

FSL TRUST MANAGEMENT PTE. LTD.
(As Trustee-Manager of First Ship Lease Trust)
(Company Registration No. 200702265R)
(Incorporated in Singapore)

**RESPONSE TO QUERIES FROM SGX-ST IN RELATION TO THE ANNOUNCEMENT
DATED 8 NOVEMBER 2016**

The Board of Directors of FSL Trust Management Pte. Ltd., as Trustee-Manager of First Ship Lease Trust (the “**Company**”) refers to the queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in relation to the announcement of cessation of Independent Director Mr Simon Stewart Davidson, released on 8 November 2016 and wishes to respond to the queries as follows:

Question 1:

In the Trust’s announcement on 8 November 2016 (the “**Announcement**”) on the cessation of its independent director, it was mentioned that Mr Simon Stewart Davidson had expressed his unhappiness in an email to board members on 28 September 2016. Please disclose if there were any areas of concern that were raised by him.

Response:

Mr Davidson expressed 5 concerns in his email dated 28 September 2016

- 1) That while the CFO seemed competent, he was not the person to lead refinancing
- 2) The CEO was not sufficiently consulted
- 3) He was not present at the Board meeting of 22 September 2016 as he was travelling
- 4) The candidate was a friend of the remuneration consultant
- 5) The appointment was not urgent.

Question 2:

In the Announcement, it was stated that Mr Simon Stewart Davidson expressed “unhappiness over the procedure and process of the appointment of, and the terms of reference for, the new CFO; in particular what he perceived as haste in the appointment”.

Please provide details of the procedure and process for the appointment that was undertaken and the concerns with regards to the new CFO. Please also disclose the process for the appointment of the CFO that led to views by Mr Simon Stewart Davidson that the appointment was done in haste.

Response:

The candidate for CFO was interviewed by all directors except Alan Hatton and Esben Poulsson. Alan Hatton had in the past interviewed the candidate and Esben Poulsson had stated that he would go along with the recommendations of the other independent directors. Notwithstanding the position in his email dated 28 September 2016, Mr Simon Davidson had stated on 6 September 2016 that, “ I am sure that he [the CFO candidate] would be a capable and competent CFO and am happy to trust those other directors with much more experience than I in the relevant areas,”

Question 3:

Please explain why the CFO position had been vacant since 1 November 2014. How were the responsibilities of the CFO role fulfilled by the Trustee Manager during this 2 year period?

Response:

When the post became vacant the functions were delegated to the CEO, Financial Controller and other senior managers. However the Audit and Risk Committee Chairman felt that the role should be filled and this matter addressed.

Question 4:

Please confirm whether the Audit Committee as a whole has an adequate mix of expertise and experience particularly in the Trust's operations and in the shipping industry, noting the current economic conditions and risks faced by the shipping sector. Please provide the basis for the Board's views.

Response:

The Chairman of the Audit and Risk Committee, Mr Michael Gray holds a BSC in Maritime Studies, is a Fellow of the Chartered Institute of Transport and Logistics and is a qualified Chartered Accountant who has audited shipping companies. Mr Michael Oliver is a retired senior banker with 40 years experience, including considering and approving large ship financing transactions. Mr N. Sreenivasan is a senior lawyer with legal experience in corporate governance issues.

In addition, the ARC members are well-informed through their shipping connections and receive daily third-party situation reports.

Question 5:

We note that the resignation of Independent Director, Mr Simon Stewart Davidson, was in close succession to the resignation of another Independent Director, Mr Esben Sofren Poulsson, on 27 September 2016.

- (i) Mr Esben Sofren Poulsson had also revealed strong disagreement with the Chairman and some board members over HR matters. In addition, it was disclosed that he was at odds that with the Chairman and certain independent directors on the number of issues on the "several occasions" mentioned. Please elaborate and provide details on the issues that he disagreed with on the several occasions; and
- (ii) Has the Nominating Committee of the Trustee Manager reviewed the concerns raised by the two independent directors?
- (iii) The Business Trust Act requires the Trustee Manager to act in the best interests of all unitholders of the registered business trust as a whole and give priority to the interest of all the unitholders of the registered business trust as a whole over its own interests in the event of a conflict between the interest of all the unitholders as a whole and its own interest. Please advise if the Trustee Manager has appointed a Nominating Committee who has a formal and transparent process for the appointment of directors to the board of the Trustee Manager as recommended under the Code of Corporate Governance.

Response:

- (i) The disagreements arose over Mr. Esben Poulsen's views relating to what the Sponsor should do with its investment in the units of the Trust and shareholding in the Trustee-Manager, which the Board considered were not matters within its purview. In relation to HR matters, disagreement arose when Mr Poulsen changed his position frequently on decisions he had made and communicated to the Board.
- (ii) There is no Nominating Committee of the Trustee-Manager and the entire Board has reviewed the concerns raised by the two former independent directors.
- (iii) Neither the Business Trust Act nor the Articles of Association of the Trustee-Manager require a Nominating Committee. However the interest of all unitholders is protected by the Board having a majority of independent directors. The Board has the power to appoint directors as does the shareholder of the Trustee-Manager.

By Order of the Board
FSL Trust Management Pte. Ltd.
(Company registration no. 200702265R)
as Trustee-Manager of First Ship Lease Trust

Timothy James Reid
Non-Independent Non-Executive Chairman

11 November 2016