



NORDIC TANKERS



NORDIC TANKERS

Corporate Social Responsibility

Annual Communication on Progress 2012

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Nordic Tankers' head office in Copenhagen

Nordic Tankers in brief

Nordic Tankers is a ship owning company operating close to 120 chemical tankers in the segment below 25,000 dwt.

The core competence of Nordic Tankers is to manage and operate – commercially and technically – highly sophisticated chemical tankers. Nordic Tankers balances its vessel portfolio by owning tankers, chartering in chemical tankers, and having chemical tankers on commercial management, as well as operating tankers in pools.

The strategy for Nordic Tankers is to be the ideal platform for consolidation of the tanker market in the chemical tanker segment below 25,000 dwt. Nordic Tankers' intention is to be among the most profitable in the industry.

Nordic Tankers is since 30 April 2012 owned by a company controlled by the investment fund "Triton".

Company values and vision



A stronger and safer Nordic Tankers

2012 has been a year of great challenges and great achievements. First and foremost, Nordic Tankers' chemical tanker business was acquired by Triton in April, and the activities were combined with those of herning shipping. The combined activities are operated under the Nordic Tankers brand, and we market a fleet of close to 120 chemical tankers, which is an increase from around 90 chemical tankers marketed at the beginning of the year.



Despite a continued depressed market, and the additional workload involved with the integration of the activities described above; Nordic Tankers has continued its focus on the progression of the business driven CSR initiatives. We see the business driven approach as not only the right, but the only way forward when building a long-term sustainable business that is beneficial to both the company and the society at large. As we have no dedicated CSR resources, our CSR initiatives are embedded, carried out and measured within the various departments as a natural part of the development of our business. A key focus area during 2012 has been the initiation of the Safety Culture drive. Safety will have its own chapter in our report, as a high safety level is important across a number of principles relating to both human and labour rights as well as environment and climate. A high safety level is key as we want to be a responsible tanker shipping company. Safety has been integrated into our vision and values and moved to the top of the agenda in all areas of our business during 2012. You can read more about our concrete initiatives and future plans on page 7.

Many other areas have progressed in 2012, and advances are described in the report, together with projects and targets for 2013. On a more general level, 2013 will be the year, where we will start taking the first steps towards moving outside our sphere of control by joining MACN (Maritime Anti-Corruption Network), and setting our first targets within the field of responsible supplier management.

Sincerely,

Tommy Thomsen

CEO

Nordic Tankers

"Safety starts with Us"

We support the Global Compact

In August 2011, Nordic Tankers signed the United Nations Global Compact (UNGC). Nordic Tankers supports the ten principles with respect to human and labour rights, the environment and anti-corruption and view our commitment as a platform for having a strategic and structured approach to sustainability issues.

What is the Global Compact?

The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

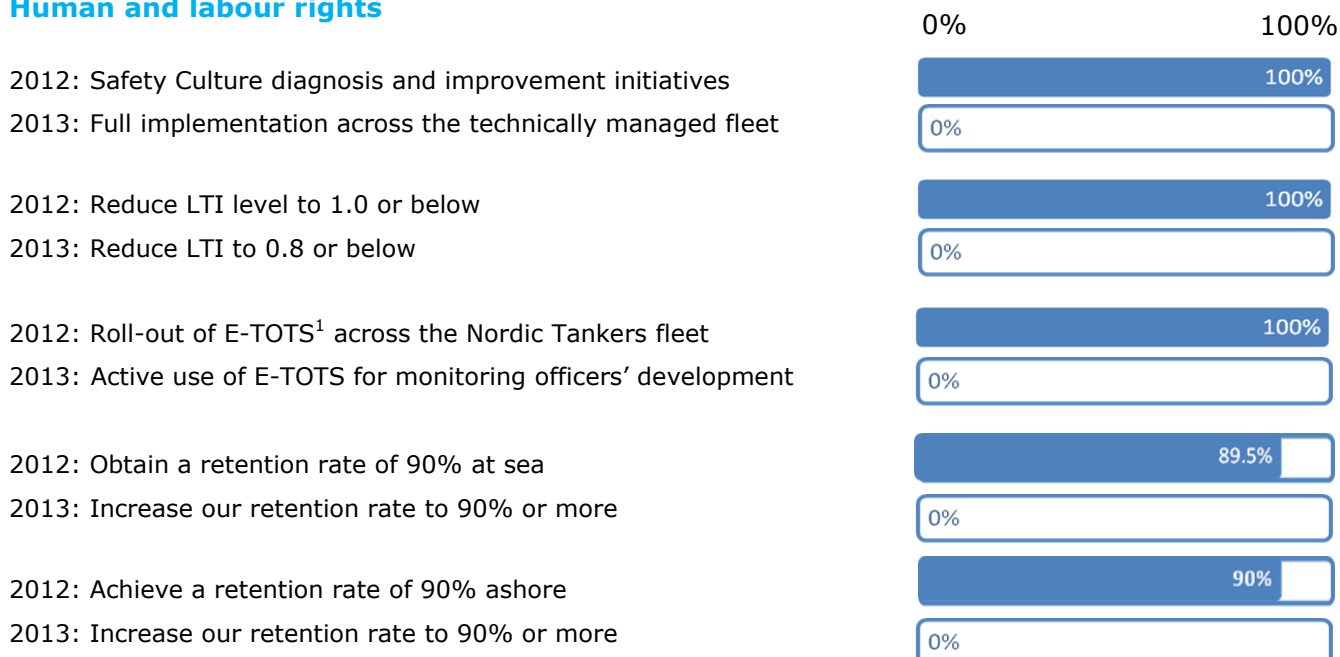
www.unglobalcompact.org



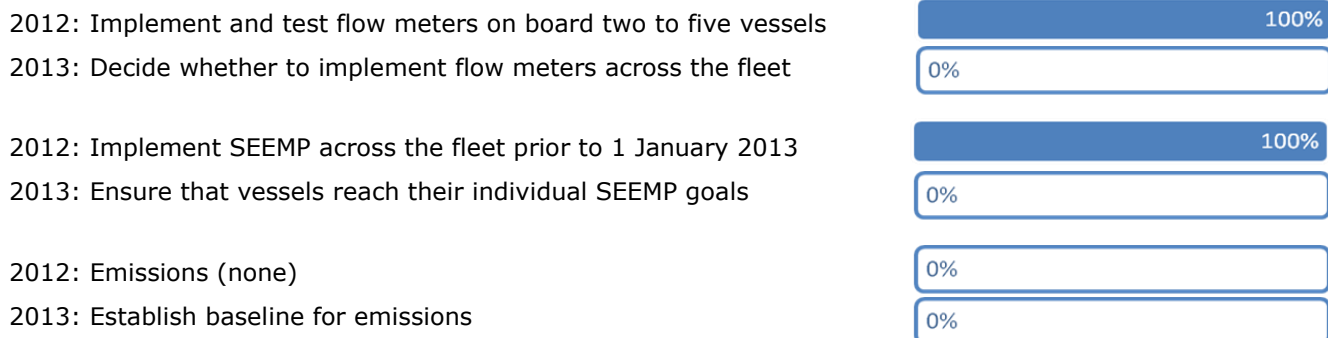
Nordic Tankers' CSR performance

Nordic Tankers strives to continuously improve itself within a number of targeted CSR focus areas. Achievements in these focus areas along with goals for 2013 can be seen from the below overview.

Human and labour rights



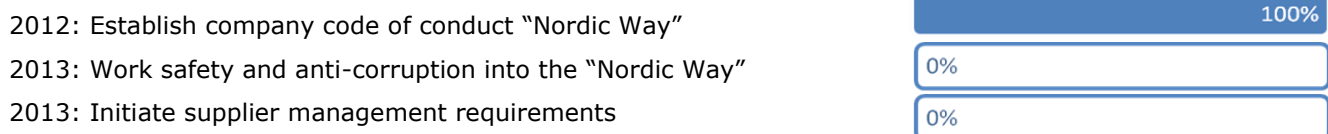
Environment and climate



Anti-corruption



Across all areas



¹ CMS

Policies and framework

Nordic Tankers' CSR initiatives are embedded, carried out and measured within the various departments as a natural part of the development of our business.

Apart from this business driven approach, the initiatives are guided by the UNGC and our corporate governance policy, which also includes specific policies on safety, CSR and anti-corruption.

Nordic Tankers' safety policy:

Nordic Tankers is committed to ensuring the highest safety standards for its people, vessels and the environment. Furthermore, Nordic Tankers strives to continuously raise safety awareness and commits to embedding safety into our values and strategy.

Nordic Tankers' CSR policy:

Nordic Tankers will actively initiate and participate in activities related to CSR and will incorporate CSR initiatives in our strategy at any given time. Nordic Tankers will focus on areas related to health and safety, environment and climate and welfare and training.

Nordic Tankers will strive to continuously improve itself in these fields and communicate openly with our stakeholders about the results we achieve. As with everything else in Nordic Tankers, CSR challenges will be met with a can-do attitude and will be solved in a safe manner with integrity and team-spirit at heart.

Nordic Tankers' anti-corruption policy:

Nordic Tankers is committed to ensuring adherence to high legal and ethical standards in addition to applicable laws. This must be reflected in all aspects of our operations. Integrity must be present in all our dealings. Consequently, the directors, officers and employees of Nordic Tankers shall refrain from offering, promising, giving, demanding or accepting an advantage as a motivation for an illegal or unethical action.

Nordic Tankers joins the international Maritime Anti-Corruption Network (MACN) to collaborate to address and solve specific industry challenges in this field.

Safety – a top priority



Nordic Tankers initiated a company-wide safety culture project in March 2012 in collaboration with the Norwegian Maritime consultancy PROPEL, with the main focus on addressing the human element. The entire organization - including all vessels and crew on board - responded to a questionnaire aimed at the identification of the current safety culture maturity level in order to establish a baseline. The data and input gathered was then validated through a series of cross-functional workshops and interviews which created the basis for defining the collective improvement plan.

In order to align the process with the current legal structure of the new Nordic Tankers, an identical diagnosis was facilitated in herring shipping during September and early October, after which a gap report was compiled by PROPEL, setting the stage for both integrating the way forward in terms of improvement initiatives and allowing for better synergies in terms of knowledge sharing.

A series of engagement initiatives were concluded during 2012; a company-wide safety slogan competition was conducted, and the collective slogan is now used both internally and externally – **Safety starts with Us**. It is our ambition to become best in class in terms of safety performance ensuring 100% safety across our value chain. This goal will be achieved through building a company culture where safety excellence is embedded in the DNA of all our employees ashore and at sea.

Greater awareness was addressed through a company-wide process of analysing an incident from our fleet, where individual departments and senior shipboard management held workshops culminating in collective company learnings and commitment to avoid repetition of incidents in the future.

Implementation of leadership training was identified as being crucial both at sea and ashore, and the process of establishing a company specific safety leadership course and training has been initiated.

Finally, the establishment of a common safety code of conduct in continuation of the Nordic Way has been initiated and is expected to be completed during 2013. This code of conduct will be aligned with our safety management system, and thus ensure that there is a uniform approach to how we conduct ourselves in relation to colleagues, customers and external stakeholders.

2013 will be an eventful year in terms of our safety culture drive, as we aim to decrease our incident statistics from 1.0 to 0.8 through the execution of the action list established throughout the diagnosis phase. PROPEL will run a follow-up diagnosis in June 2013, where we will see the impact of the efforts accomplished in 2012.

Nadia Niazy, Project Manager – Nordic Tankers, says:

“Any lasting improvement initiative must become institutionalized and perpetually capable of adaptation. World-class safety is not only about writing correct rules, but more about righting the culture responsible for the well-being of its stakeholders.”

Human and labour rights

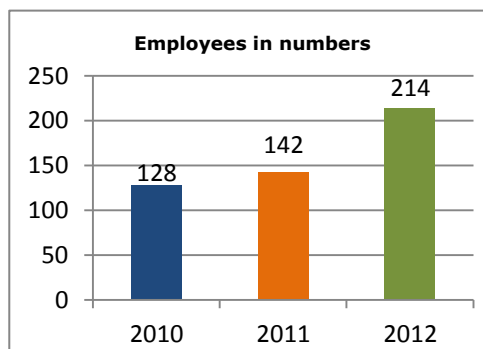
Nordic Tankers people, both at sea and ashore, are our most valuable asset and therefore the backbone of the company. Team spirit is one of the company's values, and we want to have a working environment, where we are all highly motivated and work together to achieve common goals.

From a CSR perspective the main focus points ashore are within the areas of general welfare, diversity and development of people ashore. At sea the priorities are closely linked to health, safety and training.

Employees in numbers

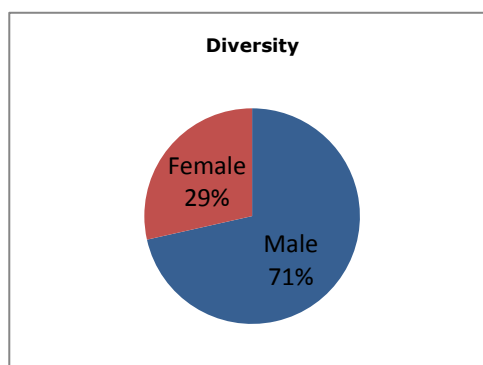
At year end 2012, Nordic Tankers had approximately 1450 employees at sea and 214 ashore at the headquarters in Denmark and overseas offices in France, USA, Colombia, Singapore and Latvia. Compared to year end 2011, the number of employees have increased with 34% primarily due to the combination of Nordic Tankers and herning shipping. Our retention rate ashore was 90%.

Our retention rate at sea in 2012 was 89.5%. The goal for 2013 is to obtain a retention rate of 90% or higher, both at sea and ashore.



Diversity

Our recruitment processes reflect an ambition of having diversity in the company, both when it comes to gender, nationalities and cultures. We believe that a diverse workforce is more creative, and creates better results at the end of the day. In connection with the Danish "Guidance on Target Figures and Policies for the Composition of Gender" expected to be released during 2013, we plan to formalize our ambitions and processes and set targets in the area during the coming year.



Helle Bjerre, Vice President, People, IT, CSR and Communication – Nordic Tankers, says:

"In many situations diversity can represent different views depending on age, culture, gender or experience. Even in situations where the difference of opinion can create tension, it is often the tension that brings out the passion and the real "out of the box" thinking, and where the overall best solutions are found. If everyone agrees to everything, it creates indifference. Different views coupled with respect for each other create the best results. Together we are best."

Developing people ashore

Developing potential leaders and managers has been an important target for 2012. Despite being busy with the integration of the two companies that was not envisioned at the beginning of the year, we still managed to roll out two development programmes during 2012, and included employees from both Herning and Copenhagen in the programmes. The first programme was a Leadership Introduction Programme, where both younger employees with leadership potential and a number of more experienced employees participated. The second programme focused on project management, as we realize how the organisation is evolving from the more traditional hierarchical structure into a more project oriented structure. With many on-going projects in the organisation, we needed to increase the organisation's overall capability in this area. Both programmes will continue well into 2013, where a new programme on sales and negotiation will be added.



Annette Hasenberg, Director, People and Culture – Nordic Tankers, says:

“One of our must-win-battles is to achieve a winning culture in Nordic Tankers. Despite the difficult times, we insist on being ambitious and becoming the winners of the future. By developing our people and bringing them together across offices, we do not only focus on increasing their competences but also on the social understanding, knowledge sharing and communication across the company, which also contribute to our future success”.

Trainees

Every year Nordic Tankers recruits young talented shipping trainees. The trainee programme is a two-year educational programme which varies between theory and practice. The theoretical part will take place at Copenhagen Business School and at the newly established “Danish Shipping Academy” (DSA), where the trainees will be introduced to shipping related topics such as: Maritime Economics, Maritime Law etc.

The practical part takes place in the different departments of Nordic Tankers. The Trainee Programme provides trainees with a solid shipping knowledge as well as a good industry network through the participation in the DSA. Nordic Tankers has actively contributed to the recent start-up of the DSA through its participation in the educational committee at Danish Shipowners’ Association. DSA contributes to the education of young people in Denmark, and secures a pipeline for the Company and the industry in general.

Along with the recruitment of trainees, Nordic Tankers had success with taking on two young and talented marine engineers at the end of 2011. The marine engineers work alongside our marine superintendents and will complete the programme as marine superintendents.

Developing people at sea

Seafarers today are faced with an ever increasing number of requirements. The Company has high ambitions in terms of quality and safety, and as we want to be considered a top quartile operator by our customers. To meet our objectives, we need to retain and develop our people working at sea.

Our seafarers work on our vessels trading in every corner of the world, in often harsh and challenging environments. It is therefore important for us to secure a strong link between sea and shore.

Nordic Tankers has over the last year increased the number of seminars and meetings with participants from both sea and shore. A total of nine officers’ meetings and seminars were held in 2012, with result of an increased understanding between sea and shore as well as an improvement of the company’s overall performance.

E-TOTS

Since May 2012 Nordic Tankers has tested its E-TOTS (electronic version of the training record book) on board two vessels. As of December 2012 the system has been implemented on all Nordic Tankers’ vessels and included in the qualification matrix. The purpose of the E-TOTS project is to create a platform where the Company and the employees can mutually benefit from the combination of the right skills and the access to job advance requirements.

Cadet programme

The focus on recruiting young talents ashore is also transferred to sea. It is Nordic Tankers’ ambition to give young people the opportunity to have a career at sea, through the Company’s cadet programmes. This is a pipeline for the creation of future officers for our fleet. Today we have cadet programmes in the Philippines, Latvia and Denmark, and our goal for 2013 is to set up a cadet programme in Poland.



Human and labour rights

Maritime health, safety and security

Nordic Tankers operates a modern fleet with an average age of about six years. Our owned vessels are built at shipyards with high standards, thus the far majority of the vessels managed by Nordic Tankers have a high safety and welfare standard compared to the industry average as such. With that focus, we strive to become an attractive employer for our seafarers and the preferred business partner for our customers.

Back in 2011, Nordic Tankers undertook investigations into how to best bring safety from a procedural level into being an integrated part of the company culture. The results of this investigation were evaluated during 2012 where we initiated a Safety Culture drive throughout the entire organisation. Our safety culture drive has been implemented into our company vision and values, as safety stretches across all our areas of business. For more details about the Safety Culture drive, please see page 7.

As part of the safety culture drive, we implemented a "TAKE 5" risk assessment process to maintain a safe working environment on board our vessels.

TAKE 5

The TAKE 5 process is a risk assessment, which has to be made before starting a job. It does not replace the written risk assessment in the Safety Management System but covers all other jobs. The TAKE 5 process consists of five steps that every crew member, regardless of rank, must take before starting a job on the deck, in the engine or in the superstructure.



Lost Time Incidents

The main aim of the Safety Culture is to avoid accidents harming people, the environment or assets and to ensure a high retention rate among our seafarers. To follow up on safety, a number of KPI's (Key Performance Indicators) are reported from each vessel and thoroughly monitored ashore. These KPI's among others are LTI's (Lost Time Incidents) and near miss.

LTI's are defined as work related incidents resulting in absence from work on a scheduled work shift on the day following the injury. It is an international standard calculated by multiplying the number of LTI's with a factor between 1,000,000 (one million) hours and the actual number of working hours on board our vessels and then calculated 12 months back. Over the past years, the Company has noted a steady down-going trend of LTI. The goal for 2012 result was 1.0, and we managed to meet that goal with a result of 1.0 - equal to a total of 6 incidents fleet wide. This pleasing result is very good compared to the industry and a measurable result of the safety initiatives implemented during the last years. The goal for 2013 is to decrease LTI's further to 0.8, which we strongly believe will be met.

The good LTI result in 2012 was sadly shadowed by the worst possible case, where one of our seafarer was fatally injured while serving on board a Company vessel. The investigation of this incident has led to a number of preventive measures identified based on the lessons learned from this tragic event.

Near miss

As per 1 January 2012, the Company changed the set-up for our near miss award, where even more focus was placed on the quality rather than the quantity of the reports. In spite of moving from awarding on the number of reports, we have with great satisfaction noticed a continuous on-going near miss identification process which has resulted in a steady amount of reports with an improved quality leading to the development of a large amount of best practices.

Crew welfare

Crew welfare is very important to Nordic Tankers. Staying in touch with family and friends at home is a prerequisite for our seafarers while at sea. To ensure crew welfare, we provide computer facilities, healthy nutrition, a gym for exercising, private cabins and cabins for socializing.

Maritime security

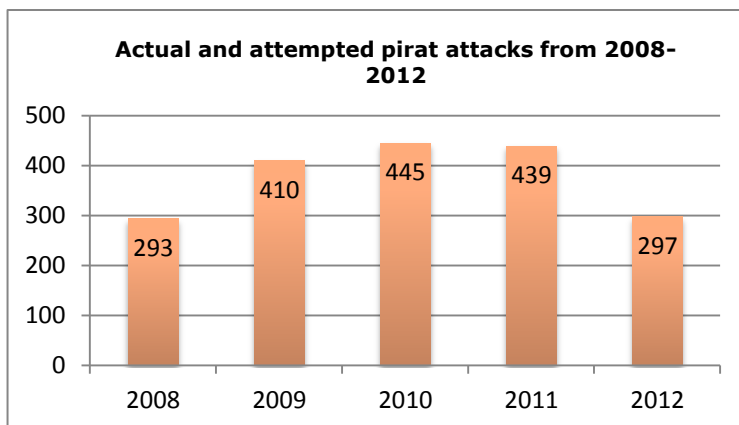
Piracy

Piracy remains a major threat to the safety and the peace of mind of our seafarers, their families and the Company in general. Nordic Tankers faces piracy challenges off the coast of Somalia, in the Gulf of Aden, West Coast of Africa, the Arabian Sea, Red Sea and the Indian Ocean.

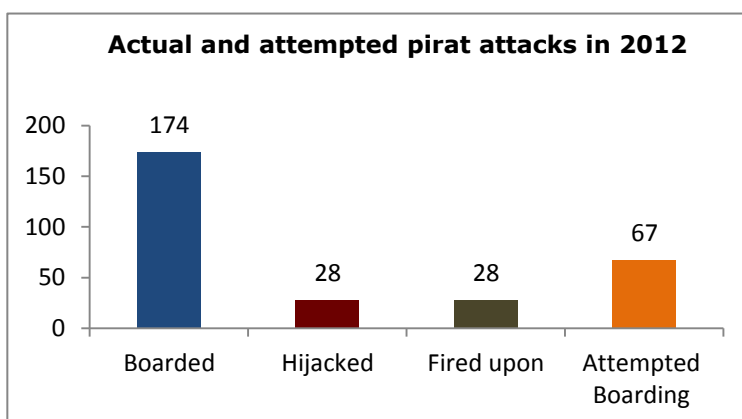
We have seen a positive development in 2012, where the number of pirate attacks have been reduced, a clear step in the right direction; however, piracy still remains a big challenge and threat to the industry.

The main priority for Nordic Tankers is to create a safe working environment on all our vessels, where our seafarers feel safe going through the high-risk areas. To ensure the safety of our seafarers, we have strict adherence to the International Ship and Port Facility Security (ISPS) code and Best Management Practice (BMP4) guidelines on piracy.

In addition to that, Nordic Tankers uses armed guards on vessels going through the Gulf of Aden. In 2012, Nordic Tankers did not experience any pirate attacks – a sign that the implementation of protective measures is paying off. We hope that the positive development of pirate attacks continues through 2013 as a part of the good job, both individual shipping companies and the industry in general are doing on this challenge.



Source: ICC International Maritime Bureau's 2012 report on "Piracy and Armed Robbery against ships"



Source: ICC International Maritime Bureau's 2012 report on "Piracy and Armed Robbery against ships". Boarded vessels are vessels that were boarded but not successfully hijacked. Boarded and Hijacked are actual attacks, Fired upon and Attempted Boarding are attempted attacks.

Environment and climate

The shipping industry is responsible for close to 80% of the global transportation of goods and for approximately 3% of the world's total CO₂ emissions. Compared to other means of transportation, shipping is by far the most efficient. However, climate changes have been on the global agenda for the past years, especially due to the increase in emissions worldwide, and Nordic Tankers wishes to participate in the reduction of emissions.

Ship efficiency matters for both the environment and the bottom line

Reducing emissions is first and foremost a company priority to lessen the impact on the environment and because improvements are directly linked to our bottom line. Fuel saving initiatives enable us to reduce fuel consumption and hence our costs. Emissions can also be further reduced through the optimization of speed, trading patterns and ballast voyages. The environmental activities are therefore both anchored in the technical, chartering and operations departments of the Nordic Tankers organization. All vessels in Nordic Tankers eco steam, if the schedule allows for eco steaming, which is the case on approximately 75% of all voyages. Eco steaming means that a vessel sails at less than maximum speed and thus reduces both fuel costs and CO₂ emissions.

Energy efficiency projects

Back in 2011, Nordic Tankers initiated an intensive screening of the vessels speed and consumption in order to improve the consumption models in our commercial voyage system and to better understand each vessel's consumption over time. Several vessels have been screened, and the process is on-going. In addition to this, a vessel trim programme is running on its 3rd year, creating valuable information about the vessel class – currently equipped with trim software. Furthermore, several energy saving pilot projects were initiated during 2012 including installation of fuel flow meters, performance systems and an update of the sea water cooling system to optimize the energy awareness across the fleet as well as in the office. During 2012 a new newbuilding design has been developed in cooperation with a designer. The focus has primarily been on the reduction of the energy consumption as well as of the water ballast capacity. The design is expected to be further developed during 2013.

SEEMP – first steps towards reducing our emissions

The Ship Energy Efficient Management Plan (SEEMP) for all technically managed vessels has been prepared and placed onboard, describing several pilot projects with focus on energy and emission savings. For a series of vessels, an expected saving of 7-10% on the fuel oil consumption is expected in 2013 from "ECO steaming" as well as modification of machinery systems with estimated savings of 50% of the energy currently used. However, as the projects are pilot projects, the results from the tests are awaited before true goals are set later in 2013.

Calculating emissions

2012 was a year of major organisational changes. Nordic Tankers also went from operating a fleet of approximately 90 vessels to close to 120. The fleet consists of owned vessels along with technically and commercially operated vessels. As the way of calculating emissions has differed between the two organisations, we will look into finding a common method for measuring and calculating our emissions across the fleet going forward in 2013.

Green Ship of the Future

Nordic Tankers participates in Green Ship of the Future, which is an open private-public partnership where the Danish Maritime Community joins forces in order to explore, develop and demonstrate technical solutions for cleaner, more energy-efficient and sustainable vessels and maritime operations.

<http://www.greenship.org/>



Minor spills

In the Company Health, Safety and Environmental policy, the Company has defined a very clear goal about zero spills. However, within 2012 three very minor pollution accidents have occurred which were caused by various reasons. Each of these cases has been investigated and appropriate actions have been introduced to avoid recurrence.

Initiatives ashore

We at Nordic Tankers believe that it is important also to reduce our ashore footprint on the environment, even though it is relatively insignificant compared to our vessels.

At the head office in Copenhagen, we have initiated different solutions for making the office more environmentally friendly. In 2012 the first steps were taken to implement an approval invoice workflow system that among others reduces the usage of paper considerably. Our most paper-heavy departments will be reduced with approximately 195,000 pieces of paper every year. The amount is based on a calculation of an 85% reduction, when the new system is fully implemented. This initiative is also part of the ISO 14001 KPI's, where the reduction of paper ashore and at sea is measured among others.

In general we have virtualized and outsourced our IT infrastructure, and we use green technology printer solutions with power saving features and fixed ink.

During 2012 an agreement with the electricity contractor was made to replace broken light bulbs with new energy saving light bulbs.

Nordic Tankers also participated in an initiative by "Børneulykkes fonden", where our employees' old mobile phones were collected to serve a good purpose.



Anti-corruption

Corruption has been identified as one of the world's greatest challenges when it comes to reducing poverty, which is one of the UN millennium goals. The UN has sharpened their focus on corruption as it has a negative impact on countries, communities and the businesses impeding economic growth and sustainable development.

Recent legislation such as the UK Bribery Act has led to an increased focus on anti-corruption, an area where:

Nordic Tankers is committed to ensuring adherence to high legal and ethical standards in addition to applicable laws. This must be reflected in all aspects of our operations. Integrity must be present in all our dealings. Consequently, the directors, officers and employees of Nordic Tankers shall refrain from offering, promising, giving, demanding or accepting an advantage as a motivation for an illegal or unethical action.

In connection with the Company's anti-corruption policy, we will during 2013 further elaborate a company gift policy as well as sharpen our focus on our whistle-blower system.

Industry challenge that requires a joint effort

Fighting facilitation payments is an important target for Nordic Tankers, but this challenge cannot be solved alone and calls for a joint effort in the industry.

Nordic Tankers will during 2013 sign full membership of the Maritime Anti-Corruption Network (MACN).

The membership of MACN enables Nordic Tankers to co-contribute to the development of innovative methods and systems to fight corruption and facilitation payments globally. Therefore we encourage business partners, agents, public officials and other stakeholders in general to comply with international standards and legislation.

Maritime Anti-Corruption Network (MACN)

The MACN is a global business network working towards its vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. The MACN respond to the UK Bribery Act 2010.

The purpose of the network is more specifically to share best practices and align policies and approaches in the field of anti-corruption. One of the ambitions of the network is to seek support from governmental bodies and international organizations to target corrupt practices in challenging environments and seek solutions to root causes for corrupt practices.

<http://www.bsr.org/en/our-work/initiatives/maritime-anti-corruption-network>

Supplier management

Through responsible procurement, Nordic Tankers can help improve, how business is conducted outside the Company with suppliers, in line with international conventions and standards, to improve our supply chain and reduce risks to our operation and brand.

To facilitate this, Nordic Tankers is in the process of developing an online survey for suppliers to fill in. The survey outlines our expectations towards suppliers in the areas of human and labour rights, health and safety and anti-corruption.

The main purpose of the survey is to be a company tool for screening new suppliers as well as evaluating our current suppliers.

We have a short-term goal of having our top 100 technical suppliers fill in the evaluation in 2013. Hereafter the process will be expanded to top 200 in 2014.

A long-term perspective

Our supplier management is still in its early days. Our commitment to ensure responsible procurement has a long-term perspective and the procedures are seen as a process that will change and expand over time.

We are convinced about the benefits it will bring by having the opportunity to engage with suppliers in a long-term strategic development.

Mikkel Engsbro, General Manager, Procurement – Nordic Tankers, says:

Nordic Tankers believes that responsible procurement and a close cooperation with suppliers is a key element in making our Company stronger and safer, by having a strong and trustworthy supply chain.

