



Communication on Progress 2013 Farstad Shipping ASA

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The company commits to continued support!

The Offshore Oil and Gas industry has throughout 2013 been operating under an increased cost focus, at the same time as activity is maintained within areas challenging the industry on both cultural and environmental issues. Going forward, these issues will remain together with activity moving into remote areas of environmental concern. All together a situation demanding continued and focused efforts in contributing to the further development of a sustainable business taking due considerations to both the environment and society as well as our own employees

An important target in 2012 was to describe and harmonize each regions work with ethics, and in 2013 this was finalized in our Code of Business Conduct which met its approval by the Board late autumn. The Code is now implemented throughout the organization where all employees will be given training within 2014.

The company's Values program started in 2006 in Norway.

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. It is an ongoing process where the company must continuously improve and it is an arena for discussing all issues connected to CSR and the UNGC principles. In 2013 we started the process of Values meetings in our Australia region, and by that we lift forward an inclusive and transparent company with a unique opportunity to create a common focus on the UNGC's principles.

In the coming year we will prioritize the work with Code of Business Conduct, training all employees, implementing the document and routines for reports and whistleblowing. A Supplier Declaration is also ready to be launched to our suppliers and relevant stakeholders, and will be part of our focus in 2014.

Recently, we also received a prize for working with diversity, which further motivate us to continue employing from a diverse and wide range of groups.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read "Karl-Johan Bakken".

Karl-Johan Bakken
CEO

Corporate Responsibility in Farstad Shipping

By profitable and responsible operation 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.

Code of Business Conduct

During the past few years we have conducted a thorough process where participants from all regional offices have participated in developing the company's Code of Business Conduct. In the autumn of 2013 the Code was approved by the Board and will be implemented during the course of 2014. Our Code of Business Conduct is governing for our employees and anyone representing the company.

Farstad Shipping's Code of Business Conduct describes goals and rules, as well as our obligation to maintain our integrity in our daily work. This provides guidelines for what is acceptable behaviour for our employees and anyone representing the company. The code defines how we are to run our business and emphasize the ethical standards we must follow in order to establish trust with our stakeholders. Farstad Shipping's Code of Business Conduct is based on the company core Values, and provides principles and indications for right and wrong with regard to making decisions. The code, along with our endorsement of the United Nations Global Compact, also provides clear indications with regard to the principles regarding human rights, labour rights, environment and anti-corruption.

Financial Support and Collaboration

Farstad Shipping wishes to be a positive contributor to the local communities where we are present. Through our contributions to sports, culture, various organisations and events we wish to create positive associations and make our company visible.

We support various projects in connection with education and social initiatives for children and youth. Farstad Shipping has an ongoing sponsorship agreement with Karanba, a social project in Rio de Janeiro, Brazil. Through a mutual commitment programme and by means of football, Karanba gives less fortunate children and youth from the poorer areas an opportunity for education and development. In addition to the sponsorship, Farstad Shipping has also made an agreement to accept a certain number of apprentices each year among eligible and qualified youth. Through participation in this project we recruited a total of six apprentices, where all completed the training with good results. Five of these are now permanently employed on board our vessels in Brazil. New apprenticeships are planned for 2014, and this opportunity has created motivation and great competition to obtain good results among youth in the Karanba project.

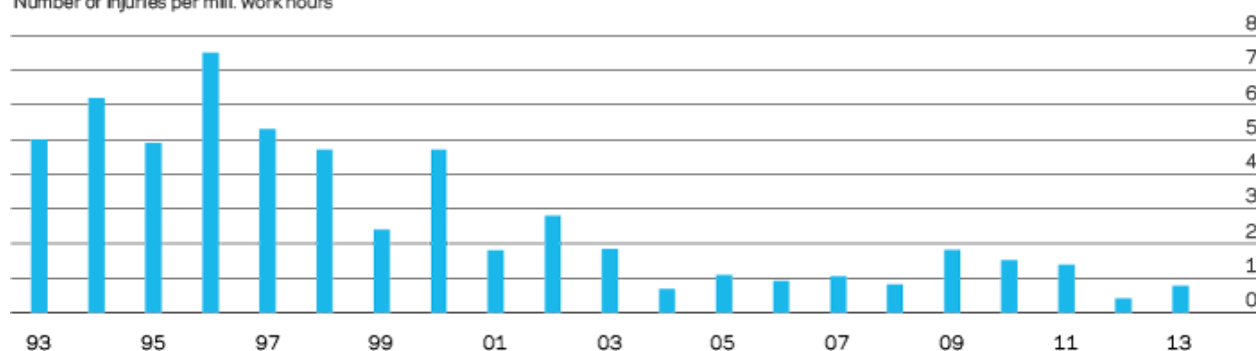
We wish to maintain this form of social participation in the regions where we operate, adapted to local culture and needs.

Safety

Farstad Shipping's goals within health, safety and environment (HSE) are to operate without injury to people, harm to the environment and loss or damage to equipment. The company works actively on several levels to make employees aware of this goal. Both the company's main Board and the boards of the subsidiaries are focusing on this and discuss the development in health, safety and environment in all their meetings.

LTIF - Lost Time Injury Frequency

Number of injuries per mill. work hours



From 2003 the Indian Pacific is also included in the LTIF

All the company's employees are at all times obligated to follow our policies, procedures and instructions based on our governing documents. This is vital in order to obtain safe, efficient and environmentally friendly operation of our vessels in accordance with national and international requirements and regulations.

Caution shall be exercised to protect oneself, colleagues, the environment, the vessel, the cargo, offshore installations and the third party.

Farstad Shipping is focused on learning and sharing experiences across the company's fleet, based on all types of incidents both with and without damage. Considerable resources are invested in order to create safer workplaces and improve the working environment through automation, remote and mechanization of operations with a high risk potential. This is mainly done to facilitate work as well as to eliminate the need for the crew to be exposed in risk exposed areas. In order to obtain this, priority is given to performing risk analyses in connection with events which entail high risk when it comes to injuries and incidents with major accident potential. We also focus on developing the safety culture through awareness work and leadership development. It is among other things embodied in the company's Health, Safety and Environment policy that everyone has the right and a duty to stop work which is not performed safely.

An important part of HSE management is recording, reporting and assessment of various HSE data. A number of measurement indicators have been established to help us in this work. The purpose is to document quantitative development over time as well as to strengthen the decision indicators for a systematic and targeted improvement work. One of these measuring indicators is the frequency of lost time injuries (LTIF). The company

measures this as the number of injuries with absence per one million hours worked, measured 24 hours a day so that recreational injuries are also included. For 2013 the lost time injury frequency was 0.77 compared to 0.41 in 2012 (see table above). The number of lost time injuries was six in 2013, compared to three in 2012. Sadly, this is an increase compared to last year; however, it still confirms the downward trend we have seen in a five-year perspective.

Another performance indicator for injuries is the Total Recordable Case Frequency (TRCF). This figure indicates injuries where medical attention has been given, and gives a more comprehensive picture of the number of injuries. We have also seen a good development in this area during the past years, not least from 2012 where the frequency was 6.51 compared to 2013 where the result was 3.22. This is an improvement of more than 50%, which is very positive. We are now definitely among the best in this area in our industry. Various measures have been implemented based on investigation of both incidents that have caused injuries and of incidents with great potential for injuries. This work will be continued in the future and developed further.

Among the safety measures implemented in 2013 is training crews in the rescue of personnel in connection with working at heights or in tanks. All vessels have been equipped with upgraded rescue equipment and the crew is being trained in using it both at onshore training centres and on board. As part of the training associated with tank work, courses in gas theory and the use of gas detection equipment are being arranged.

We are focusing on safety associated with yard stays both with regard to docking, repairs and renovation of existing vessels, as well as when new vessels are built.

There is ongoing work with improving safety in connection with our vessel operations, both in collaboration with our customers and our suppliers. Good control of the vessels' technical condition and backup systems (redundancy), as well as management of operational safety, consist mainly of the following elements:

- Transfer of experience and prioritizing when projecting and building new vessels
- Ongoing maintenance and upgrading of vessels
- All operations are performed by qualified and competent personnel
- Awareness and compliance with external and internal requirements

RISKOP – Risks during offshore service operations

We are participating in the research project «Risks During Offshore Service Operations» which started in June 2013. Haugesund University College is responsible for the project, which is funded by the Research Council of Norway, Lundin Norway, Odfjell Drilling, Knutsen OAS, Solstad Offshore, Østensjø Rederi, Eidesvik Offshore, Farstad Shipping, Deep Ocean and Westcon.

The goal of the project is to identify and manage risks as well as identify how this type of risk can be reduced during offshore operations. The project shall submit a report describing the identified risk factors associated with anchor handling and subsea operations. A separate report highlighting the risk factors of lifting operations will also be prepared. The intention is that the material from the study is to be used in a planned Master's Degree in Nautical Studies at the Haugesund and Ålesund University Colleges, as well as contribute specific suggestions for strengthening the offshore simulator training in which some of the participants are involved.

Our contribution to this project will be observations from our vessels, while in-depth interviews will be done with our employees on board and ashore. An important focus area will be the interaction between vessel and installation. So far we have had researchers on board three of our PSVs during operations in the North Sea.

Summary Corporate KPI's 2013

Indicator	Aspect	Target	Actual	Month
TRCF	Safety/Health	<5,2	3,2	End 2013
Sick leave seafarers	Health	<2,97%	3,29%	End 2013
Sick leave office employees	Health	<1,52%	2,00%	End 2013
Accidental Pollution to sea (incident)	Environment	<240 ltrs	32 ltrs	End 2013
High Potential Incident Frequency	Safety/Health/ Assets/Reputation	<2,0	4,51	End 2013

Corporate KPI's 2014

Indicator	Aspect	Target
TRCF	Safety/Health	<3,1
Sick leave seafarers	Health	<2,97%
Sick leave office employees	Health	<1,52%
Accidental Pollution to sea (incident)	Environment	<230 ltrs
High Potential Incident Frequency	Safety/Health/Assets/ Reputation	<2,0

CSR and the Company Core Values

The goal of Farstad Shipping is to increase its competitiveness through awareness of our core Values as well as our respect for people, environment and society.

Since 2005 we have been focusing on making our Values known to our employees, and in this context we developed our Value programme in 2006. We spend considerable resources on strengthening the organisation through arranging Value workshops as part of the Value programme. The workshops last for two days, and the participants are employees from both sea and land. The purpose of the Value workshops have been to develop a common understanding of the core Values of Farstad Shipping, as well as making the core Values tangible in daily tasks and challenges at work. There is emphasis on understanding different cultures and focus on cultural differences, as well as the individual responsibility based on the core Values.

We hire local consultants in management and organisational development as academically responsible for the programme in the various regions. They follow all Value workshops together with the corporate management, and they are an important resource for adapting the programme to the various regions. Presence and involvement from the management is important with regard to creating understanding of the relationship between the company's core Values, our organisational culture and thereby how we interact with each other and our surroundings.

In 2013 Value workshops were arranged in Norway, Scotland and Brazil. Our Aberdeen office concluded the first round of Value workshops in 2013, while the workshops will continue in Brazil. Australia arranged a pilot workshop in the autumn of 2013, and has started ordinary Value workshops in 2014. Our regional office in Singapore will start preparations for Value workshops during the course of 2014. Participation in Value workshops is mandatory for all our employees, and Value workshops are arranged continuously for new employees.

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.

Code of Business Conduct

In 2013 we finalized the process on a common set of ethical guidelines, and the Code of Business Conduct met its approval by the Board of Directors.

We have established a system of reporting breaches of the Code, following the guidelines about Whistleblowing.

Supplier Declaration

The corporate purchasing departments have worked actively in 2013 to develop and agree on a requirement system for our suppliers. This is now finalized and will be taken into use in 2014.

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.

The Code of Business Conduct will give support and guidelines to all employees and the company's stakeholders, towards conducting their business in a fair and legal manner. We expect this document to help our company support and protect all employees in a healthy, fair and positive work environment.

We aim at a more transparent and controllable relation with our suppliers, and by that make sure everyone engaged in the delivery of our services have good working conditions well within the frames of all laws and regulations.

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.

Certification of OHSAS 18001

Farstad Shipping is one of the few shipping companies which have obtained OHSAS 18001 certification of their management system in the field of health and safety in the workplace. The entire process did not take us more than just over two years. This means that we had a very good basis on which to start this process

Gender equality

The Board and the management work continuously to promote gender equality in all areas in order to create a diverse organisation. At the end of the year the group had 2,200 employees representing 32 nationalities.

In 2013 Farstad Shipping in Australia was awarded the renowned Silver Stamp by the Australian Women in Resources Alliance (AWRA) in the first resource industry-specific evaluation of our organisation with regard to gender equality. Farstad Shipping is at the forefront when it comes to making it more attractive for women to apply for, and remain in, non-traditional professions. Farstad Shipping received the award after having completed a national evaluation programme under the auspices of AWRA, where our guidelines and practices, among other things, were evaluated.

We are conscious of preventing gender-based discrimination. The principle of equal pay for equal work applies in wage determination. Only relevant qualifications such as education, experience, results, and other professional criteria shall form the basis with regard to hiring, training, wages and promotion. At the end of the year, 111 out of the company's 235 office employees were women.

Farstad Shipping has a challenge with regard to motivating women to choose a maritime education. At the end of the year the total number of crew employees was 1,965, however, only 72 of these were women.

Employee well-being

Through active collaboration and support for cultural and sports events we contribute to creating social meeting points in the local community. Farstad Shipping considers the fact that our employees are 24 hour people who shall also thrive in their free time. We wish to contribute to our employees and their families having active and varied leisure activities in their local community.

Our employees' health

During the year we have completed a nutrition project with focus on healthy eating habits on board our vessels operating in Brazil. This is also emphasized by our largest customer in the region, Petrobras. The cooks working on board have been trained in selecting ingredients and preparing healthy dishes. We have also focused on measures to reduce wastage both with our suppliers and on board. We also hope that increased awareness of healthy ingredients will result in less absence due to illness in the long run. A similar project for vessels operating in the North Sea started in 2013.

Future focus and expected outcome

We will continue our focus on our “Health, Safety, Welfare and Environment Policy” and the “Human Rights and Equal Opportunity” policy, and use our new established tool through OHSAS 18001 to create better measures within health and safety related to working environment.

The project on gender equality will continue in Australia where we are targeting gold in 2014. The other regions will follow up on experience and results to implement throughout the company.

When recruiting new employees we will continue to focus on attracting highly motivated seagoing personnel, to make sure we still are able to perform safe, quality vessel operations. The company will continue to recruit women to maritime related jobs. In addition to focusing on gender equality, there are efforts to include people from groups which are underrepresented in the labour market, including people with disabilities.

Environment Principles

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.

Farstad Shipping's goal of zero injury to people, zero harm to the environment and zero loss or damage to equipment is the basis for our efforts in reducing our impact on the environment.

Environmental investments in new builds

In close collaboration with designers, shipyards and equipment suppliers we make use of the latest available technological solutions in order to build and operate vessels with minimal risk of releasing environmentally hazardous substances into air and water. For our five new builds delivered in 2013 we have invested in environmental measures far beyond class and authority requirements. Among these are measures to reduce fuel consumption through the use of hybrid propulsion systems, installation of catalysts, the use of environmentally friendly antifouling and Clean Design. There are also installations for measuring and logging fuel oil consumption. Our additional investments in these new builds amount to more than NOK 300 million compared to the minimum requirement in current legislation.

Environmental impact from the operation of supply vessels

Pollutants into the sea and emissions into the air have been considerably reduced over time as a result of continuous improvements of technical solutions, better control and maintenance of the equipment as well as the choice of more environmentally friendly products. This applies to things such as anti-fouling, lubricants and detergents.

In all our vessels delivered after 2006, we have invested considerable amounts in eco-friendly measures beyond current rules and requirements when it comes to emissions into air. These emissions mainly consist of CO₂, NO_x, and to a lesser extent, SO_x. The amount of emissions depend on various conditions related to fuel quality as well as the vessel's operational profile, including the number of operating hours and average load of the diesel engines. Farstad Shipping only uses marine diesel (Marine Gas Oil) with low sulphur content which gives very low emissions of SO_x. On all vessels built after 2006 as well as on some older vessels, catalysts have been installed in order to reduce the amount of NO_x emissions. Experience shows that the efficient use of catalysts alone reduce NO_x emissions by up to 95%.

CO₂ emissions are directly related to the amount of fuel used, and the company focuses on minimizing consumption in connection with the vessels' operations in the field, as well as during transit and in port. New technology combined with the optimal use of propulsion systems and other diesel-run installations on board can reduce CO₂ emissions with up to

50% compared to vessels built a few years ago. Vessels with diesel electric or hybrid propulsion systems provide opportunities for optimal use of heavier machinery, depending on operational requirements. Electrical operation and speed control of propellers and other energy consuming equipment causes the vessel to carry out the required tasks with reduced diesel consumption at low loads without reducing the safety requirements. Raising awareness and training the crew in the use of the various technical installations on board have proven to contribute to increased awareness and thereby reducing emissions.

In addition to this, modification of electrical panels and power supply systems on board a selection of the company's vessels built a few years ago has been carried out. This makes it possible to reduce the number of diesel engines having to run, depending on the vessel's operational mode. Thus both diesel consumption and maintenance costs are reduced due to a reduced number of operating hours.

The company participates in several different projects established in order to minimize the supply vessels' impact on the environment. In 2012 phase one of the project EEOP (Energy Efficient Offshore Partners) organised by DNV GL was implemented. Phase two was implemented in 2013 with the same participants in addition to a selection of oil companies. The project's goal is still that «the Norwegian-controlled offshore fleet shall be the most environmentally friendly and cost effective in the world and is preferred because it consciously operates with lower consumption of fossil oils». Pilot projects where specific vessels are nominated and technical/operational measures are implemented, have documented that relatively large savings are within reach with modest effort.

The HeMoS project (Health Monitoring System), which includes condition monitoring of equipment on board one of our PSV vessels, has been continued in 2013 and expanded to also include one of our AHTS vessels. Through the project we receive a lot of valuable data which help us develop a better management tool both in order to reduce the environmental impact from the company's activities and contribute to better prediction and planning of maintenance.

The Energy Management project has been continued throughout the year. Equipment for identifying and measuring the vessels' operational profile and energy consumption have been installed on board three of our PSV vessels. This will enable us to analyse trends for each vessel, as well as compare the various vessels' efficiency, consumption and emissions.

Equipment for safe and optimal utilisation of shore power has been installed on board several of our new builds. Throughout 2013 we have distinguished ourselves in connection with efficient utilisation of shore power during port stays. In this context we have also contributed in various forums discussing how the shore side could offer standardized solutions for supply vessels, so that the same electrical power technology is available in various ports.

Ballast water

Farstad Shipping is focusing on the environmental consequences of moving our vessels from one geographical area to another with regard to the presence of marine organisms in the ballast water. Vessel-specific plans have been created for handling ballast water in accordance with international regulations. The company's vessels operate mainly within the regions North-West Europe, Brazil and Indian Pacific but are from time to time moved between the regions and also within these regions.

Environment registration and waste handling

The internal project «Environmental Footprint» was initiated in 2013. The project shall define and implement measures to reduce the environmental impact of our operations. Previously described projects will be valuable tools in this context.

During 2013, the reporting tool Vessel Manager was implemented on all our vessels, with options for better registration and control of things like fuel consumption, waste handling, and thus also environmental impact. All waste and garbage on board the vessels is sorted in accordance with international guidelines and reported monthly. Septic waste and grey water is handled, treated and deposited in accordance with current regulations.

Previous years' efforts to improve cooling systems on board our vessels with regard to reducing the emissions of greenhouse gases have continued. When upgrading existing cooling systems and installations on our new builds we have implemented the use of refrigerants which are as environmentally friendly as possible, as well as using sea water for cooling where possible. As a result of this work we see a positive development in the emission of greenhouse gases these past few years.

Use of chemicals on board

Efforts to standardize the chemicals used were started this year. The company makes an effort to use environmentally friendly chemicals to the largest extent possible on board our vessels.

Future focus and expected outcome

The company is planning retrofitting of purification systems for ballast water in accordance with upcoming international regulations, which have yet to come. All new builds have purification systems installed for ballast water.

In regards to use of chemicals on board we are aiming to achieve environmental improvement and a reduction in the number of chemicals on board. We also work to increase knowledge among our crews regarding safe handling of various chemicals.

Anti-Corruption Principle

Principle 10

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

Annual Report Award

Farstad Shipping received the gold medal for its annual report for «Small and Medium Sized Listed Companies» during the Farmand Award. We were also nominated for the «Best Annual Report» award in the class «All Listed Companies», as one of five companies. We also received the bronze medal for «Best Website 2013» in the class «All Listed Companies». These awards are a great recognition of our work and our efforts towards open and informative communications

Code of Business Conduct

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 Code of Business Conduct.

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 company's Code of Business Conduct was finally approved by the Board in Sept 2013, and is published on the website www.farstad.com.

The process has been in close harmonization with our new Supplier Declaration, where our corporate purchasing departments have worked actively in 2013 to develop and agree on a requirement system for our suppliers.

Expected Outcome

Through 2014 we expect to have documentation on all employees been given training in this issue. We also hope to receive feedback and reports on questions around dilemmas and breaches of the Code of Conduct. This will build a platform for FAQ, and start a good and transparent communication about challenges connected to Corruption on all levels of our business.

The Supplier Declaration will be taken into use in 2014, and be a strong support of Principle 10 and Anti-Corruption within our range of suppliers and service providers.