

APPENDIX - IPT MANDATE
ANNUAL REPORT 2017



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VARDTM
a Fincantieri company

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Appendix dated 14 June 2018 in relation to the renewal of the interested person transactions mandate (the “IPT Mandate”)

This Appendix is circulated to the shareholders of Vard Holdings Limited together with the Annual Report 2017. Its purpose is to provide shareholders of the Company with information relating to and to explain the rationale for the proposed renewal of the IPT Mandate to be tabled at the Annual General Meeting to be held on 29 June 2018 at 1:00 p.m. at Shine Auditorium, 100 Beach Road, #03-01, Shaw Tower, Singapore 189702.

The Ordinary Resolution proposed to be passed in respect of the above matter is set out in the Notice of the Annual General Meeting enclosed with the Annual Report 2017.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix.

Vard Holdings Limited

(Incorporated in the Republic of Singapore)
(Company Registration No. 201012504K)

APPENDIX – IPT MANDATE

Appendix in relation to the proposed renewal of the IPT Mandate

Definitions

Except where the context otherwise requires, the following definitions apply in this Appendix:

“Act”	The Companies Act, Chapter 50 of Singapore, as amended from time to time
“AGM”	The annual general meeting of the Company in respect of the financial year ended 31 December 2017
“Annual Report”	The Company’s annual report for the financial year ended 31 December 2017
“Audit Committee”	The audit committee of the Company for the time being
“Board” or “Board of Directors”	The board of directors of the Company for the time being
“Cassa Depositi e Prestiti”	Cassa Depositi e Prestiti S.p.A.
“CDP”	The Central Depository (Pte) Limited
“Chief Executive Officer”	The chief executive officer of the Company for the time being
“Chief Financial Officer”	The chief financial officer of the Company for the time being
“Chief Operating Officer”	The chief operating officer of the Company for the time being
“Company”	Vard Holdings Limited
“Compliance Committee”	Has the meaning ascribed to it in paragraph 2.5(a) of this Appendix
“Director”	A director of the Company for the time being
“Executive Officer”	An executive officer of the Company for the time being
“Fincantieri”	FINCANTIERI S.p.A.
“Fincantieri Group”	Fincantieri, its subsidiaries and associated companies, excluding the Group
“Fincantieri O&G”	Fincantieri Oil & Gas S.p.A.
“Fintecna”	Fintecna S.p.A.
“Group”	The Company, its subsidiaries and associated companies
“HVAC”	Has the meaning ascribed to it in paragraph 2.3(b) of this Appendix
“ IPT Mandate”	The general mandate approved by Shareholders pursuant to Chapter 9 of the Listing Manual for the Group to enter into the Mandated Transactions

“Latest Practicable Date”	The latest practicable date prior to the printing of this Appendix, being 7 June 2018
“Listing Manual”	The listing manual of the SGX-ST, as may be amended, varied or supplemented from time to time
“Mandated Interested Persons”	Has the meaning ascribed to it in paragraph 2.3(c) of this Appendix
“Mandated Transactions”	Has the meaning ascribed to it in paragraph 2.3(b) of this Appendix
“Notice of AGM”	The notice of the AGM in respect of the financial year ended 31 December 2017
“Ordinary Resolution”	The ordinary resolution proposed to be voted on at the AGM, in relation to the proposed renewal of the IPT Mandate
“Recommending Directors”	Has the meaning ascribed to it in paragraph 3 of this Appendix
“Review Procedures”	The methods or procedures for determining the transaction prices for Mandated Transactions as set out in paragraph 2.5 of this Appendix
“Securities and Futures Act”	The Securities and Futures Act, Chapter 289 of Singapore, as amended from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares
“Shares”	Ordinary shares in the capital of the Company
“subsidiary”	Has the meaning ascribed to it in Section 5 of the Act
“substantial shareholder”	Has the meaning ascribed to it in Section 81 of the Act
“S\$”	Singapore dollars
“%” or “per cent.”	Per centum or percentage

Vard Holdings Limited

(Incorporated in the Republic of Singapore)
(Company Registration No. 201012504K)

Board of Directors:

Giuseppe Coronella	Chairman and Non-Executive Director
Roy Reite	Chief Executive Officer and Executive Director
Vittorio Zane	Executive Vice President and Executive Director
Keen Whye Lee	Lead Independent Director
Sung Hyon Sok	Independent Director
Claudio Cisilino	Non-Executive Director

Registered Office:

Six Battery Road #10-01
Singapore 049909

14 June 2018

To the Shareholders of Vard Holdings Limited

1. Introduction

1.1 AGM

We refer to the Notice of AGM convening the AGM to be held on 29 June 2018 and in particular, the Ordinary Resolution number 6 in relation to the proposed renewal of the IPT Mandate as further explained in paragraph 2 below.

1.2 Appendix

The purpose of this Appendix is to provide Shareholders with information relating to the proposed renewal of the IPT Mandate and to seek Shareholders' approval for the proposal at the AGM.

If you are in any doubt as to the contents herein or as to the course of action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

1.3 SGX-ST

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Appendix.

2. The proposed renewal of the IPT mandate

2.1 Introduction

The IPT Mandate was adopted at the extraordinary general meeting of the Company on 3 October 2013, and last renewed at the annual general meeting of the Company on 20 April 2017 to allow the Company, its subsidiaries and its associated companies which are considered to be "entities at risk" within the meaning of Rule 904 of the Listing Manual to enter into certain Mandated Transactions with the interested persons set out in the IPT Mandate. The IPT Mandate is subject to annual renewal.

As at the Latest Practicable Date, Fincantieri O&G holds approximately 83.48% of the Company's Shares. Fincantieri O&G is a wholly owned subsidiary of Fincantieri.

The aforementioned companies are accordingly controlling shareholders of the Company and are therefore, together with their respective associates, interested persons for the purposes of Chapter 9 of the Listing Manual.

2.2 Interested person transactions under Chapter 9 of the Listing Manual

(a) Definitions under Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual applies to transactions which a company listed on the SGX-ST or any of its subsidiaries or associated companies which is considered to be an “entity at risk” within the meaning of Rule 904(2) of the Listing Manual, proposes to enter into with a counter-party who is an interested person of the listed corporation within the meaning of Rule 904(4) of the Listing Manual. The following definitions are contained in the Listing Manual:

An “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Listing Manual.

An “**associate**” in relation to any director, chief executive officer or controlling shareholder (being an individual) means (i) his immediate family (that is, his spouse, child, adopted child, step-child, sibling or parent), (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more, and, in relation to a controlling shareholder (being a company), means its subsidiary or holding company or a subsidiary of such holding company or a company in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

An “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A “**controlling shareholder**” means a person who holds (directly or indirectly) 15% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in the company or one who in fact exercises control over the company.

An “**entity at risk**” means:

- (i) the listed company;
- (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
- (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has or have control over the associated company.

An “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder.

An “**interested person transaction**” means a transaction between an entity at risk and an interested person.

(b) General requirements

Rule 905 of the Listing Manual states that a listed company must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group’s latest audited consolidated net tangible assets, or if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group’s latest audited consolidated net tangible assets, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

Rule 906 of the Listing Manual states that a listed company must also obtain shareholder approval for any interested person transaction of a value equal to, or more than (i) 5% of the group's latest audited consolidated net tangible assets; or (ii) 5% of the group's latest audited consolidated net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

Rule 920 of the Listing Manual also permits a listed company to seek a mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, that may be carried out with the interested persons. Transactions conducted under such a mandate are not subject to Rules 905 and 906 of the Listing Manual. The general mandate is subject to annual renewal.

(c) Excluded transactions

In line with the rules set out in Chapter 9 of the Listing Manual, a transaction with a value of less than S\$100,000 is not considered material and is not taken into account for the purposes of this Appendix.

(d) Listing Manual requirements

Pursuant to Rule 920(1)(b) of the Listing Manual, this Appendix seeking the approval of the Shareholders in relation to the proposed renewal of the IPT Mandate must include:

- (i) the class of interested persons with which the Group will be transacting;
- (ii) the nature of the transactions contemplated under the IPT Mandate;
- (iii) the rationale for, and benefit to, the Group;
- (iv) the methods or procedures for determining transaction prices;
- (v) an independent financial adviser's opinion on whether the methods or procedures in paragraph 2.2(d)(iv) of this Appendix are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders;
- (vi) an opinion from the Audit Committee if it takes a different view to the independent financial adviser;
- (vii) a statement from the Company that it will obtain a fresh mandate from Shareholders if the methods or procedures in paragraph 2.2(d)(iv) of this Appendix become inappropriate; and
- (viii) a statement that the interested person will abstain and has undertaken to ensure that its associates will abstain from voting on the resolution approving the transaction.

Pursuant to Rule 920(1)(c) of the Listing Manual, an independent financial adviser's opinion is not required for the renewal of a general mandate provided that the Audit Committee confirms that:

- (A) the methods or procedures for determining the transaction prices have not changed since the last shareholder approval; and

- (B) the methods or procedures in Rule 920(1)(c)(i) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

2.3 *The proposed renewal of the IPT Mandate*

(a) Background

As at the Latest Practicable Date, Fincantieri O&G holds approximately 83.48% of the Company's Shares. Fincantieri O&G is a wholly owned subsidiary of Fincantieri. The aforementioned companies are accordingly controlling shareholders of the Company and are therefore, together with their respective associates, interested persons for the purposes of Chapter 9 of the Listing Manual.

The interested person transactions in respect of the IPT Mandate that are or will be material for the purposes of this Appendix are set out in paragraph 2.3(b) of this Appendix. The Group has entered or will be entering into such transactions with such classes of interested persons as set out in paragraph 2.3(c) of this Appendix.

(b) Categories of interested person transactions

The IPT Mandate will cover the following categories of interested person transactions:

(i) the sale of goods to the Group, including:

- (1) blocks, sections, hulls, pre-outfitted units and vessels;
- (2) raw materials such as steel, piping and electrical cables;
- (3) engines, marine systems components and equipment and other components, including heating, ventilation and air conditioning ("HVAC") systems and accommodation units and components for interior outfitting of vessels;
- (4) spare parts and other minor equipment in respect of sub-paragraphs (b)(i)(1), (2) and (3) above; and
- (5) installation and commissioning of the components under sub-paragraphs (b)(i)(1), (2), (3) and (4) above;

(ii) the provision of services to the Group, including:

- (1) corporate services, such as finance, treasury, business development, tax, legal, internal audit, IT support services, HR management and staff training, quality, industrial and engineering development, communications and public relations and provision of office space and other spaces in fairs, exhibitions and trade shows;
- (2) ship design and engineering consultancy services provided by Fincantieri Group personnel both within and without the Group's premises;
- (3) software licensing;
- (4) repair, modification, maintenance, servicing, overhaul and other technical and after sales services;
- (5) lease of equipment or assets;

- (6) procurement services for equipment and raw materials;
 - (7) exchange of personnel; and
 - (8) docking services;
- (iii) the entry into financial, treasury and insurance transactions, including:
- (1) borrowing of funds by the Group on a short-term or medium-term basis;
 - (2) placement of funds by the Group on a short-term or medium-term basis;
 - (3) entry into any foreign exchange, interest rate, commodity or any other derivative transaction for hedging purposes; and
 - (4) provision of insurance cover for the Group's business;
- (iv) the sale of goods by the Group, including:
- (1) block, sections, hulls, pre-outfitted units and vessels;
 - (2) marine system components and equipment, offshore handling systems, electrical systems and automation software and systems;
 - (3) piping equipment, HVAC systems and accommodation units and components for interior outfitting of vessels;
 - (4) spare parts and other minor equipment related to sub-paragraphs (b)(iv)(1), (2) and (3) above; and
 - (5) installation and commissioning of the components under sub-paragraphs (b)(iv)(1), (2), (3) and (4) above;
- (v) the provision of services by the Group, including:
- (1) corporate services, such as business development, HR management and staff training, IT support services, quality, industrial and engineering development, communications and public relations and provision of office space and other spaces in fairs, exhibitions and trade shows;
 - (2) vessels design and engineering consultancy services provided by Group personnel both within and without Fincantieri Group's premises;
 - (3) procurement services for equipment packages and raw materials;
 - (4) software licensing;
 - (5) lease of equipment and assets;
 - (6) exchange of personnel; and
 - (7) docking services; and

- (vi) the provision of corporate guarantees and other credit support for the benefit of the Group, including:
 - (1) refund guarantees;
 - (2) performance guarantees including but not limited to performance bonds and guarantees given in connection with the sale of vessels; and
 - (3) security for credit facilities,
 (collectively, the “**Mandated Transactions**”).

The Mandated Transactions are transactions of a revenue or a trading nature or those necessary for the Group’s day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. Non-Mandated Transactions will remain subject to the requirements under Chapter 9 of the Listing Manual, in particular, Rules 905 and 906 of the Listing Manual.

(c) Classes of interested persons

The IPT Mandate, which will apply to the Group’s transactions set out in paragraph 2.3(b) of this Appendix, is proposed to be carried out with Fincantieri and its associates (the “**Mandated Interested Persons**”).

The Mandated Interested Persons are deemed to be interested persons pursuant to Chapter 9 of the Listing Manual and any transaction between the Group and any of them will, subject to the exceptions provided in Chapter 9, be an interested person transaction.

2.4 Rationale for the IPT Mandate and benefits to the Group

The Mandated Transactions mentioned in paragraph 2.3(b) of this Appendix are entered into or to be entered into by the Group in the ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency or arise at any time and from time to time. The IPT Mandate and subsequent renewal on an annual basis will eliminate the need to convene separate general meetings from time to time to seek Shareholders’ approval as and when potential interested person transactions arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

The IPT Mandate is intended to facilitate these transactions, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. The Directors are of the view that the Group will be able to benefit from such transactions with the Mandated Interested Persons. The Group will benefit from having access to competitive quotes from, or transacting with, the Mandated Interested Persons in respect of services and goods procured. The IPT Mandate will also allow the Group to enjoy economies of scale in the procurement of services and goods. Further, it will facilitate a more lean and efficient administrative set-up as the Group will be able to utilize the personnel of the Mandated Interested Persons for certain corporate services.

Disclosure will be made in the Company’s annual report of the aggregate value of transactions conducted pursuant to the IPT Mandate and otherwise during the financial year under review, and in the annual reports for the subsequent financial years during which the IPT Mandate is renewed and remains in force.

2.5 Guidelines and review procedures for the Mandated Transactions

(a) To ensure that the Mandated Transactions are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Group has put in place the following procedures for the review and approval of interested person transactions under the IPT Mandate:

(i) sale of goods and provision of services to the Group

In relation to any transaction proposed to be carried out with the Mandated Interested Persons for:

(1) the sale of goods to the Group, including:

- (A) blocks, sections, hulls, pre-outfitted units and vessels;
- (B) raw materials such as steel, piping and electrical cables;
- (C) engines, marine systems components and equipment and other components, including HVAC systems and accommodation units and components for interior outfitting of vessels;
- (D) spare parts and other minor equipment in respect of sub-paragraphs (i)(1)(A), (B) and (C) above; and
- (E) installation and commissioning of the components in sub-paragraphs (i)(1)(A), (B), (C) and (D) above;

(2) the provision of services to the Group, including:

- (A) corporate services, such as finance, treasury, business development, tax, legal, internal audit, IT support services, HR management and staff training, quality, industrial and engineering development, communications and public relations and provision of office space and other spaces in fairs, exhibitions and trade shows;
- (B) ship design and consultancy services provided by Group personnel both within and without Fincantieri Group's premises;
- (C) software licensing;
- (D) repair, modification, maintenance, servicing, overhaul and other technical and after services;
- (E) lease of equipment or assets;
- (F) procurement services for equipment and raw materials;
- (G) exchange of personnel; and
- (H) docking services; and

(3) the entry into financial, treasury and insurance transactions including:

- (A) borrowing of funds by the Group on a short-term or medium-term basis;

- (B) placement of funds by the Group on a short-term or medium-term basis;
- (C) entry into any foreign exchange, interest rate, commodity or any other derivative transaction for hedging purposes; and
- (D) provision of insurance cover,

the Group will satisfy itself that the actual fees paid or payable for the services provided or goods sold are fair and reasonable and that the terms extended by the Mandated Interested Person to the Group are no less favorable than the terms offered by the Mandated Interested Person to third parties.

For services provided and goods supplied to the Group in relation to shipbuilding, such as hulls, pre-outfitted units and vessels, ship design services, docking services and the sale of shipbuilding parts, the project team in charge of that particular shipbuilding project will obtain quotations from the Mandated Interested Person and at least two (2) unrelated third party service providers or suppliers.

For placement of funds with any Mandated Interested Person by the Group of its funds, the Company will require that quotations be obtained from such Mandated Interested Person and at least two (2) other potential counterparties for terms offered by such counterparties for deposits of an amount and currency and for a period equivalent to that of the funds to be placed by the Group. The Group will only place its funds with such Mandated Interested Person if the terms quoted are no less favorable than the terms quoted by the other potential counterparties for equivalent amounts.

For borrowing of funds from any Mandated Interested Person by a Company within the Group, the Company will require that quotations be obtained from such Mandated Interested Person and at least two (2) potential counterparties of the borrowing company within the Group for terms offered by such counterparties for loans of an amount and currency and for a period equivalent to that of the funds to be borrowed by such borrowing company within the Group. The Group will only borrow funds from such Mandated Interested Person provided that the terms quoted are no less favorable than the terms quoted by the other potential counterparties for equivalent amounts.

For forex, swaps and options transactions with any Mandated Interested Person by the Group, the Company will require that rate quotations be obtained from such Mandated Interested Person and at least two (2) other potential counterparties. The Group will only enter into such forex, swaps or options transactions with such Mandated Interested Person provided that such terms quoted are no less favorable than the terms quoted by the other potential counterparties.

For the provision of insurance cover by any Mandated Interested Person to the Group, the Company will require that quotations be obtained from such Mandated Interested Person and at least two (2) other potential counterparties. The Group will only enter into such insurance transactions with such Mandated Interested Person if the terms quoted by the Mandated Interested Person are no less favorable than the terms quoted by the other potential counterparties.

For other services, such as corporate services, and goods, the Chief Financial Officer or a senior management executive from the relevant department will obtain quotations from the Mandated Interested Person(s) and at least two (2) unrelated third party service providers or suppliers. Such third party service providers or suppliers will include those which have provided or supplied similar services or goods to the Group previously, or any service provider or supplier which is able to provide or supply similar services or goods.

Quotations from these third party service providers and suppliers are obtained in order to provide a basis of comparison to ensure that the price and terms offered by the Mandated Interested Person(s) are comparable to those offered by unrelated parties for the same or substantially similar type of services or goods, and the price and terms offered by unrelated parties are not more favorable than the price and terms offered by the Mandated Interested Person(s).

The project team, Chief Financial Officer or senior management executive will select the quotation received from the Mandated Interested Person(s) if the terms (including price) of such quotation are not less favorable than those offered by unrelated third party service providers or suppliers. The transaction will then be subject to the approval of the relevant authority based on the quantum of the transaction. Please refer to paragraph 2.5(b) of this Appendix for further details.

As some of the shipbuilding-related services and goods are of a specialized nature, and have to comply with specific technical requirements and standards, there may, from time to time and depending on the specific transaction, be few unrelated third party service providers or suppliers of such services or goods. All employees who procure such specialized goods and services and who search for quotations of the same must have the relevant expertise, experience and knowledge to review the quotations and make recommendations. Such quotations shall be subject to the selection process and approvals set out in the paragraphs above.

For certain corporate services, it may be impracticable to obtain third party quotations as the Mandated Interested Persons are staffed by employees with the relevant experience and expertise for the provision of these services and the intention of the Company is not to outsource such services and for such services to be provided by personnel within the Group, if such services are not provided by the Mandated Interested Persons. Such corporate services will be typically charged on a cost plus basis.

Where it is impracticable to obtain such third party quotations, or where such third party quotations are not available, or where it is not practicable or appropriate in the circumstances to make reference to prevailing market rates or prices, the Group may enter into transactions for the provision of services or sale of goods by Mandated Interested Persons provided that the terms (including price) received from the Mandated Interested Person(s) have been reviewed and approved by a committee comprised of three (3) senior management executives who do not have any interest, whether direct or indirect, in relation to the transaction and who are familiar with the operations of the Group (the "**Compliance Committee**").

The Compliance Committee as at the Latest Practicable Date is made up of (I) Executive Vice President and Chief Operating Officer, Mr. Magne O. Bakke, (II) Executive Vice President Equipment and Solutions, Mr. Stig Bjørkedal, and (III) Senior Legal Counsel, Mrs. Marianne Blindheim. The Compliance Committee will evaluate and weigh the commercial benefits of, and rationale for, transacting with the Mandated Interested Person(s) before proceeding with the transactions.

In reviewing the terms of the transaction, the Compliance Committee will evaluate such terms in accordance with prevailing industry norms (including the reasonableness of the terms), and will take into account the Group's usual business practices and pricing policies and all relevant factors including the circumstances relating to the need to obtain such services or goods.

The Compliance Committee may at its discretion defer the approval of the transactions to the Audit Committee where such transactions fall within the threshold limits set out in paragraph 2.5(b)(iii) of this Appendix or where any of the members of the Compliance Committee (I) are interested persons in respect of the Mandated

Transactions, (II) have an interest, whether direct or indirect, in relation to those Mandated Transactions, and/or (III) are not considered independent in relation to those Mandated Transactions.

The factors which (I) the project team, Chief Financial Officer or senior management executive from the relevant department will take into account when considering quotations from the Mandated Interested Person(s) and unrelated third parties or (II) the Compliance Committee will take into account when reviewing the terms received from the Mandated Interested Person(s) when third party quotes are not available, include, but are not limited to, the following: price, delivery and payment criteria, accessibility of the service providers or suppliers, past performance of service providers or suppliers, quality of the services or goods and compliance of the services or goods with industry standards;

(ii) sale of goods and provision of services by the Group

In relation to any transaction proposed to be carried out with Mandated Interested Persons for:

(1) the sale of goods by the Group, including:

- (A) blocks, sections, hulls, pre-outfitted units and vessels;
- (B) marine systems components and equipment, offshore handling systems, electrical systems and automation software and systems;
- (C) piping and HVAC systems and accommodation units and components for interior outfitting of vessels;
- (D) spare parts and other minor equipment in respect of sub-paragraphs (ii)(1)(A), (B) and (C) above; and
- (E) installation and commissioning of the components in respect of sub-paragraphs (ii)(1)(A), (B), (C) and (D) above; and

(2) the provision of services by the Group, including:

- (A) corporate services, such as business development, HR management and staff training, IT support services, quality, industrial and engineering development, communications and public relations and provision of office space and other spaces in fairs, exhibitions and trade shows;
- (B) vessels design and engineering consultancy services provided by Group personnel both within and without Fincantieri Group's premises;
- (C) procurement services for equipment packages and raw materials;
- (D) software licensing;
- (E) lease of equipment and assets;
- (F) exchange of personnel; and
- (G) docking services,

such transactions shall where possible, be made at the prevailing rates or prices and carried out on normal commercial terms that are no more favorable than those extended to unrelated third persons or otherwise in accordance with industry norms. Where available, two (2) comparable third party quotes shall be obtained in determining the prevailing market rates or prices.

Where prevailing market rates or prices are not available, whether due to the nature of the services or goods to be provided, or the unavailability or impracticability of obtaining comparable third party quotes or otherwise, or it is not practicable or appropriate in the circumstances to make reference to prevailing market rates or prices, the Group's pricing for such services or goods will be determined by the Compliance Committee in accordance with the Group's usual business practices and pricing policies and taking into account all relevant factors including the circumstances relating to the need to provide such services or goods and any other direct or incidental benefit or detriment to the Group in providing such services or goods to the Mandated Interested Persons.

The Compliance Committee may at its discretion defer the approval of the transactions to the Audit Committee where such transactions fall within the threshold limits set out in paragraph 2.5(b)(iii) of this Appendix or where any of the members of the Compliance Committee (I) are interested persons in respect of the Mandated Transactions, (II) have an interest, whether direct or indirect, in relation to those Mandated Transactions, and/or (III) are otherwise not considered independent in relation to those Mandated Transactions; and

- (iii) provision of corporate guarantees and other credit support for the benefit of the Group

In relation to the provision of corporate guarantees or other credit support (such as security interests, indemnities or letters of comfort) by the Mandated Interested Persons, such transactions shall only be entered into if the members of the Board (other than those who are not independent of the relevant Mandated Interested Persons) are of the view that it is in the interests of the Group to do so.

In particular, the fee charged by the Mandated Interested Persons for the provision of corporate guarantees or other credit support shall not be more than the lowest of the rates quoted by the Group's principal bankers for guarantees or credit support of an equivalent amount and tenure. The Company shall also take into consideration other factors, including but not limited to the terms of the relevant corporate guarantees or credit support, processing requirements, operation requirements and risks and other pertinent factors.

(b) Threshold limits

In addition to the review procedures, the Group will review and approve the Mandated Transactions as follows:

- (i) transactions amounting from S\$100,000 to 1.5% of the latest audited consolidated net tangible assets of the Group will be reviewed and approved by a Director, Chief Financial Officer or an Executive Officer of the Group (who has relevant experience and authority);
- (ii) transactions amounting from above 1.5% to 3% of the latest audited consolidated net tangible assets of the Group will be reviewed and approved by the Board of Directors; and
- (iii) transactions exceeding 3% of the latest audited consolidated net tangible assets of the Group will be reviewed and approved by the Audit Committee.

Any of the persons referred to in paragraphs 2.5(b)(i), (ii) and (iii) of this Appendix may, as he deems fit, request for additional information pertaining to the transaction from independent sources or advisors, including the obtaining of valuations from independent professional valuers. If any of the persons referred to in paragraphs 2.5(b)(i), (ii) and (iii) of this Appendix (I) is an interested person in respect of that particular Mandated Transaction to be reviewed, (II) has an interest, whether direct or indirect, in relation to that particular Mandated Transaction, and/or (III) is otherwise not considered independent in relation to that particular Mandated Transaction, he will, and will undertake to ensure that his associates will, abstain from any decision-making in respect of that particular Mandated Transaction.

The threshold limits stated in paragraphs 2.5(b)(i), (ii) and (iii) of this Appendix apply to Mandated Transactions only. Non-mandated interested person transactions will be subject to the review procedures stated in paragraph 2.5(c) of this Appendix and Rules 905 and 906 of the Listing Manual.

(c) Other review procedures

The Audit Committee will also review all interested person transactions including Mandated Transactions to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) are complied with. Interested person transactions which are not within the ambit of the IPT Mandate will be subject to Rules 905 and 906 of the Listing Manual.

The Group has also implemented the following procedures for the identification of interested person transactions (including Mandated Transactions) and interested persons (including Mandated Interested Persons) and the recording of all interested person transactions:

- (i) the Compliance Committee will maintain two (2) registers of all transactions (including all transactions below S\$100,000) carried out with interested persons including Mandated Interested Persons (recording the basis and the quotations, if any, obtained to support such basis on which these transactions are entered into, whether mandated or non-mandated). One register is maintained to record Mandated Transactions and the other register is maintained to record interested person transactions which are not classified as Mandated Transactions. The registers shall be submitted to the Audit Committee for review on a quarterly basis;
- (ii) by the end of each month, each member of the Group will submit details of all interested person transactions entered into or existing interested person transactions that are renewed or revised during that month to the Compliance Committee. The Compliance Committee will reconcile the registers of interested person transactions based on the submissions by the various members of the Group. On a quarterly basis, the Compliance Committee will submit a report to the Audit Committee of all recorded interested person transactions, and the basis of such transactions, entered into by the Group. The Audit Committee shall review such interested person transactions at its quarterly meetings subject to the requirement under the review procedures for any such interested person transactions to be approved by the Audit Committee prior to the entry thereof. The outcome of such review shall be documented and filed in the registers of interested person transactions; and
- (iii) the Company's annual internal controls plan shall incorporate a review of all interested person transactions, including the established review procedures for the monitoring of all such transactions including transactions with Mandated Interested Persons, whether they are new interested person transactions or existing interested person transactions that have been renewed or revised during the relevant financial year pursuant to the IPT Mandate.

In addition, the Audit Committee shall also review from time to time such internal controls and review procedures for interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that the transactions between the Group and interested persons are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders. In conjunction with such review, the Audit Committee will also ascertain whether the established review procedures have been complied with. Further, if during these reviews the Audit Committee is of the view that the internal controls and review procedures for interested person transactions are inappropriate or not sufficient to ensure that the interested person transactions will be on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders, the Audit Committee will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that the interested person transactions will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, and pursuant to Rule 920(1)(b)(vii), seek a fresh Shareholders' mandate based on new internal controls and review procedures for transactions with the Mandated Interested Persons. The Board of Directors and the Audit Committee will have overall responsibility for determining the review procedures with the authority to delegate to individuals or committees within the Group as they deem appropriate.

2.6 Validity period of the IPT Mandate

If approved at the AGM, the proposed renewal of the IPT Mandate will take effect from the date of the passing of the ordinary resolution in respect of the proposed renewal of the IPT Mandate to be voted on by the Shareholders at the AGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent annual general meeting, or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier. The Company intends to seek the approval of Shareholders for the renewal of the IPT Mandate annually. The renewal of such general mandate shall be subject to the satisfactory review by the Audit Committee of its continued application to any interested person transactions.

2.7 Audit Committee's Statements

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee, comprising Mr. Keen Whye Lee, Mr. Sung Hyon Sok and Mr. Claudio Cisilino, confirms that:

- (a) the Review Procedures have not changed since Shareholders last renewed the IPT Mandate at the annual general meeting of the Company held on 20 April 2017; and
- (b) the Review Procedures are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the Review Procedures are inadequate or inappropriate to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Listing Manual, it will in consultation with the Board of Directors take such action as it deems proper in respect of such procedures and/or modify or implement such procedures as may be necessary and direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Mandated Interested Persons.

2.8 Disclosure to Shareholders

Pursuant to Rule 920(1)(a) of the Listing Manual:

- (a) disclosure will be made in the annual report of the Company, giving details of the aggregate value of all interested person transactions conducted with interested persons pursuant to the IPT Mandate during the financial year under review and in the annual reports for the subsequent financial years during which the IPT Mandate is in force, as required by the provisions of the Listing Manual;
- (b) announcements will be made with regard to the aggregate value of interested person transactions conducted pursuant to the IPT Mandate for the financial periods which the Company is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report; and
- (c) the names of the interested persons and the corresponding aggregate value of the interested person transactions will be presented in the following format (pursuant to Rule 907 of the Listing Manual):

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all interested person transactions conducted under the IPT Mandate (excluding transactions less than S\$100,000)

3. Director's recommendations

The Directors who are considered independent for the proposed renewal of the IPT Mandate are Mr. Roy Reite, Mr. Keen Whye Lee and Mr. Sung Hyon Sok (collectively, the "**Recommending Directors**").

Having considered, *inter alia*, the terms, rationale and benefits of the proposed renewal of the IPT Mandate as set out in this Appendix the Recommending Directors are of the opinion that the proposed renewal of the IPT Mandate is in the best interests of the Company. Accordingly, they recommend that the Shareholders vote in favor of Ordinary Resolution 6 in relation to the proposed renewal of the IPT Mandate as set out in the Notice of AGM.

The Recommending Directors, in rendering their recommendation, and the Audit Committee, in rendering their confirmation, have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Recommending Directors recommend that any individual Shareholder who is unsure as to the action he/she should take should consult his/her legal, financial, tax or other professional advisers.

Mr. Giuseppe Coronella, Mr. Claudio Cisilino and Mr. Vittorio Zane are nominees of Fincantieri O&G. Accordingly, they are not considered independent for the purposes of the proposed renewal of the IPT Mandate.

4. Directors' and substantial shareholders' interests in the company

The details of the Directors' and substantial shareholders' interests in the Shares as at the Latest Practicable Date are set out below:

Name of Director	Direct Interest (Number of Shares)	Deemed Interest (Number of Shares)	Total Interest (Number of Shares)	Total Interest (%)
Mr. Giuseppe Coronella	Nil	Nil	Nil	Nil
Mr. Roy Reite	Nil	Nil	Nil	Nil
Mr. Vittorio Zane	Nil	Nil	Nil	Nil
Mr. Claudio Cisilino	Nil	Nil	Nil	Nil
Mr. Keen Whye Lee	Nil	Nil	Nil	Nil
Mr. Sung Hyon Sok	Nil	Nil	Nil	Nil

Name of substantial shareholder	Direct Interest (Number of Shares)	Deemed Interest (Number of Shares)	Total Interest (Number of Shares)	Total Interest (%)
Fincantieri O&G	985,053,110	Nil	985,053,110	83.48
Fincantieri ⁽¹⁾	Nil	985,053,110	985,053,110	83.48
Fintecna ⁽¹⁾	Nil	985,053,110	985,053,110	83.48
Cassa Depositi e Prestiti ⁽¹⁾	Nil	985,053,110	985,053,110	83.48

Notes:

(1) By virtue of Section 4 of the Securities and Futures Act, these entities are deemed to be interested in the shares held by Fincantieri O&G in the Company. The relationship of the said entities is as follows:

- (i) Fincantieri is the immediate holding company of Fincantieri O&G;
- (ii) Fintecna holds 71.64% of Fincantieri (shareholding as at 6 June 2018); and
- (iii) Cassa Depositi e Prestiti is the immediate holding company of Fintecna.

Save as disclosed above, none of the substantial shareholders or Directors of the Company has any interest, whether direct or indirect, in relation to the proposed renewal of the IPT Mandate.

5. Shareholders who will abstain from voting

In accordance with Rule 920(1)(b)(viii) of the Listing Manual, Mandated Interested Persons shall abstain and undertake that their associates shall abstain from voting on the resolution approving interested person transactions involving themselves and the Group. Furthermore, such Mandated Interested Persons and their associates shall not act as proxies in relation to such resolutions unless voting instructions have been given by the relevant Shareholder.

Accordingly, Fincantieri O&G will abstain, and will procure that each of its associates will abstain, from voting in respect of each of their shareholdings in the Company on Ordinary Resolution 6 in relation to the proposed renewal of the IPT Mandate as set out in the Notice of AGM.

6. Annual general meeting

The AGM will be held at Shine Auditorium, 100 Beach Road, #03-01, Shaw Tower, Singapore 189702 on Friday, 29 June 2018 at 1:00 p.m. for, *inter alia*, the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution 6 as set out in the Notice of AGM.

7. Director's responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

8. Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company's Share Registrar at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, during normal business hours from the date of this Appendix to the date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report.

Yours faithfully,

For and on behalf of the Board of Directors of
Vard Holdings Limited



Mr. Roy Reite
Chief Executive Officer and Executive Director

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