

# Communication On Progress 2014

Odfjell SE



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## Letter from President/CEO

Creating sustainable values for all of our stakeholders by maintaining high ethical, social, environmental and governance standards remains to have the highest priority in Odfjell. We are continuing our efforts to implement the ten United Nations Global Compact (UNGC) principles within the areas of Human Rights, Labour, Environment and Anti-Corruption as a part of our strategy, culture and day-to-day operations. We are also gradually extending the scope of these efforts to include owned or partly owned subsidiaries and third-party suppliers.


In 2013 we have continued to focus on energy saving initiatives and have encouraged all employees throughout the organisation to suggest improvements in this area. In parallel with working to harmonise our Code of Conduct with the UNGC principles, we have established a new instrument, named our Corporate Supplier Conduct Principles, through which we are extending our involvement with third-party suppliers.

Another main activity has been the launching of a rather ambitious initiative, named our 'Roadmap to Operational Excellence', of which QHSE is a cornerstone. As part of this initiative we have carried out a survey to establish common core values within Odfjell. These values will be made public in 2014 and will form a base line for underlying systems and structures. Continuation of a safety culture programme within Ship Management and the establishment of a new Leadership and Followership programme have in 2013 also been important contributors in our efforts to improve our QHSE performance. These programmes will continue into 2014.

In this 'Communication on Progress' we outline some of the activities that will facilitate a gradual incorporation of the UNGC principles into the Odfjell Group. This information will be shared with our stakeholders on [www.odfjell.com](http://www.odfjell.com) and by other means of communication.

We endorse the United Nations Global Compact, and our plan is to continue to do so in the years to come.

*Yours sincerely,*



Jan A. Hammer

## About Odfjell

**Odfjell is a leading company in the global market for the transportation and storage of chemicals and other specialty bulk liquids. Originally established in 1914, the Company pioneered the development of chemical tanker trades in the mid-1950s and the tank storage business in the late 1960s. Odfjell owns and operates chemical tankers and LPG/Ethylene carriers in global and regional trades, and a worldwide network of tank terminals.**

Odfjell's business is an important contributor to industrial and social development around the world. Our business comprises the transportation and storage of organic and inorganic bulk liquid chemicals, acids, animal fats, edible oils, potable alcohols, LPG/Ethylene and clean petroleum products. These important ingredients and raw materials for everyday life can be found in products like medicines, medical equipment, building materials, cosmetics, food, textiles, cars, plastics, etc.

### *Our strategy*

Odfjell's strategy is to maintain its position as a leading global logistics service provider through continuous development of a safe and efficient operation of deep-sea and regional chemical tankers, LPG/Ethylene carriers and tank terminals.

### *Our chemical tankers*

Odfjell has unprecedented experience where it comes to deep-sea transportation of chemicals and other liquids. Shipping operations are fully integrated, with in-house functions for chartering, operation and ship management. Major trade lanes cover shipments between USA, Europe, Asia, India, the Middle East and South America. At the end of 2013 Odfjell's sophisticated fleet comprised 83 ships, including owned, time-chartered and commercially managed vessels. As at the end of March 2014 the Company also has newbuildings on order. The total capacity of the current fleet is around 2.3 million dwt. The chemical tanker business posted gross revenue of USD 1,028 million in 2013.

### *Our LPG/Ethylene carriers*

After an absence of several decades, Odfjell re-entered the LPG/Ethylene market in 2012 and established a new subsidiary named Odfjell Gas Carriers AS. For the time being the Company operates two LPG/Ethylene carriers of 9,000 cbm each, and has four newbuildings on order. The ships are owned and managed by Odfjell.

### ***Our tank terminals***

Our terminal operations yield synergies with our transportation activities, and improve quality and efficiency across the entire transportation chain. The tank terminal business contributes to more stable overall results, and also offers opportunities to develop new markets in which the infrastructure for specialised bulk liquids is limited. Odfjell has direct investments in 13 part-owned tank terminals in the Netherlands, Belgium, the USA, Singapore, South Korea, Oman and China. One of these, Odfjell Nangang Terminals (Tianjin), China, is under construction and will go into operation during the last quarter of 2014. The Company also cooperates with eleven terminals in South America and one in Canada. These are partly owned by related parties. The terminal business generated gross revenues of USD 129 million in 2013.

### ***Our employees***

At the end of 2013 Odfjell employed a total of 3,352 people as per the following allocation:

- Main office in Bergen – Norway: 226
- Branch offices abroad: 256
- Tank terminals: 876
- Aboard ships: 1,994

### ***The countries in which we operate***

Besides the main office in Bergen, Norway, shipping offices are located in the following countries:

USA, Singapore, China, the Netherlands, UK, India, the Philippines, Japan, Argentina, Chile, Brazil, Peru, Korea and United Arab Emirates

The main office for the terminal division is located in Rotterdam, Netherlands, and is responsible for all terminal activities worldwide. Our terminals are located in: USA, the Netherlands, China, Korea, Singapore, Iran, Oman and Belgium

# Corporate Social Responsibility

## ***Our CSR Policy***

*Odfjell'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.*

## **CSR Council**

In 2011 Odfjell signed up to the UN Global Compact programme, and a CSR Council made up of the Management was established to facilitate a gradual implementation of the United Nations' ten principles within the areas of Human Rights, Labour, Environment and Anti-Corruption.

The CSR Council meets twice a year, and its main task is to agree to and review activities and tasks, monitor progress and ensure implementation throughout the organisation. In addition to the main council, four sub-councils have been established. These are responsible for implementing actions and monitoring progress within one area each.

## **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 are defined as:

- Employees
- Shareholders
- Business partners/investors
- Suppliers
- Trade associations
- Customers
- Authorities
- Public service officials
- Non-political organisations
- Society at large

## **Governing documents**

We have established a number of governing documents for guidance of the Company in its day-to-day operations. Principles such as Corporate Mission Statement, Policies, Strategic Business Model, Code of Conduct, Corporate Supplier Conduct Principles, Corporate Quality Management Requirements and Corporate HSE and CSR Requirements provide an overarching framework, defining everything from preferred individual behaviour to the strategic direction of the Company.

## ***Code of Conduct - CoC***

The CoC has been revised and harmonised with the United Nations Global Compact's principles. The main changes are five new chapters: Protection of Odfjell's Property and Assets, Issues Relating to Hospitality, Alcohol and Intoxicating Substances, Non-Discrimination, and Buying Sexual Services. Procedures for notification of suspected malpractice have been strengthened. All employees have now been given a clear duty to report violations and can, as a secondary option, also do this anonymously.

The CoC highlight that all employees shall conduct themselves in compliance with applicable and relevant laws and regulations.

Beyond that, all employees shall respect safety and environmental requirements and concerns and be responsive to the concerns of the wider society.

## ***Corporate Supplier Conduct Principles - CSCP***

Conducting business with high ethical standards is important for Odfjell. The CSCP applies to suppliers, vendors, contractors and others with whom we do business, collectively referred to as 'suppliers'. It's focus is on their ethical, social and environmental practices, and is one of many measures to strengthen our commitment to the United Nations (UN) Global Compact.

Our suppliers operate within different legal and cultural environments worldwide. The CSCP specifies the minimum requirements which suppliers must meet to do business with Odfjell. To comply fully, suppliers shall also communicate and follow-up these principles with regard to their own sub-suppliers and partners. Audits may be used to monitor compliance. If suppliers fail to adhere to the CSCP, corrective actions will be taken. This could ultimately lead to the initiation of measures to terminate arrangements with the applicable supplier.

The CSCP has initially been distributed to about 60 of our key suppliers with whom we have formalised agreements. Most of them have accepted the principles. The number will gradually be extended as we gain experience.

## ***Reporting mechanism***

Our Code of Conduct describes the notification process for suspected malpractice. Violation of our standards and/or procedures may create situations that are negative for the Company and dangerous for personnel, property and the environment. It is therefore a mandatory requirement that such violations are brought to management's attention as quickly as possible.

An employee who becomes aware of any infringement or suspected infringement of the Code must raise the matter with a superior. If this is felt to be difficult, the employee shall notify the Compliance Officer.

We underline that no employee shall be discharged, demoted, suspended, threatened, harassed or in any other manner discriminated against as a result of reporting a breach of the Code, or any other Company policy or procedure (whistleblowing).

## **Induction programme**

We have developed an induction programme for all new employees. The programme consists of three mandatory online courses: Odfjell Common Competence, Competition Law, and Quality, Health, Safety and Environment (QHSE).

- Odfjell Common Competence is an introduction to the Company's history, structure, policies, strategy, business model and operational activities.
- The QHSE module focuses on quality principles in Odfjell (PDSA circle), Quality and HSE management.
- The online Competition Law course gives guidance in relation to situations in which competition law may be relevant, with particular focus on the main principles of competition law. To complete the course successfully employees must pass a test.

## **UN Global Compact Nordic Network**

Odfjell is a member of the UN Global Compact Nordic Network (GCNN), a forum in which participants from Iceland, Finland, Sweden, Denmark and Norway meet and discuss the implementation of the ten principles. The meetings cover best practice and common challenges, and facilitate a broader understanding of how to implement the UN Global Compact's ten principles and how the different industries can contribute to sustainable business development.

## **Human Rights Principles**

### Principles 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 Resources 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 people want to work as well as a company that boasts 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 countries in which we operate. Our HR policies and Code of Conduct shall ensure that we safeguard our employees' human rights and prevent potential abuse.

Odfjell has written policies, governing documents, guidelines and employee contracts that clearly state employee rights and responsibilities, as well as their compensation and benefits.

A programme has been established to improve the health of seafarers. The programme highlights the importance of exercise and a healthy diet. Our seafarers spend a considerable amount of time at sea away from their homes and families, so ensuring proper ship/shore communication are also a focus area. The results of our latest Employee Engagement Survey confirm that the current working environment is good. A healthcare programme was implemented on all ships in 2012, and was continued in 2013.

The majority of the employees at Odfjell have access to a free annual health check. This benefit allows seafarers and onshore employees a potentially early discovery of health problems.

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

### ***Odfjell's corporate values***

This initiative started towards the end of 2013, and will be based on feedback from our organisation. Establishing core values is one of many action points in a new initiative named 'Roadmap to Operational Excellence'. All employees were invited to contribute by completing a questionnaire. The goal is to have our corporate values established and formalised by the end of first quarter 2014.

### ***Defined goals for 2013***

- Review of Company policies will be extended to 2013, and we will continue to emphasise the importance of human rights and labour rights principles.
- Identification and assessment of the human rights issues facing part-owned companies will continue in 2013.
- Internal training on our CSR policy and activities for employees and in particular for new employees.
- A set of Corporate Supplier Code Principles (CSCP) will be launched. The CSCP will incorporate the UNGC's four main focus areas.

### ***Measurement of outcome***

- Proposal to the Board during spring 2014 to adjust the HR policy by adding 'non-discrimination environment' to the existing policy.
- Human rights issues facing part-owned terminals were identified and assessed during HR audits performed in the first half of 2013.
- E-learning programs for employees have been created and will be implemented during spring 2014.
- A set of Corporate Supplier Code Principles was implemented in 2013.

### ***Goals for 2014***

- Implement an updated e-learning program 'Odfjell Shared Competence'.
- Establish HR Management Manual for Odfjell at a corporate level.
- Training course for manager recruitment process and establishment of governing documents for Human Resources (Bergen).



# Labour Rights Principles

## Principles 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***

At Odfjell we respect employees' right to freedom of association. Forced or compulsory labour is prohibited, and child labour is not permitted under any circumstances. We pursue a policy of providing employees with equal opportunities for skills development, and of offering new challenges within our Company. Gender-based discrimination is not permitted in connection with recruitment, promotion or remuneration.

Communication with our employees is important. 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 improve communication and co-operation between personnel on ships and ashore, through exchange of information and viewpoints. The Officers' Council comprises 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 represents the employer, employees and the safety service. The committee has four annual meetings. All employees can address the committee on any working environment issues.
- A Works Council Committee (Kontaktutvalg) with four annual meetings. The council represents both the employer and the employee and has been established to maintain and improve motivation, efficiency and the working environment at the Company's headquarters in Bergen.
- A Works Council at the partly owned Odfjell Terminals Rotterdam, in accordance with the Works Council Act of the Netherlands.
- An Employee Board has been established at our offices in the Philippines to ensure that personnel's overall views and initiatives on various issues are presented to management for review and follow-up.
- European Representative Body was established in connection with the conversion of Odfjell ASA and Odfjell Terminals AS to SE-companies (in accordance with the Norwegian European Company's Act of 1 April 2005.) The committee consists of two members from Odfjell Terminals Rotterdam B.V.'s works council, two members from Odfjell Officers' Council, two members elected among the employees in Bergen, and the President/CEO.

### ***Operational Excellence***

It is of great importance for Odfjell to maintain a high QHSE performance. Several activities have been initiated and added to our current systems in support of this goal. A key activity is an initiative named 'Roadmap to Operational Excellence', which goal is to bring our QHSE performance to a new and higher level.

We aim to become a more proactive company by managing risks, sharing information and learning from our mistakes. By focusing on developing the right competence, skills and attitudes, thereby improving our potential to do the right things correctly the first time around, we can make considerable progress towards operational excellence.

Below are four key safety statements in our 'Roadmap to Operational Excellence' initiative:

- Safety is our number one priority and shall never be compromised.
- Nobody is expected to take shortcuts at the expense of safety.
- Everybody is allowed to request the stop for an activity they find to be unsafe
- Incidents shall be reported without delay. Nobody in Odfjell has or shall be reprimanded for providing true information no matter how hurtful the facts are.

### ***Safety Day***

One of the activities as per the Operational Excellence initiative is to organise and carry out an annual Odfjell Safety Day to be held in November each year. The first Odfjell Safety Day was on 6 November 2013. As an introduction to local activities, a video was made by our President/CEO in which he highlighted the great importance of safety and the 'Roadmap to Operational Excellence' initiative, and appealed to each of us to do our utmost to improve safety. The primary focus of the 2013 Safety Day was use of personal protective equipment (PPE) for on-site workers at terminals and aboard on ships, and general safety behaviour for office staff.

### ***Leadership and Followership Development Programme***

A Leadership and Followership Development Programme – LFDP primarily for Odfjell seafarers, has been designed to facilitate a common understanding of Odfjell's expectations when it comes to leadership and followership. Internal resources are being used during training to make this a genuine Odfjell programme. The LFDP for seafarers aims to better align the seafarers' behaviour and attitudes with Odfjell Ship Management's corporate values.

A Safety Culture programme was started in 2013, and is continuing into 2014. This programme moves into a phase with a specific focus on the leadership aspects of safety through the LFDP, which is mandatory for all Odfjell seafarers. The programme has the following objectives:

- To facilitate effective leadership and foster leaders who conform to the characteristics of Odfjell leaders.
- To facilitate effective followership and foster followers who conform to the characteristics of Odfjell followers.
- To facilitate the alignment of Odfjell's organisational climate (behaviour and attitudes) and organisational culture (beliefs, values).

### ***Gender and ethnicity 31.12.2013***

Odfjell has a policy of providing employees with equal opportunities for skills development, and of offering new challenges within our Company. All employees shall be treated equally, irrespective of ethnic background, gender, religion or age – and they are offered equal opportunities for development and promotion to managerial positions. Gender-based discrimination is not permitted in connection with recruitment, promotion or wage compensation. Of about 226 employees at the Company's headquarters in Bergen, 68.6% are men and 31.4% women, while the corresponding global figures (about 893 employees in our wholly owned onshore operations) are 73.2% and 26.8% respectively. Three members of the Board of Directors are women. Recognising that we employ relatively few females, we endeavour to recruit women to Ship Operations, Chartering and Ship Management, and we also promote life at sea as an attractive career for females.

### ***Absence rate as at 31.12.2013***

Compared with last year, the recorded absence rate at the head office has been reduced from 2.67% to 2.44%. Absence rate for Filipino mariners was 1.06%, while for European seafarers it was 2.19%.

### ***Employee satisfaction survey***

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

### ***Lost Time Injury Frequency***

In 2013 Odfjell implemented several measures to secure a sustainable safety performance. The Lost Time Injury Frequency indicator for Odfjell-managed ships was 1.37 in 2013, compared with 1.21 in 2012. The Total Recordable Case Frequency (TRCF) was 3.82. The target values are 1.2 and 4.0 respectively.

No incidents causing fatalities were recorded in 2013 as in 2012 and 2011.

The Lost Time Injury Frequency is based on:

- Sum of fatalities + lost time injuries \* 1.000.000/hours worked.

Summary of last year's result:

Year	On board and offshore shipping	Tank terminals
2008	2.30	9.50
2009	2.25	7.90
2010	1.50	2.20
2011	1.23	2.90
2012	1.21	1.30
2013	1.37	0.29

### ***Response to labour standard violations***

There have been no reports of possible breaches of labour standards since we became a member of the UN Global Compact in 2011.

Our Human Resources Departments have received no reports of violations of labour rights principles in 2013.

### ***Defined goals for 2013***

- Clearly state minimum age requirements for Odfjell employees in overall governing documents and continue implementation of the age verification procedures in 2013.
- Establish a corporate reporting procedure for breaches of labour rights principles.
- Strengthen openness and reduce communication barriers between our Designated Person (DP) and our seafarers through a new DP assistant in the Philippines.
- Establish a Board/Committee to enable management and employees to work more closely together at larger locations, where such units do not already exist.
- Carry out a safety culture survey to map our existing safety culture and at the same time assess improvement measures.
- Carry out 21 internal corporate audits to ensure compliance with corporate and management level requirements and expectations, and to promote QHSE culture and raise standards.

### ***Measurement of outcome***

- The overall HR Management Manual states that child labour is not permitted. The same will be stated in the Corporate Management Manual. We will however, not state a specific age for child labour since we have students from schools doing work experience/internships, etc, at Company locations. Ages for pupils/students may vary from country to country.
- Discovery of any violations of the prohibition on child labour should not merely be reported to HR. Child labour shall be reported up the management line to the Compliance Officer if necessary.
- In Singapore a committee intended to improve the communication and dialogue between management and employees was established in 2013.
- The Safety Survey was carried out for our chemical tanker segment in 2013. Steps to improve safety and increase awareness of our Company's safety culture have been taken.
- The internal audit programme has been carried out as planned for 2013.

### ***Goals for 2014***

- Carry out an Employee Engagement Survey worldwide including follow up at business unit level.
- Identify and establish cooperation with one or two humanitarian CSR partners.
- Organise a summit for our organisation's HR in order to further integrate corporate HR procedures.

## Environmental Principles

### Principles 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 services 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.*

### ***Activities***

#### ***Environmental projects in 2013***

At Odfjell we are constantly striving to reduce our environmental impact. Over the years we have implemented numerous actions, and will introduce new efforts as we move forward. Over the past four years we have reduced the grams CO<sub>2</sub> per tonne transported one nautical mile by 9.4%.

#### ***Energy Saving Campaign***

The energy saving campaign launched in September 2012 provided valuable input as to how further energy optimisation can be achieved in our Company. Key areas for energy savings are:

- Reduction of energy consumption on board through efficient use of hydraulic aggregate and switching off lights.
- Introduction of a Green Card designed to systematically collect ideas and suggestions for activities or actions that can reduce daily use of energy.
- Formalising specific energy management training for seafarers.

## **ISO 14001**

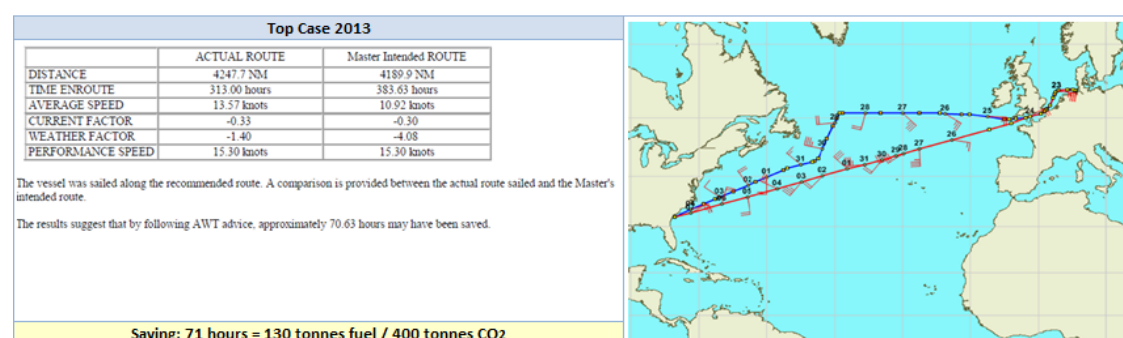
Odfjell Ship Management holds ISO 14001 certification, which covers 43 ships under own management. All relevant environmental aspects are identified, and key issues are listed in a HSSE programme. The last recertification was made by DNV with a new certificate issued 27 January 2014.

## **Ship recycling – Green Passport**

Odfjell sold four ships in 2013. To secure a controlled process the Company has a programme in place which includes obtaining Green Passports for ships that are ready to be phased out. The programme meets the requirements of IMO Resolutions A 962 and 179, and is certified by Lloyds. The Company is implementing the IMO resolutions through the recycling programme, with five ships in line to obtain certification. A Green Passport requires mapping of materials that can negatively impact the environment. The yards to be used are also inspected by Odfjell to ensure they are ISO 30000 certified and comply with relevant IMO guidelines and our Company's in-house requirements.

## **External weather routing**

Advanced weather routing services have been in use since December 2009, both for our owned fleet and the time-chartered ships. 825 sea voyages were subject to external weather routing in 2013. As a direct consequence of the route optimisation concerning these voyages the ships reduced their time at sea by a total of at least 65 days. This equates to a fuel saving of approximately 1,500 tonnes, which in turn is equivalent to about 4,600 tonnes of CO<sub>2</sub>. External weather routing has, in view of the success described herein, been permanently implemented.



Example of external weather routing

## **Reduction of oil leaks from stern tube sealing systems**

In order to improve the performance of our stern tube sealing system, Odfjell launched a major upgrade programme in 2009, where the aim was to improve the systems on 19 ships to the highest technical standard. The last three systems were installed in 2013 and the programme is now finished.

## **Ship Energy Efficiency Management Plan (SEEMP)**

In 2012 Odfjell, in close cooperation with DNV, developed a SEEMP for our owned fleet. The ship-specific SEEMPs were rolled out to the vessels during 2013, and include use of an Energy Efficiency Operational Indicator (EEOI), benchmarking of each ship, ship class and the Odfjell fleet as a whole. The EEOI section also includes benchmarking of all variables that affect the EEOI. This means that specific counter

measures can easily be implemented in the event that a negative energy efficiency trend is observed. This section is updated on quarterly basis for all vessels, including the time-charter fleet.

#### ***Bilge water treatment plants***

In order to reduce the oil content in the bilge water, 25 ships have been upgraded with the installation of a highly effective oily water separator. The MARPOL requirements stipulate that the water discharged overboard shall not contain more than 15 ppm (parts per million). The units which are installed on-board the ships give a result of only five ppm. This programme will continue in 2014.

#### ***Fuel consumption reduction manual***

In 2012 a fuel consumption reduction manual was launched and distributed to all vessels. The manual contains 14 fuel consumption reduction measures to be followed on board, and represents Odfjell's best practice in this area. The manual is an essential part of the on board Ship Energy Efficiency Management Plan.

#### ***Reduced fuel consumption – Mewis duct***

Odfjell has an ongoing project to install ducts in front of the propellers on 23 vessels. The duct cuts fuel consumption, and by that reduces emissions. The first installations were completed in 2011, and had positive effect. Three were installed in 2013 and one installation is planned in 2014.

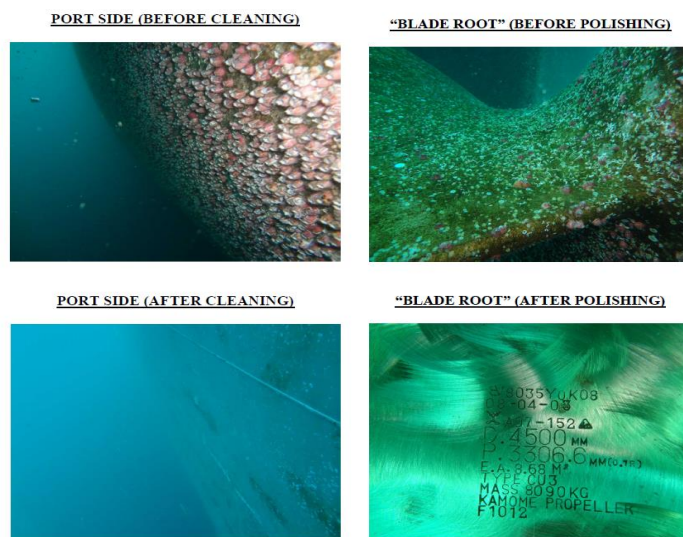
#### ***Speed/consumption reduction scheme***

In 2013 Odfjell Tankers operated between 40 and 50 ships in slow or ultra-slow speed mode. This generated a net fuel saving of about 78,000 tonnes, corresponding to emission savings of approximately 243,000 tonnes of CO<sub>2</sub>, and 866 tonnes of SO<sub>x</sub>.



### ***Intermediate hull cleaning and propeller polishing***

Hull cleaning and propeller polishing are normal elements of our standard dry docking work. However, Odfjell has started hull cleaning and propeller polishing in between scheduled dockings. All Odfjell-operated ships, both time-chartered and owned, are being monitored, and cleaning intervals have been shortened significantly in 2013. The result of these intermediate operations is a significant reduction in fuel consumption and emissions of CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>x</sub>, either directly, or through reduction of the vessel's EEOI.



### ***Tank cleaning – chemical treatment***

Odfjell Tankers is continuing the development of efficient tank cleaning methods that meet the highest industrial standards. Various cleaning detergents and methods have been tested. In 2013 we have focused intensely on monitoring special cargo handling and tank cleaning operations; all in order to reduce the amount of energy used for this purpose. To that end we have also conducted several courses for key onshore and sea-going personnel, with special attention on the use of energy for cargo handling and tank cleaning purposes.

### ***Pollution protection plan***

The main purpose with this project is to ensure that all vessels take action in accordance with the Environmental Management System (EMS), thus to prevent any unauthorised connections and discharging through pipe systems that are or may be connected to the oily bilge system. This is to avoid any intentional or unintentional discharge of polluting substances to the sea. The project started late 2013. Eight vessels have been completed.

### ***Newbuilding programmes***

During 2013 Odfjell took delivery of three new chemical tankers of 9,000 dwt each, and one of 75,000 dwt. In 2014 we will take delivery of four chemical tankers of 46,000 dwt each. Moreover, the Company has made contracts for building of four new 17,000 cbm LPG/Ethylene carriers, with options for up to four additional ships. The ships that have been delivered and contracted for, are all ECO-designs, providing significant savings in both fuel consumption and emissions. Furthermore, the ships are designed with the latest available technology and modern equipment, including



ballast water treatment systems to avoid distribution of microorganisms to new environments around the world.

All fuel purchased by Odfjell is tested by a third-party company, such as Det Norske Veritas Petroleum Services (DNVPS). Test results of the fuel purchased in 2013 show average weighted sulphur content of 2.22 %, compared with 2.44 % in 2012. The global limit in 2013 was 3.5%.

#### ***SO<sub>x</sub> emissions***

Total emissions of SO<sub>x</sub> decreased by 19% to 22.335 tonnes, reflecting a reduction in the fuel's sulphur content. Based on all consumption in 2013 (both in port and at sea), our vessels emitted on average 0.26 grams per tonne cargo transported one nautical mile. This is slightly below 2012 levels.

#### ***CO<sub>2</sub> emissions***

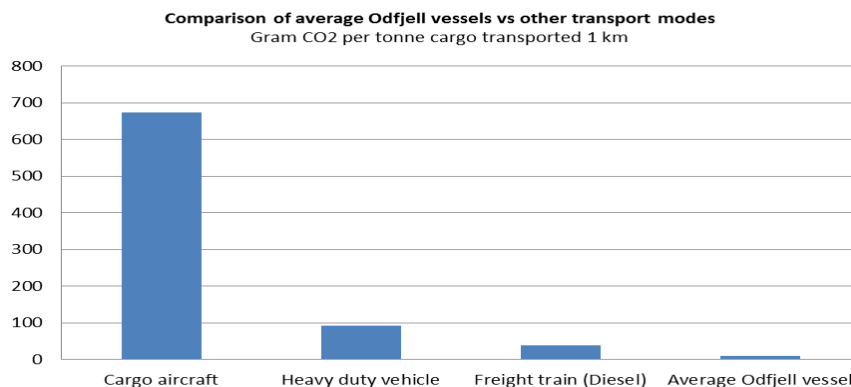
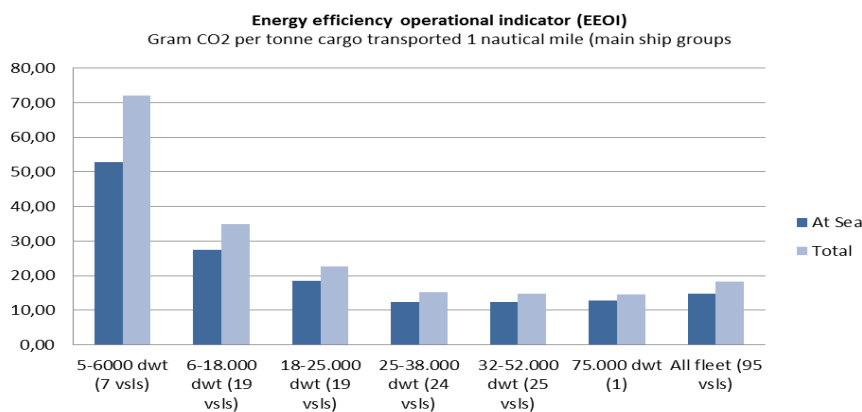
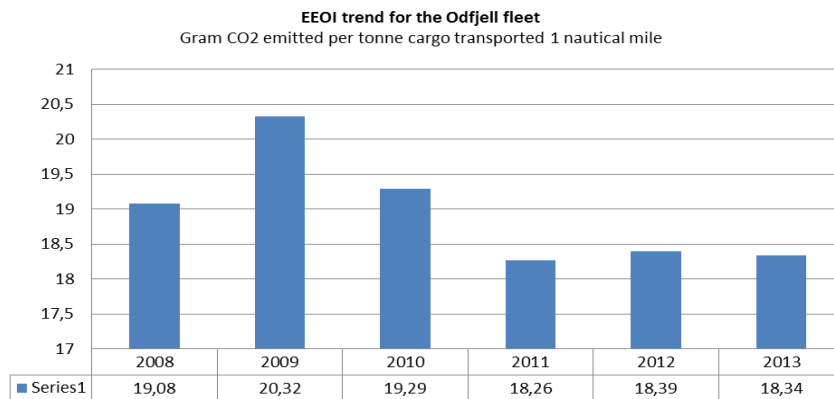
In 2009 IMO's Marine Environment Protection Committee circulated guidelines for voluntary use of an Energy Efficiency Operational Indicator (EEOI), defined as the amount of CO<sub>2</sub> emitted per unit of transport work. Since 2008 Odfjell has calculated the EEOI at ship and fleet level. Our calculations are made in accordance with IMO MEPC Circular 684. Including fuel consumption both in port and at sea, the 2013 EEOI for the Odfjell fleet was 18.34 grams of CO<sub>2</sub> per tonne cargo transported one nautical mile (g/tnm). The EEOI for the main ship groups sorted by deadweight ranges can be seen in the table below.

Odfjell Terminals (Jiangyin) was in 2012 rated as an advanced company in terms of environmental protection by the Safety and Environmental Protection Station of Huangtu Town, Jiangyin City.

#### ***Carbon Disclosure Project – CDP***

The Carbon Disclosure Project – CDP, is a leading international non-profit organisation focusing on the business community's response to climate change, and is based upon the Greenhouse Gas protocol. The project collects climate change related data from major global corporations on behalf of 655 of the world's leading investment institutions with more than USD 78 trillion in assets. The survey mainly requests information about the climate strategies, impact on the environment and the carbon footprint due to each participant's activities.

In 2013 Odfjell's response to the annual Carbon Disclosure Project covered the shipping business, Company headquarters and the terminals in Rotterdam and Houston. The score and evaluation of our input to the Carbon Disclosure Project was published at the end of 2013. The survey was based on 2012 figures. For 2013 our score decreased from 68 to 66 - the average for our industry was 70. The main reason for the slightly below-average rating is that we did not include a third-party verification of our response. The emission level based on 2013 figures represents a reduction of 10% compared to 2012. Most of the reduction is explained by a decrease of the fleet size.



### ***Defined goals for 2013***

- Review the QHSE policy and from that generate more specific and explicit environmental goals.
- Implement proposals from the Energy Saving Campaign.
- Consider systems for green audits.
- Focus on eco-friendly design for newbuilding.
- Continue the different on-going energy optimisation programmes.

For more information please see the Odfjell Annual Report 2013.

### ***Measurement of outcome – environmental impact***

- In 2013 the Odfjell fleet reduced its consumption of marine fuel oils by 53,000 tonnes (10%) compared to 2012. In terms of CO<sub>2</sub> emissions, this represents a reduction of 165,000 tonnes.
- The fleet consumed 514,000 tonnes of fuel, of which 21,000 tonnes were distillates. Although most of the reduction from 2012 to 2013 can be explained by a decrease of the fleet size, 7,500 tonnes is attributable to lower daily shipboard fuel consumption.
- Based on the consumption of 95 vessels, total emissions of CO<sub>2</sub> in 2013 amounted to 1,580,696 tonnes, a 10% decrease compared to shipping-related emissions in 2012.

### ***Goals for 2014***

- The Ship Management Department's Environmental Management System (EMS) will be subject to an in-depth review to identify potential areas of improvement. The review will include shore offices and a representative number of ships.
- Reduce oil leakage to sea from stern tube sealing systems.
- Reduce oil content in bilge water pumped to sea from 15 to 2 ppm.
- Reduce uncontrolled environmental impact from ship recycling – potentially related to four ships.
- Reduce fuel consumption.

# Anti-Corruption Principle

## Principle 10

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

### *Assessment, Policy and Goals*

#### **Bribery and Corruption policy**

*Od fjell is firmly opposed to all forms of corruption and expects its employees to adhere to the highest standard of moral and ethical conduct, to respect all applicable laws and not engage in any form of corrupt practices, including extortion, fraud, or bribery. Under no circumstances whatsoever is it permitted for an Od fjell employee to offer, promise, give, solicit, request, receive, agree to receive or accept any form of financial or other bribe, advantage, kickback or improper or illegal inducement or reward.*

*Od fjell shall not accept any improper financial or other benefit, favour, advantage or incentive offered, promised or given to any public official, international organisation, business, corporation or other third party, including representatives of Od fjell, by or on behalf of a supplier, its employees or contractors. Reference is made to our Corporate Supplier Conduct Principles.*

If in doubt regarding any potential breaches of above requirements, employee is required to immediately consult his/her superior or the Compliance Officer.

The Company maintains high standards with regard to anti-corruption. The shipping fleet is operated in complex and diversified trading patterns and our customers demand safety, quality and the highest standards of service. We have a clear and defined bribery and corruption policy, and have in 2013 also developed more specific requirements, for instance implementation of a Corporate Supplier Conduct Principle.

Our Code of Conduct, which governs ethical behaviour in everyday business activities, and applies to all employees of our Company, irrespective of their domicile, has been revised and strengthened in this area.

#### **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 government action) are still common in many countries. In keeping with international business principles for reduction of bribery, Od fjell is working with local representatives and reviewing customary business practices to identify and eliminate such payments.

The Code of Conduct is supplemental to local Od fjell employment policies at our offices in various countries.

In our efforts to ensure compliance with our ethical standards, 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 a 'Designated Person', is available for seafarers as per the ISM code requirements.

#### ***Maritime Anti-Corruption Network – MACN***

Odfjell became a member of the Maritime Anti-Corruption Network (MACN) in August 2013. MACN is a global business network working toward its vision of a maritime industry free of corruption, thus enabling fair trade for the benefit of the society at large. Established in 2011, and formalised in 2012, MACN comprises vessel-owning companies and other related companies, including cargo owners and maritime service providers. MACN is part of Business for Sustainable Reporting, whose mission is to work with business to create a just and sustainable world.

MACN and its members promote good corporate practices in the maritime industry for mitigating bribes, facilitation payments and other forms for corruption by adopting and implementing the MACN anti-corruption principles, communicating progress on implementation, sharing best practice and creating awareness of industry challenges in this area.

MACN also collaborates with key stakeholders, including governments, authorities, and international organisations, in markets where corruption is prevalent, to identify and mitigate the root causes of corruption in the maritime industry.

MACN members include BP Shipping Ltd, Wallenius Wilhelmsen, Clipper Group, Grieg Star, Hoegh Autoliners, Maersk, Nordic Tankers, Shell and Teekay.

The elimination of bribery and facilitation payments is one of the network's main tasks. It has been decided to analyse the situation in the Black Sea, Nigeria, China, Indonesia and the Suez Canal. Odfjell will facilitate a survey related to Suez Canal.

#### ***Defined goals for 2013***

- To revise the Code of Conduct.
- To implement a Corporate Supplier Conduct Principles (CSCP).
- Join the Anti-Corruption Network (MACN).

#### ***Measurement of outcome***

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

The risk of corruption in business processes is assessed on a case-by-case basis. In 2013:

- The Code of Conduct was revised.
- The Corporate Supplier Conduct Principles (CSCP) was adopted in July and are gradually being implemented. About 60 of the most important suppliers have received the CSCP; more than 50 have so far confirmed agreement.
- Joined the Maritime Anti-Corruption Network (MACN) in August to share experiences and best practice with other ship owners and participate in projects.

### ***Goals for 2014***

To assure continued focus on ethical behaviour and our commitment to integrity, an e-learning tool, amongst others, will be related to the Code of Conduct will be developed. This will be a top-down activity, and the programme will be mandatory for everyone working for Odfjell.

In addition, an online anti-corruption course made by the Norwegian Shipowners' Association will be made available to all employees.

For 2014 the following actions are planned:

- Follow up the launching of the Corporate Supplier Conduct Principles by mapping the response from the main suppliers to this initiative.
- Provide internal information and training of related personnel.
- Report on compliance with the Code of Conduct for senior managers.
- Contribute to the work in the Maritime Anti-Corruption Network (MACN) to share experiences and best practice with other ship owners.
- Carry out a survey to analyse the use of bribes and/or facilitation payments in connection with transiting the Suez Canal.