impediments to change.

The proportion of Steamships citizen jobs held by women were as follows:

	2017	2016
Board	8%	8%
Senior	42%	18%
Supervisory	42%	37%
General	26%	20%
Total	27%	20%

Whilst pleasingly there has been a positive movement in diversity at senior levels, there was during the year a reduction in diversity at the general staff level; this was mainly seen in our logistics and hotel operations.

Notwithstanding ASX recommendations, Steamships believes that for a Group operating entirely in Papua New Guinea, diversity must go further than a narrow focus on gender, and incorporate cultural diversity. This country of over seven million people is widely reported as having around 800 unique languages. The challenges of its mountainous and island terrain contribute to its highly traditional tribal and rural societies (less than 20 per cent of PNG citizens live in urban centres).

Steamships operates in 12 of PNG's 20 provinces, consistent with its broad range of business interests. Having operated successfully in PNG since 1918, Steamships recognises the social and commercial value of diversity and strives to create a work environment which is inclusive of all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference.

In 2013, the Board approved a Diversity Policy for the Group that reflects this commitment and includes the requirement for reviewing and providing recommendations to the Board on the Group's performance development initiatives aimed at promoting diversity.

Steamships' Code of Conduct and Diversity Policy are available on the Steamships website in the corporate governance section.

Structure the Board to add value

The Steamships Board currently comprises two Executive Directors, five Independent Non-Executive Directors (Lady Winifred Kamit, Mr Gerea Aopi, Mr Peter Aitsi, Mr John Dunlop and Mr David Cox), and four Non-Executive Directors, of whom three are also Directors of other John Swire & Sons' subsidiary companies. Of the five Independent Non-Executive Directors three have served on the board for a period of more than ten years. The Remuneration & Nomination Committee has considered and concluded that this has not compromised their independence.

Steamships notes the ASX recommendations that a majority of the board of a listed entity should be independent directors and advises that the Group departs from these recommendations due to the nature of its shareholdings and its location. Steamships currently has 98 per cent of its shares held by three major shareholders, two of which are represented on the board. The pool of available independent representatives in Papua New Guinea is small, and it would be very difficult to find an adequate number of truly independent Directors qualified to serve on the Board. To disqualify existing Directors on the grounds of lack of independence would deprive the Group of valuable experience in the management of its affairs. While recognising the importance of the ASX recommendations, the Board feels that, under current circumstances, the recommendations are not practicable, and would not serve the interest of the Group or its shareholders.

The roles of Chairman and Managing Director are performed by separate individuals.

All Non-Executive Directors retire on a rotational basis at least every three years. Retiring Directors are eligible for re-election.

The Board has a Remuneration and Nomination Committee comprising three Directors. The members of the Remuneration and Nomination Committee and their attendance at meetings of the Committee during 2017 are detailed above and in the Directors' Report. The procedure for nominating, electing and re-electing Directors can be found in the Nomination Committee Charter available in the Governance section of the Steamships website.

Steamships acknowledges ASX Recommendation 2.1, which states that both the Chair and majority of members of the Remuneration and Nomination Committee should be independent directors. However, for the reasons described above (specifically the concentrated nature of the company's shareholdings and the small pool of potential independent directors in Papua New Guinea), Steamships departs from this recommendation. It should be noted that the Charter of the Remuneration and Nomination Committee requires the Chair to be a Non-Executive Director.

The responsibilities of the Remuneration and Nomination Committee include reviewing, monitoring and making recommendations to the Board regarding the composition of the Board, Board Committees and senior management team.

Steamships believes that its Board should consist of Directors with an appropriate mix of skills and experience to understand, critique and contribute to the Group's performance. The board has considered and believes that it broadly possesses an adequate balance of the following:

PROFESSIONAL SKILLS	TECHINCAL EXPERIENCE	BEHAVIOURAL QUALITIES
Strategic leadership	Financial & audit	Ability & willingness to challenge & probe
Vision & mission	Legal compliance	Common sense & sound judgment
Personal connections & networking	Human resources	Integrity & high ethical standards
Governance	Management	Listening & communication skills
Diversity & culture	Technology	Willingness and ability to devote time
	Public relations	
	Risk management	
	Relevant industry experience	

The skills expertise, interests and experience of each Director and term of office at the date of this report are detailed in the Directors' Report.

The Steamships Board has adopted a formal performance evaluation process which reviews the performance of the Board, Board Committees and individual Directors on an annual basis.

The process is conducted by the Chairman of the Board, who meets with each Non-Executive Director and specifically addresses key performance indicators and compliance with the Group Code of Conduct and ethics. In reviewing the performance of Board Committees, the Chairman conducts meetings with the Chairperson of each Board Committee addressing key performance criteria and compliance with Committee charters and terms of reference. Both review processes were completed in 2017.

A more detailed explanation of Steamships' formal performance evaluation processes for the Board, Board Committees and individual Directors is available on Steamships' website in the corporate governance section.

In exercising their duties as Directors, the Board, and individual members of it, can seek independent professional advice at the Group's expense. Requests for the provision of such advice are directed to the Chairman.

Steamships has an induction process for new directors and provides appropriate professional development opportunities as deemed necessary for directors to perform their duties.

Steamships' Board Charter and the Remuneration and Nomination Committee Charter are available on Steamships' website in the corporate governance section.

Act ethically and responsibly

Steamships promotes ethical and responsible decision-making in all its Divisions. This commitment falls within the Group's strong focus on ensuring the sustainability of its business operations, described separately in the Annual Report and on the Steamships website. The Group's evolving sustainability strategy promotes ethical and responsible behaviour in three key focus areas: People, Environment and Community.

In 2013, Steamships adopted a formal Group Code of Conduct. The Code embodies previously informal practice and is supported by a training module and periodic monitoring of compliance. Among matters addressed, the Code of Conduct details Steamships' requirements regarding monetary payments and gifts offered by third parties to Steamships' personnel.

The following Board committees assist the Board in promoting ethical and responsible decision making:

- Strategic Planning Committee
- Audit Committee
- Remuneration and Nomination Committee

Steamships follows the Global Reporting Initiative, a worldwide corporate sustainability transparency initiative, and in 2016 adopted the new G4 guidelines. By establishing systems to collect relevant data and monitor progress against meaningful benchmarks, Steamships promotes ethical and responsible decision making.

Commentary on Group performance in health and safety, security, training and development, labour relations, diversity, in addition to environmental measures on energy and water and the Group's approach to community development can be found in the sustainability section of the Annual Report and on the Steamships website.

Safeguard integrity in financial reporting

While the Board maintains overall responsibility for the systems of internal control and monitors their effectiveness, it is assisted in discharging its responsibilities by the Audit Committee, which in 2017 was composed of an Independent Non-Executive Chairman and two Independent Non-Executive Directors and one Non-Executive Director who represents a significant shareholder.

The Audit Committee recommends the appointment and remuneration of the external auditors, reviews the Group's financial statements, and assesses the integrity of Steamships' accounting and corporate reporting systems and the adequacy and effectiveness of existing internal and external audit arrangements. It also considers management of the Group's risk. The findings and recommendations of the Committee are reported to the Board. The Committee meets quarterly, at

which time it receives and discusses reports from senior management, and from internal and external auditors. The Audit Committee has formal terms of reference which detail its role and responsibilities, composition, structure and membership requirements.

To aid the Committee, Steamships established a formal Internal Audit function in 2013 which annually reviews key control processes and transaction cycles in each operating division, together with any specific risk areas as identified by the Executive Directors.

The members of the Audit Committee, their qualifications and their attendance at meetings of the Committee held during 2017 are shown above and in the Directors' Report.

The board has received from its Managing Director and Finance Director a declaration that, in their opinion, the financial records of the entity for 2017 have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Audit Committee Terms of Reference is available on Steamships' website in the corporate governance section.

Make timely and balanced disclosure

Steamships promotes timely and balanced disclosure of all material matters concerning the Group.

The Board seeks to inform shareholders of issues affecting the Group through comprehensive Annual Reports, the Steamships website and the release of reports to the Port Moresby Exchange, the Australian Securities Exchange and appropriate media. These detail the Group's financial and operating performance.

Steamships has written policies designed to ensure compliance with the continuous public disclosure and external communications requirements of the Port Moresby Stock Exchange and Australian Securities Exchange, and the Board will ensure these are met at all times.

Steamships has explored methods to more effectively inform shareholders. While many local smallholders still rely solely on the postal system, an increasing number have access to the internet. By relaunching its corporate website in early 2013, Steamships has further developed the mechanisms designed to ensure compliance with the ASX listing rule requirements, such that:

- All investors have equal and timely access to material information concerning the Group, including its financial position, performance, ownership and governance.

- Group announcements are factual and presented in a clear and balanced way, including disclosure of both positive and negative information.

Respect the rights of shareholders

As mentioned earlier, some 98 per cent of Steamships shares are held by three major shareholders, two of which are represented on the Board. Steamships is nonetheless very aware that it has smaller shareholders and seeks to ensure they are fully empowered.

The Steamships website is regularly updated to give all shareholders ready access to balanced and easy to understand information about the Group and its business activities.

Steamships is incorporated in Papua New Guinea and accordingly holds its Annual General Meeting in Port Moresby, with shareholders encouraged to attend and participate and to which its external auditor attends.

Steamships' Public Disclosure and External Communications Policy is available on Steamships' website in the corporate governance section. Steamships' website details how investors may contact the Group's investor relations team. In addition, the website contains contact details for the Group's external share registry, including a general enquiry line and email details.

Recognise and manage risk

Steamships has identified its material business risks and actively manages those risks. The Group is committed to the management of risks throughout its operations to protect its employees, the environment, Group assets, earnings and reputation.

Certain risks occur in the normal course of Steamships' business and include foreign exchange and interest rate risks. Steamships has policies and standards in place covering the oversight and management of these inherent material business risks.

The Group has adopted an Enterprise Risk Management process that enables it to identify, assess and manage factors that threaten the Group's ability to achieve its long term strategic objectives. These risks include economic, environmental and social sustainability risks that are relevant to company operations.

Under this system all material business risks that arise in the course of the Group's activities have clearly defined management ownership and accountability for reporting to the Board.

The Board requires management to continually and at least annually assess, prioritise, mitigate and manage its existing risks and the emerging risks it faces. The General Manager of each Division draws up and manages each organisation's corporate risk register and mitigation plans and is required to present these to the Board on an annual basis.

During 2017, management reported to the Board on the effectiveness of its risk management systems and performance in managing material business risks. Steamships' Strategic Planning Committee formally reviews Divisional risk registers as part of its annual strategic review. Given the nature of its

operations in Papua New Guinea, Steamships is exposed to various economic sustainability risks, key to which is the country's relative dependence on resources industry.

Steamships' Risk Management program utilises a risk management tool and database to assist in monitoring and enforcement of compliance with the Group's risk management procedures and policies. The Group also uses other risk management techniques, including insurance, to reduce the financial impact of any uncontrollable or catastrophic losses.

The Board is responsible for reviewing the Group's policies on risk oversight and management. In doing so, the Board satisfies itself that management has developed and implemented a sound system of risk management and internal control.

Steamships has an Audit Committee responsible for monitoring and reviewing the risk management system. While the Audit Committee assists the Board to fulfil its risk oversight obligations, ultimate responsibility for risk oversight and risk management rests with the full Board.

Minutes of all Board committee meetings are made available to all Directors. The members of the Audit Committee, their qualifications and attendance at meetings of the Committee during 2017 are detailed above and in the Directors report.

Steamships is incorporated in Papua New Guinea and is not generally subject to the Australian Corporations Act, hence the Board does not require the Managing Director and the Finance Director to provide a declaration that is consistent with section 295A of the Australian Corporations Act 2001.

A summary of Steamships' policies on risk oversight and management is available on Steamships' website in the corporate governance section.

Remunerate fairly and responsibly

Steamships' policy is to ensure that the level and composition of remuneration for all employees is competitive and reasonable and that the relationship between remuneration and performance is clearly defined.

Steamships' Board has established a Remuneration and Nomination Committee comprising the Steamships Chairman, the Managing Director and a Non- Executive Director. Steamships acknowledges the ASX recommendations that suggest this committee be chaired by an independent Director, however the Board considers this committee structure appropriate given Steamships' shareholder structure.

The Remuneration and Nomination Committee meets annually to review, monitor and make recommendations to the Board regarding the remuneration and incentive framework for nonexecutive Directors, the Managing Director and Finance Director, and senior executives at the General Manager level.

Steamships' remuneration policy is designed to attract and retain the talent necessary to create value for shareholders; to motivate senior executives to pursue long term growth and success for the Group; to reward key management personnel and other employees fairly and responsibly; and to comply with all relevant legal and regulatory provisions. Steamships does not operate an equity remuneration plan.

Steamships' executive remuneration policy, which applies to the Managing Director and Finance Director, and senior executives at the general manager level, comprises three components: Fixed remuneration, incentives and salary packaging and other benefits. Incentive-based remuneration is aligned with individual and corporate objectives with performance against these evaluated annually, and for which payment is deferred pending satisfactory conduct and annual financial statements audit.

Non-executive Directors are remunerated by way of fees and do not receive options, bonus payments or retirement benefits.

Further details of Steamships' approach to remuneration can be found in the Groups' Remuneration Policy, which is available on Steamships' website in the corporate governance section.

The members of the Remuneration and Nomination Committee, their qualifications and attendance at meetings of the Committee during 2017 are detailed above and in the Director's Report. The Remuneration and Nomination Committee's charter is available on Steamships' website in the corporate governance section.

Steamships is incorporated in Papua New Guinea and is not generally subject to the Australian Corporations Act, hence section 300A the Australian Corporations Act 2001 concerning remuneration disclosure does not apply. Steamships reports company remuneration details in accordance with the Papua New Guinea Companies Act 1997.