

Communication On Progress 2011

Odfjell SE



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We commit!

It is becoming more and more evident that employees and the society in general are beginning to expect a higher level of corporate social responsibility from large organisations. In 2011, we signed on to the United Nations Global Compact, and by doing so decided to make its principles within the area of Human Rights, Labour, the Environment and Anti-Corruption an integrated part of the strategy, culture and the day to day work within Odfjell.

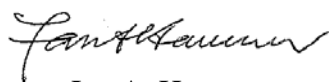
Our main focus in 2011 has been to establish a Corporate Social Responsibility policy as well as an internal Corporate Social Responsibility Council to ensure compliance with the new policy and to facilitate a gradual implementation of the ten principles. As a response to this, our main operational focus has been energy optimization, emission reduction, improvement of our Lost Time Injury Frequency, a safety culture project, a health campaign (training and diet) for our seafarers and a self-assessment survey concerning our Code of Conduct. In the fall of 2011 we also joined the United Nations Global Compact Nordic Network.

In the coming year, Odfjell will continue the safety culture project in order to develop proactive safety awareness amongst our employees. In addition, an internal energy saving campaign will be launched in 2012.

In this 'Communication on Progress' we outline our efforts to gradually improve and implement the integration of the Global Compact and its ten principles into the Odfjell Group's fully owned companies. Included are also some comments and information related to our plans for the companies (tank terminals) in which we have a part ownership. We also commit to sharing this information with our stakeholders via www.odfjell.com and other means of communications.

We will continue to support the United Nations Global Compact and are gradually implementing and plan to maintain the ten principles in the years to come.

Yours sincerely,



Jan A. Hammer

Corporate Social Responsibility

Our CSR Policy

Odffjell's corporate social responsibility encompasses quality, health, safety and care for the environment as well as business ethics, human rights, non-discrimination and anti-corruption. We aim at sustainable development for our investors, customers, employees and the communities in which we operate through balancing financial results and corporate social responsibility within our sphere of influence. We work in accordance with international and national regulations that govern our business and take positive measures beyond mandatory compliance.

As a leading Company in the global market of specialised transportation and storage of bulk liquids, we have an obligation to maintain a high level of ethical standards throughout our activities and ensure that we conduct our business to high quality, safety and environmental standards. In addition to the CSR policy we have several other policies and a Code of Conduct that already partly cover the UN Global Compact's ten principles.

Our stakeholders

Given the nature of the global maritime industry, the list of stakeholders covers a wide range of different people and organisations. The stakeholders with whom we will communicate and implement the ten principles towards are defined as:

- Employees
- Shareholders
- Business partners/investors
- Suppliers
- Trade Associations
- Customers
- Authorities
- Public service officials
- Non-political organisations
- The society at large

Implementation of the ten principles will start with ourselves and our employees as we feel they are the stakeholders with whom we can influence most easily and therefore can gradually implement the ten principles. From 2012 we will start working towards the other stakeholders.

Due Diligence

Odffjell has used The Global Compact Self-Assessment Tool in connection with the GAP-analysis process to benchmark what we are already doing and to assist us in taking us to the next level; to improve existing policies and systems, build staff awareness, engage subsidiaries, suppliers or other stakeholders, improve internal and external reporting etc.

Compliance Policy (Code of Conduct)

In addition to our policies, our Code of Conduct is meant to enforce ethical behaviour in everyday business activities. It is applicable to all employees, Directors and representatives of the Company, irrespective of their domicile.

All employees shall conduct their actions in keeping with applicable, relevant laws and regulations. Beyond that, all employees shall respect safety and environmental concerns and be responsive to the concerns of the wider society. The Code is supplemental to local Odfjell employment policies at our offices around the world.

Human Rights Principles

Principle 1 & 2

- Businesses should support and respect the protection of internationally proclaimed human rights.
- Business should make sure that they are not complicit in human rights abuses

Assessment, Policies and Goals

Our Human Relation Policy

We shall ensure a safe working environment and encourage open communication and teamwork.

We shall offer interesting and challenging jobs with opportunities for development of individual skills.

Integrity and proficient job performance are required.

We shall link compensation to individual development and performance.

Odfjell aims to be a company for which it shall be attractive to work with an interesting working environment both at sea and ashore. We support, respect and work according to the Universal Declaration of Human Rights.

We comply with the national rules and regulations in which we operate. Our HR policies and Code of Conduct shall ensure that we take care of our employees according to Human Rights and prevent potential abuse.

Odfjell has written policies available for employees that clearly states employee rights and responsibilities and their compensation and benefits.

For 2012, our main goals are:

- Improve awareness about Human Rights in our fully owned companies.
- Review and amend company policies in order to more explicitly reflect the Human Rights principles.
- Map and review the Human Rights aspects as it pertains to the companies in which we have a part ownership.

Implementation

Our goals for 2012 will be achieved by training through internal arrangements like meetings, news and presentation of introduction documents for new employees.

In Odfjell, employee participation is of importance. For that reason a number of employee consultation committees have been established at our various locations. Some examples are:

- Officers' Council with the main purpose to contribute to the co-operation between personnel on board our ships and ashore, by exchange of information and viewpoints. Members of the Officers' Council are four officers as well as the President/CEO, SVP Ship Management and the council secretary.
- A Working Environment Committee (AMU) at the head office in Bergen representing the employer, employees and the safety service. The committee has four annual meetings. All employees can address the committee with any working environment issues.
- A Work Council Committee (Kontaktutvalg) with four annual meetings. The council represents both the employer and the employee and is established to maintain and improve motivation, efficiency and the working environment at the headquarters in Bergen.
- A Work Council at Odfjell Terminals Rotterdam (part ownership) following the Work's Council Act of the Netherlands.

Ergonomic surveys are carried out every year at our headquarters in Bergen and at the main overseas offices. At sea, ergonomic surveys related to noise and working conditions in general have been carried out on some vessels. Further use of such sample surveys will be evaluated.

In 2011 we have implemented a programme aimed at improving health care for seafarers, which stresses the importance of exercise and a healthy diet. As our seafarers spend considerable amounts of time at sea away from their homes and families, we focus on ensuring proper accommodations on our ships. The current working environment is considered to be good.

The majority of employees at Odfjell have access to an annual free health check. This benefit allows the seafarers to have regular medical check-ups. In 2011, as in previous years, we initiated a number of different activities to ensure the safety of our employees, which has resulted in a reduced Lost Time Injury Frequency. We have implemented measures to prevent fall injuries from heights, upgraded the Personal Protective Equipment – PPE on our ships as well as implemented technical upgrades to improve our safety and security.

We have an on-going focus on risk awareness and safety culture as part of our proactive approach to QHSE. In 2011 Odfjell implemented one common method in all business units for doing Root Cause Analysis of medium and high risk incidents to uncover and eliminate the underlying causes to accidents and incidents.

Measurement of outcomes

Every other year we carry out employee satisfaction surveys at our headquarters in Bergen and at the main overseas offices. The corporate results show that the overall satisfaction and motivation in Odfjell is rated higher than the international Employee Engagement Index (EEI); respectively 67 against 63. Odfjell also has a high retention rate compared to that of other industries.

The Lost Time Injury Frequency (LTIF) indicator has improved with the on board and onshore figures decreasing to 1.23 in 2011 from 1.5 the previous year. The LTIF at the companies (tank terminals) in which we have a part ownership, had an increase from 2.2 in 2010 to 2.9 in 2011.

No incidents involving fatalities were recorded in 2011, compared with two in 2010.

The Lost Time Injury Frequency is based on:

- $\text{Sum of fatalities} + \text{lost time injuries} * 1.000.000/\text{hours worked}.$

Summary of the last years result:

Year	On board and off shore shipping	Tank terminals
2008	2.30	9.50
2009	2.25	7.90
2010	1.50	2.20
2011	1.23	2.90

Labour Principles

Principle 3, 4, 5 & 6

- Business should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Business should uphold the elimination of all forms of forced and compulsory labour
- Business should uphold the effective abolition of child labour
- Business should uphold the elimination of discrimination in respect of employment and occupation

Assessment, Policies and Goals

We respect the rights to associate and any forms of forced or compulsory labour are not allowed. We strongly oppose child labour, which is not allowed within Odfjell under any circumstances. Odfjell maintains a policy of providing employees with equal opportunities for development of skills and offering new challenges within our Company. Gender-based discrimination is not allowed with regards to recruitment, promotion or remuneration.

Our goals for 2012 are as follows:

- Ensure that the Company is in compliance with local law with respect to collective bargaining and freedom of association.
- Clearly state minimum age limits for Odfjell employees.
- Implement age verification procedures in our employment policies.
- Review recruitment and promotion procedures with respect to transparency and documentation.
- Establish separation guidelines for employees who decide to terminate employment.
- Review company policies to ensure that employees in Odfjell have equal possibilities to develop and progress within the business independent of race, religion and gender.

Implementation

In our efforts to ensure that our ethical standards are compliant, we have a Compliance Officer to help and guide employees that may be faced with difficult situations or ethical dilemmas in work related situations. A parallel role called 'Designated Person' is available for seafarers as required and defined by the International Safety Management Code (the ISM Code).

The Human Resources Departments within Odfjell ensures that all labour regulated activities are reviewed according to the countries specific regulations and they will ensure that these principles are fulfilled.

Measurement of outcomes

Of around 230 staff employed at the headquarters in Bergen, 68% are men and 32% women, whilst the corresponding global figures (about 924 employees in our wholly owned onshore operations) are 76% and 24% respectively. Recognising that we employ relatively few women, we endeavour to recruit more women to Ship Operations, Chartering and Ship Management, and also promote life at sea as a viable career for women.

Environmental Principles

Principle 7, 8 & 9

- Businesses should support a precautionary approach to environmental challenges.
- Businesses should undertake initiatives to promote greater environmental responsibility
- Business should encourage the development and diffusion of environmentally friendly technologies

Assessment: Policy and Goals

Our Health, Safety & Environmental Policy

We shall give the highest priority to health, safety and environmental protection. All our activities shall be based on a zero accidents philosophy, meaning that our goal is no personnel injuries, no accidental pollution, reduced environmental impact and no damage to cargo, ships, terminals or other properties. We shall evaluate risk, review performance and share experience.

Our Quality Policy

Our Quality Management System shall ensure work processes that always meet customers expectations and comply with statutory and internal requirements. We shall plan and execute our service with due attention to the resources required. We shall strive for continuous improvements through monitoring performance, active use of experience feedback, audits and reviews. Use of best practice and risk management shall enhance safe and reliable performance.

Our main goal for 2012 is to review the QHSE policy and from this review generate more specific and explicit environmental goals.

In 2012 we will launch an energy saving campaign in order to engage employees to come forward with suggestions for how we can reduce emissions.

Another important environmental related goal for 2012 is to continue installing a propeller system on the vessels to improve the propeller efficiency hereby reducing fuel consumption and emissions to the environment.

Implementation

The following activities are on-going in order to further reduce the emissions to the environment:

ISO 14001

Odfjell Ship Management holds the ISO 14001 certification, which covers all ships under our own management. The initial certification date is from July 2005 and the certification body is Det Norske Veritas (DnV). The purpose of the ISO 14001 certification is to ensure the implementation, maintenance and continual improvements of our environmental performance.

Green Passport

Odfjell has established a programme to obtain Green Passports for all ships before they are sold and/or recycled in order to ensure a guarantee controlled recycling of such units. The programme meets all requirements and expectations of IMO Resolution A 962 and 179 regarding recycling of ships. The Green Passport programme was introduced in 2008.

External Weather Routing

Advanced weather routing services have been in use since December 2009. This has been applied both for our owned fleet, and also to rental (time chartered) ships. About 800 sea voyages were subject to external weather routing in 2011. Following the route optimisations for these voyages the ships reduced their time at sea by a total of at least 54 days. This equates to a fuel saving of approximately 2,000 tonnes, which in turn is equivalent to about 6,000 tonnes CO₂.

Vapor Recovery and Treatment

Different projects at our partly owned terminal in Rotterdam are established to assure further reduction of rest-emissions on Volatile Organic Substances (VOS-products) on tank roofs, pumps, connections etc. These majorities of the emissions are already treated via an approved vapor treatment system and this project together with other projects will assure the reduction of the vapor emissions.

Intermediate hull cleaning and propeller polishing

Hull cleaning and propeller polishing are a normal part of ordinary dry docking work. However, in 2011 Odfjell established procedures to enable ships to undergo hull cleaning and propeller polishing in between scheduled dockings. All Odfjell operated ships, both time chartered and owned, are being more closely monitored and the cleaning intervals are being shortened.

The result of this type of intermediate operations can be a significant reduction of fuel consumption and emissions of CO₂, NO_x and SO_x. One operation conducted in 2011 is estimated to save approximately 1,600 tonnes of fuel during the first year, equivalent to 5,000 tonnes CO₂.



'Robotized' soft hull cleaning equipment
(Source: Underwater Shipcare Pte Ltd/Odfjell)



Reflection of the divers hand in the polished propeller blade.
(Source: Underwater Shipcare Pte Ltd/Odfjell)

Tank cleaning – chemical treatment

Odfjell Tankers continues to develop effective tank cleaning methods that meet the highest industrial standards. Our initiative to reduce the number of cleaning chemicals to four main products and two supplementary products has been successfully implemented. In 2011 we focused on monitoring and reducing the amount of fuel used for heating water during the tank cleaning process.

Measurements of outcomes

From 2009 to 2010 our figures show a reduction in CO₂ emission of 14.3% based on total revenues and 13.9% based on number of full time employees. More importantly, emissions per cargo tonne mile show a reduction of 6.6%, showing real efficiency gains. There are many reasons for these improvements, including implementation of weather-routing systems, speed reduction schemes, installation of electronic systems to reduce lubrication oil consumption and reduced running hours on auxiliary engines. We continue such improvements also in 2011 of about 7% compared to 2010.

Carbon Disclosure Project - CDP

In 2011, Odfjell replied to the annual CDP request for emissions and climate change data. The scope was limited to the shipping business, including the headquarters in Bergen. Besides reporting on the CO₂ emissions we also considered the influence on different risk drivers as cap and trade schemes, carbon taxes, change in the temperature extremes and sea level rise.

Key Performance Indicators (KPI's) based on CO₂ emission where the figures are related to the ships. Total emissions are in tonnes.

Year	Total emission	CO ₂ reduction	CO ₂ reduction based on revenue	CO ₂ reduction based on employees	CO ₂ reduction based on shipped tonnes
2009	2.100.000				
2010	1.841.000	12	14.3	13.9	11.8
2011	1.700.000	7.6	NDY	NDY	7.0

All reduction figures are in % from previous years.

NDY – Not Defined Yet.

For more information please see the Odfjell Annual Report 2011.

Anti-Corruption Principle

Principle 10

- Businesses should work against corruption in all its forms, including extortion and bribery

Assessment, Policy and Goals

Our Bribery and Corruption policy

Odfjell is firmly opposed to all forms of corruption. Odfjell's objective is to compete in the marketplace on the basis of competitive services and prices. Under no circumstances is it acceptable to offer, give, solicit or receive, any form of bribe, kickback, improper or illegal inducement.

The Company is focused on keeping high standards with regard to anti-corruption. The shipping fleet is operated in complex and extensive trading patterns and our customers demand safety, quality and the highest standards of service. We have a clear and defined policy, but will consider developing more specific requirements into the procedures.

Evaluation and risk of corruptions in business processes are considered from case to case. Actions which will be focused on in 2012 both for our fully and partly owned companies are:

- Our policy will be evaluated and made more specific.
- Training and reporting procedures will be evaluated.
- The anti-corruption initiative which covers agents, intermediaries, officials and consultants will be reviewed.
- The interactions with suppliers will be evaluated.
- The Code of Conduct will be reviewed.
- A thorough self-assessment will be carried out.

Implementation

Demands for facilitation payments (any payment made to a public official or otherwise, the purpose of which is to expedite or to secure the performance of a routine governmental action) are still common in many countries. Consistent with international business principles for countering bribery however, Odfjell is working with local representatives and reviewing customary business practices with a view to identifying and eliminating such payments.

We have established anti-corruption measures as a part of our purchasing routines. For instance, execution of purchase and approval of corresponding invoices shall be performed by separate employees.

In addition to our policies, our Code of Conduct is meant to enforce ethical behaviour in everyday business activities and must be read by and applied to all employees; directors and representatives of the Company, irrespective of their domicile.

All employees shall conduct their actions in keeping with applicable, relevant laws and regulations. Beyond that, all employees shall respect safety and environmental concerns and be responsive to the concerns of the wider society. The Code is supplemental to local Odfjell employment policies at our offices in various countries.

In our efforts to ensure that our set ethical standards are compliant we have a Compliance Officer to help and guide employees that may be faced with difficult situations or ethical dilemmas in work related situations. A parallel role called 'Designated Person' is available for seafarers as per the ISM code.

Measurement of outcomes

In 2011, 66 of the Odfjell managers reported on compliance with the Code of Conduct. This survey is carried out on a yearly basis.