



Communication on Progress 2012 Farstad Shipping ASA

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The company commits to continued support!

In growing markets and with a growing company we have seen the importance of working consciously and systemized with all aspects of business, both connected to people, environment and equipment. Therefore we decided to sign on to the United Nations Global Compact in December 2011 and in January 2012 also join the United Nations Compact Nordic Network.

We work consciously with many aspects of the UNGC's ten principles, but have seen the need of a tool where we more systemized can report this and also reveal what areas we need to focus more on.

An important target in 2012 has been to describe and harmonize each regions work with ethics, and integrate this experience and knowledge into a common set of Farstad Shipping Ethical Guidelines. These will be presented to the Board in February 2013, and then implemented.

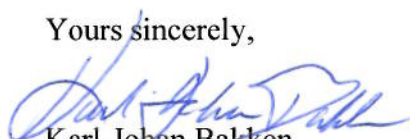
The companies' Values program started in 2006 in Norway. By using external consultants with a professional standing we make sure we accomplish what we aim at, and that the Values program is an ongoing process where the company must continuously improve. The Values meetings are an arena where all employees meet with management, and through discussions and future focus tries to build a common and strong culture, with respect and acknowledgment for all employees and their roles in the company. This is a project that will continue through the organization every year, and it is an arena for discussing all issues connected to CSR and the UNGC principles.

In the coming year we will prioritize the work with Ethical Guidelines and work towards a common plan for implementing these in all regions.

The companies' focus on common ethical guidelines and the UNGS's principle about Anti-corruption has brought forward the need of developing a common Supplier Declaration, which will be prioritized in the coming year.

In our further development of the company the 10 UNGS's principles will be an important framework for a continuous improvement of our work with CSR, and we will continue to support the United Nations Global Compact.

Yours sincerely,

A blue ink signature of Karl-Johan Bakken.

Karl-Johan Bakken
CEO

CSR and HSEQ work in general

The company works out a corporate plan for continuous and planned improvements in HSEQ and CSR work, regarding areas of requirements and obligations all connected to regulations and laws in our part of business.

This plan is developed each year and is the framework for the regional plans and activities.

It embraces implementations, improvements and new initiatives within the areas of Safety, Health, Environment, Quality, Integrated Management System and Social Responsibility. It also sets clear responsibilities on project owners, milestones and targets. This is the foundation for measurable initiatives connected to all HSEQ-work in the company.

The same annual plan involves training and requirements for competence building of our employees.

CSR and Values

Farstad Shipping shall improve its competitive position based on our Values and our respect for people, environment and society. By profitable and responsible operations our company shall create positive financial, environmental and social effects. We shall run our company in accordance with current laws and regulations as well as good business practice. We shall show respect for people, employees and their rights, and establish good procedures and standards in our HSE work.

Since 2006 the company and management has focused actively on the values and developed the Values program. The vision is to make the Values known and understandable and build a foundation for developing an including, transparent and safe culture.

The company shall be a value-driven company with focus on safety, quality and efficiency of our services. Our values express the attitudes and the culture which Farstad Shipping's employees stand for. Our core values provide clear guidelines for the priorities on which the company's development is based. They also provide important guidelines for how our employees shall perform their duties and for how we provide our services to our customers. They also guide our attitudes and demands towards our suppliers.

The ongoing focus on Values is an important foundation for the building of good relations and transparency throughout the global company. It also prepares the organization for an active and motivated approach towards the new ethical guidelines. These will be the core of our strengthened focus on CSR work on all levels.

CSR work starts with every employee!

Farstad Shipping Ethical Guidelines

After signing in to the UN Global compact an important target in 2012 has been to describe and harmonize each regions work with ethics, and integrate this experience and knowledge into a common set of Farstad Shipping Ethical Guidelines.

This has been a process including representatives from all regions. The project has been through several phases of discussions and adjustments around a common text.

The initial target was to agree on a common set of guidelines within this year, but the frames of this project is stretched to February 2013 due to the need of further adjustments to produce an optimal set of guidelines, both for employees, customers and suppliers.

The Farstad Shipping Ethical Guidelines will be published on the website www.farstad.com.

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.

Implementation

The company's "Interpersonal Relations Policy" emphasizes the importance of all employees and all other personnel engaged in the delivery of our services to be committed to maintaining an environment free from any form of harassment, degeneration, bullying or any other form of intimidating and/or illegal behavior.

Implementation of principle 1 & 2 will in the coming years focus on how to protect everyone connected to our operations, with regards to suppliers and customers. That is part of our focus in 2013 on developing and actively using and following up a Supplier Declaration.

Expected outcomes

Through our management systems we plan to measure and be able to show that we improvingly work according to the precautionary principle in order to secure our employees' working environment, and also secure legal standards for everyone involved in producing products or services that is delivered to the company.

Labour Principles

Principle 3, 4, 5 & 6

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

Implementation

Our “Health, Safety, Welfare and Environment Policy” emphasize that this work is a management responsibility, and its successful implementation is dependent upon the commitment of all employees sharing the company's vision of an injury free workplace and protection of the environment. Our staff must comply with the Farstad policies and procedures during their work on company business, either on site or onboard vessels.

As part of our goal of being a premier provider of shipping services, we rely on the following principles when recruiting new employees:

Attracting highly motivated seagoing personnel is of top priority as nothing is more important to us than being able to perform safe, quality vessel operations.

We offer real career opportunities for the right person as we regard training and development as ongoing processes to adapt the employees' individual skills and expertise to the changing demands of the work. We provide our staff with continuing educational programs and courses to keep our employees' qualifications up to date.

The company policy “Human Rights and Equal Opportunity” emphasize that all employees will be provided with a workplace free of discrimination, harassment and victimization and treated with dignity, courtesy and respect.

Certification of OHSAS 18001

This is planned to take place in the first quarter of 2013. It provides a framework for control and improvement within health and safety in relation to working environment.

It is a control system who leans on our vision and values, and focus on how to better follow up the whole work situation for all employees to be able to develop an even better workplace. The requirements on follow up are based on both official regulations and the company's own requirements.

Expected outcomes

Certification OHSAS 18001 will give better control and improvement within health and safety in relation to working environment.

Environment

Principle 7, 8 & 9

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

Implementation

Farstad Shipping's expressed goal of zero damages to people, environment and material is also the basis for our conscious efforts in reducing our impact on the environment.

We have chosen international regulations and requirements as a minimum, when we set standards for our vessels and all activities connected to them.

We have chosen to build all our newer vessels with Clean Design, which also means they are equipped with Green Passport.

The company participates in various projects established in order to minimize the supply vessels' impact on the environment.

Certification ISO 14001:2004

This is a certification according to the standard for good environmental management, and will start up in 2013. It has focus on continuous improvements for the company's' and the services' environmental impact to a minimum.

Expected outcomes

The Energy Management Project will give us a better status on how our vessels perform regarding engine fuel use and energy use in general, in different conditions. By that we can find out how and where to improve.

Anti-Corruption

Principle 10

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

Implementation

Our ethical foundation emphasizes that all our employees are expected to adhere to the current rules and regulations in all contexts both in their home countries and in their workplaces. This provides guidelines for what is acceptable behavior for our employees.

We hope to strengthen that obligation through rolling out the common FS Ethical Guidelines during 2013, and make it a document in active use with continuous focus.

Next year will be our focus year on business ethics connected to choices and dilemmas every employee may face. We wish to use FS Ethical Guidelines as a foundation for developing interesting and understandable learning tools.

We will also work with gathering experience and building a best practice towards agreements and demands to suppliers, by developing a global Supplier Declaration.

Expected outcomes

We seek an even more transparent company, where employees achieve an improved understanding of the importance of both thinking clearly and if necessary seeking advice with a senior manager when facing dilemmas in the work for Farstad Shipping.

We also aim at a better collaboration with our suppliers with regards to the UNGC 10 principles.