

# Communication on Progress 2015

20.03.2015

Odfjell SE



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## Letter from President/CEO

Creating sustainable values for our stakeholders by placing focus on ethical, social, environmental and governance standards continues to have high priority in Odfjell. The ten United Nations Global Compact (UNGC) principles within the areas of Human Rights, Labour, Environment and Anti-Corruption are gradually becoming embedded in our strategy, culture and day-to-day operations. Further, the scope of our efforts has been extended beyond units we directly own and control to also include partly owned subsidiaries and key third-party suppliers.

Energy saving was a focus area also in 2014 with implementation of fuel efficiency initiatives on our ships. We have also established common core values and incorporated the UNGC principles in our Code of Conduct. In addition to the Code of Conduct and a Competition Law Manual, we have structured and formalised our new third-party supplier scope by implementing a Corporate Supplier Conduct Principles document.

Through membership, Odfjell has been actively involved in several projects in the Maritime Anti-Corruption Network (MACN), in order to fight corruption on local and regional basis. The UNGC principles have been integrated in internal training and competence development programme such as Leadership and Followership Development and a Roadmap to Operational Excellence. These initiatives are gradually taking effect with the intention to improve the safety culture and are a good support to the implementation of the ten principles. Our efforts will continue into 2015.

In this 'Communication on Progress' we outline some of the activities that will continue to facilitate an 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.

*Yours sincerely,*



Tore Jakobsen

Bergen 20.03.2015

## About Odfjell

**Odfjell SE 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 the 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, as well as a joint venture network of tank terminals.**

Odfjell's business is an important contributor to industrial and social development around the world. Our core business is 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 and plastics.

### *Our strategy*

Odfjell's strategy is to maintain its position as a leading logistics service provider with customers across the world, through the safe and efficient operation of deep-sea and regional chemical tankers, LPG/Ethylene carriers and tank terminals worldwide.

### *Our chemical tankers*

Odfjell has unprecedented experience of deep-sea transportation of chemicals and other liquids. Our operations are fully integrated, with in-house functions for chartering, operation and ship management. Our major trade lanes cover the US, Europe, Asia, India, the Middle East and South America. At the end of 2014 Odfjell's sophisticated fleet consisted of 78 ships, including owned, time-chartered and bareboat chartered. The total capacity of the current fleet is around 2.24 million dwt. The chemical tanker business posted a gross revenue of USD 1,053 million in 2014.

### *Our LPG/Ethylene carriers –*

In 2012 Odfjell re-entered the LPG/Ethylene market and established the company Odfjell Gas AS. The fleet currently consists of two LPG/Ethylene carriers of 9,000 cbm each and operates a time-charter vessel of 35,000 cbm. The company also has eight newbuildings on order consisting of four 17,000 cbm and four 22,000 cbm with delivery from 2016 to 2017. Odfjell's strong brand name and global network of branch offices provide a robust competitive edge for further growth within this segment.

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

Our terminal operations yield synergies with our transportation activities, and improve quality and efficiency across the entire transportation chain. Our tank terminal operations also offer opportunities to develop new markets where the infrastructure for specialised bulk liquids is limited. Odfjell has investments in 10 operational part-owned tank terminals in the Netherlands, Belgium, the USA, Singapore, South Korea, Oman, China and Iran. In addition the Odfjell Nangang Terminals (Tianjin), China, is currently under construction, and is expected to become technically operational in first quarter of 2015. One terminal is under development in Fujian, China. Odfjell Terminals also cooperates with 12 terminals in South America and one in Canada. These tank terminals are partly owned by related parties. The terminal business generated a gross revenue of USD 94 million in 2014.

### ***Our employees***

At the end of 2014 Odfjell employed a total of 3,311 people as per the following allocation:

- Main office in Bergen – Norway: 222
- Branch offices abroad: 254
- Tank terminals: 849
- Aboard ships: 1,986

### ***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, 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.*

Odfjell aims to achieve sustainable development for its stakeholders, such as investors, customers, employees and the local communities in which we operate, by balancing financial results and corporate social responsibility. Safety is paramount, and we actively promote a sustainable and proactive quality, health, safety and environmental (QHSE) culture.

## **CSR Council**

In 2011 we signed up to the UN Global Compact (UNCG) programme. We have established a corporate social responsibility council to facilitate an implementation of the United Nations' ten principles with regard to human rights, labour, environment and anti-corruption. Annually we submit Communication on Progress (COP), including current and new goals for the coming period. The COP reports can be viewed at [www.odfjell.com](http://www.odfjell.com).

## **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
- Charitable organisations
- Society at large

## **Governing documents**

We have established a number of governing documents for directing 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, Competition Law Compliance Manual, 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 and systems for notification of suspected malpractice have been strengthened. All employees have now a clear duty to report violations and can also do this anonymously.

The CoC highlights 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'. The focus is on their ethical, social and environmental practices, and is one of many measures to strengthen our commitment to the United Nations 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.

From the headquarters in Bergen a total of 64 suppliers have received and endorsed our conduct principles.

### ***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.

In 2014 it was established a hotline for anonymous reporting/whistleblowing to the Compliance Officer.

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

### **UN Global Compact Nordic Network**

Odfjell is a member of the UN Global Compact Nordic Network, 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, 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.*

### **Statements**

Odfjell aims to be a company for which people want to work as well as a company that offer 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 Code of Conduct and HR policies 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 majority of the employees

at Odfjell have access to a free annual health check. This benefit allows seafarers and onshore employees to discover potential health problems at an early stage.

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*

In 2014, and after a thorough internal selection process involving all employees, we introduced the Odfjell corporate core values as **professional, pro-active, sustainable and innovative**. These values are our leading lights and shall guide us in our daily operations. The values have been discussed in our internal magazine several times.

### *Defined 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).
- To establish corporate values and formalize these by the end of first quarter 2014.

### *Measurement of outcome*

- Introduction of a new e-learning platform has been postponed due to comprehensive cost cuts in the organisation.
- The HR Management Manual is completed and ready for the management to adopt.
- Training courses for managers have been postponed due to substantial downsizing of the organisation.
- Corporate values have been established and made known within the organisation.

### *Goals for 2015*

- Revitalise the organisation after restructuring and downsizing.
- Evaluate alternative ways of providing competence development.
- Include Human Rights principles in the corporate internal audit programme.

## 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 not allowed, 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 Odfjell. Gender-based discrimination is not permitted in connection with recruitment, promotion or remuneration.

Communication with employees is important. For that reason a number of employee consultation committees have been established at 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) works council, two members from Odfjell Officers' Council, two members elected among the employees in Bergen, and the President/CEO.

### ***Operational Excellence***

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, we can make considerable progress towards operational excellence.

### ***Safety statements***

The following statements are important in connection with our operational guidelines:

- 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***

Each year we arrange an Odfjell Safety Day – a global event both at sea and on shore dedicated to safety. Our emphasis this year was on safety awareness and to highlight that achieving zero incidents and reducing injuries requires dedicated work and continued focus.

### ***Competence and training***

During 2014 our seaborne personnel performed about 9,000 in-house course-days and 6,000 days of external courses, of which 6,900 days were related to our Leadership and Followership Development Programme that was attended by 1,663 participants. Training related to the Environmental Management System (EMS) started in May 2014. The aim is to strengthen our crew's attitude towards compliance with maritime environmental regulations and internal procedures. The EMS programme included more than 600 training days with some 1,200 participants.

Odfjell's maritime personnel section has employed two fitness instructors to carry out a Healthy Living Project, the purpose being to promote healthier lifestyle among crew through food and fitness activities. In 2014 they have visited 25 vessels, and the ambition is to visit all vessels within two years.

A Safety Culture programme was started in 2013 and continued in 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).

### ***Piracy and armed robberies***

Piracy and armed robberies continues to be a challenge for international shipping, the main areas of concern being the Gulf of Guinea including Nigeria, Somalia and adjacent waters, and Southeast Asia including the Singapore Straits and Indonesia. In 2014 there were no successful hijackings in the Gulf of Aden/Indian Ocean region, but suspicious approaches continue and privately contracted security personnel are still being used when transiting some areas. Armed robberies and hijackings in the Far East, particularly in the Singapore Straits and Indonesian waters, have increasingly become a concern in 2014. The main targets for hijacking in Southeast Asia are smaller ships with cargo that are easy to trade.

### ***Refugees in Mediterranean Sea***

Refugees crossing the central and eastern Mediterranean Sea, often in overloaded boats without any life-saving appliances, became a growing problem in 2014. Odfjell ships that transit the area frequently have been equipped and prepared to participate in search and rescue operations to assist refugee vessels in distress.

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

Odfjell has a policy of providing employees with equal opportunities for skills development, and of offering new challenges within Odfjell. All employees shall be treated equally, irrespective of ethnic background, gender, religion or age – and they shall be 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 220 employees at the Company's headquarters in Bergen, 68% are men and 32% women, while the corresponding global figures (about 893 employees in our wholly owned onshore operations) are 72% and 28% 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 31.12.2014***

Compared with last year, the recorded absence rate at the headquarters increased from 2.44% to 2.76%. Absence rate for Filipino mariners was 1.0%, while for European seafarers it was 3.16%.

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

In 2014 Odfjell implemented several measures to secure a sustainable safety performance. The Lost Time Injury Frequency (LTIF) indicator for Odfjell-managed ships was 0.71 in 2014, compared with 1.37 in 2013. The Total Recordable Case Frequency (TRCF) was 2.94. The target values are 1.2 and 4.0 respectively.

We had one tragic accident where an employee on one of the terminals in Asia lost his life. The accident was assessed as an industry accident by the authorities and has been investigated. The preventive actions identified are being implemented on all Odfjell terminals. There have been no other serious accidents or work related injuries resulting in permanent disability and the QHSE performance in 2014 is stable and good.

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	LTIF - On board and offshore shipping	LTIF 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
2014	0.71	0.80

### ***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 2014.

### ***Defined 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.

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

- The survey was not performed due to organisational changes in the shipping and corporate divisions.
- Established corporation with FAIR – an organisation which collects and refurbishes ICT equipment for youth and adults education in Africa.
- The overall HR Management Manual states that child labour is not permitted. This is also stated in the HSE and CSR Requirements. 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. 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 2014.

### ***Goals for 2015***

- Implement measures to promote open communication and teamwork.
- Include Labour Rights principles in the corporate internal audit programme.

## **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 2014***

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 five years we have reduced the grams CO<sub>2</sub> per tonne transported one nautical mile by 12%.

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

An 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 our ships 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.

Several of these projects were implemented in 2013 and the implementations were prolonged in 2014.

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

In 2014 our response to the annual CDP covered the shipping business, the main office in Bergen and our terminals in Rotterdam and Houston. For 2014, based on 2013 figures, our score improved from 66 to 72. The average for our industry is 70 and the maximum score is 100. The emission level based on 2014 figures represents a reduction of 8% compared with 2013. Most of the reduction is due to a decrease in the fleet size.

Some other key facts:

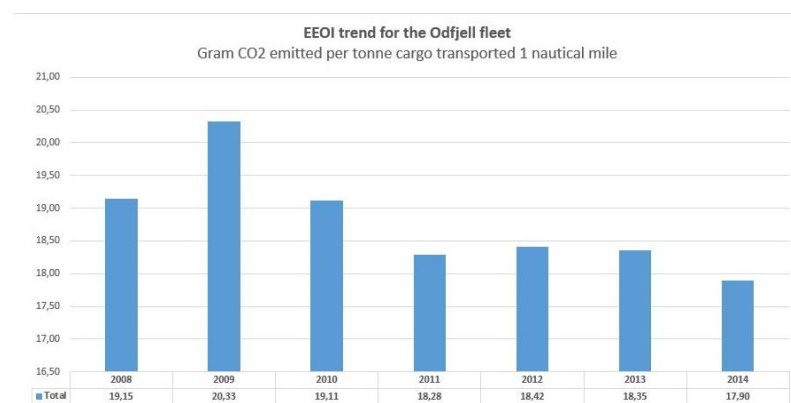
- 30 % CO<sub>2</sub> reduction from a 2009 baseline (based on 92 vessels)
- 12 % reduction CO<sub>2</sub> per tonne cargo transported one nautical mile since 2009 (based on 92 vessels)
- 69 % SO<sub>x</sub> reduction from a 2009 baseline (based on 90 vessels)

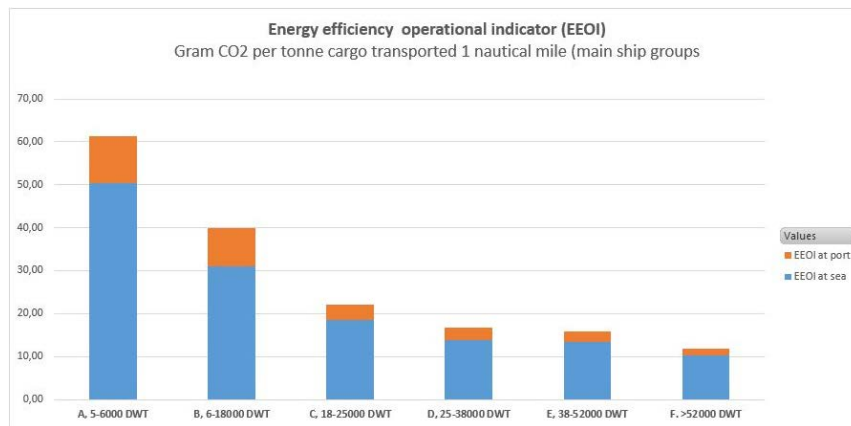
### ***SO<sub>x</sub> emissions***

Based on all consumption in 2014 (both in port and at sea), Odfjell's vessels emitted on average 0.12 grams per tonne cargo transported one nautical mile.

### ***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 in accordance with IMO guidelines. Including fuel consumption both in port and at sea, in 2014 the EEOI for the Odfjell fleet was 17.90 grams of CO<sub>2</sub> per tonne cargo transported one nautical mile (g/tnm), an improvement of 2.5% compared with 2013 and the best result since we started our measurements in 2008.





### ISO 14001

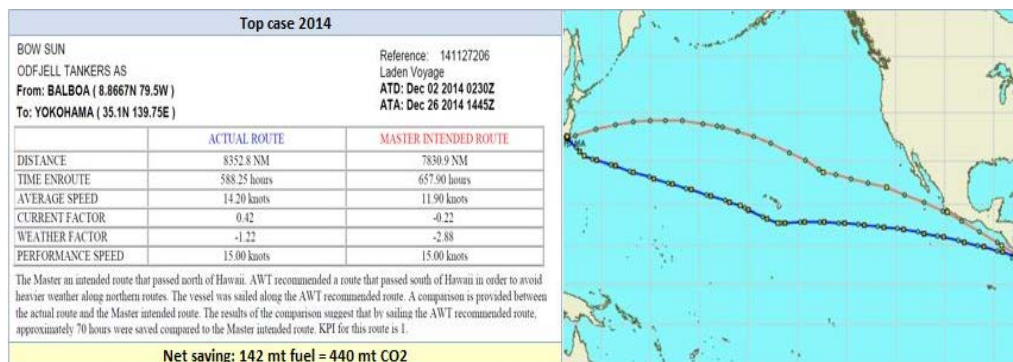
Odfjell Ship Management holds an ISO 14001 certification, which covers 46 ships under own management. All relevant environmental aspects are identified, and key issues are listed and followed up in a health, safety, security and environmental (HSSE) programme. The last recertification was made by DNV GL with a new certificate issued 27 January 2014.

### Ship recycling – Green Passport

To secure a controlled ship recycling process, well in advance of normal vessel retirement age we equip our vessels with so-called Green Passports that provide an inventory of materials on the vessel that could harm the environment and recycling personnel. The programme meets the requirements of IMO Resolutions A 962 and 179 and is certified by Lloyds. It also requires follow-up from the recycling yard. The yards used are inspected by Odfjell to ensure they are ISO 30000 certified and comply with relevant IMO guidelines and Odfjell's in-house requirements.

### Weather routing

Since 2009 Odfjell has made use of advanced weather routing services, both for our owned fleet and the time-chartered ships. In 2014, 755 sea voyages were subject to weather routing, reducing time at sea on these voyages by at least 55 days. This gave fuel savings of approximately 1,500 tonnes, equivalent to a reduction of about 5,000 tonnes of CO<sub>2</sub>.



Example of external weather routing

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

In 2012 Odfjell, in close cooperation with DNV GL, developed an SEEMP for the owned fleet. The ship specific SEEMPs were rolled out to the vessels during 2013, and include EEOI benchmarking for each ship, ship class and the Odfjell fleet. The EEOI section also includes benchmarking of all variables that affect the EEOI. This enables specific counter measures to be implemented quickly if a negative energy efficiency trend is observed. This section is updated on quarterly basis to all vessels, including the external managed fleet.

### ***Bilge water treatment plants (oily water separators)***

In order to reduce the oil content in the bilge water, 27 ships have been upgraded with the installation of highly effective oily water separators. The bilge water discharged overboard from the ships on which such equipment has been installed contain less than two ppm (parts per million), while MARPOL requirements stipulate not more than 15 ppm. This programme is continuing in 2015.

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

Odfjell has an ongoing project to install ducts in front of the propellers on 23 vessels, the purpose being to cut fuel consumption and thus, to reduce emissions. Additional three vessels were equipped with such ducts both in 2013 and 2014, and we plan to add two more ships also in 2015.

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

In 2014 Odfjell Tankers operated 40-50 ships in slow- or ultra-slow speed mode. Compared with full-speed mode this generated net fuel savings of about 79,000 tonnes, corresponding to emission savings of approximately 246,000 tonnes of CO<sub>2</sub>, and 1,700 tonnes of SO<sub>x</sub>.

### ***Fleet performance group***

Odfjell has a Fleet Performance Group who supervises voyage optimisation/ocean routing and track the fleet, collect, validate and analyse data concerning speed, consumption and emissions of the ships on a daily basis through a comprehensive performance system.

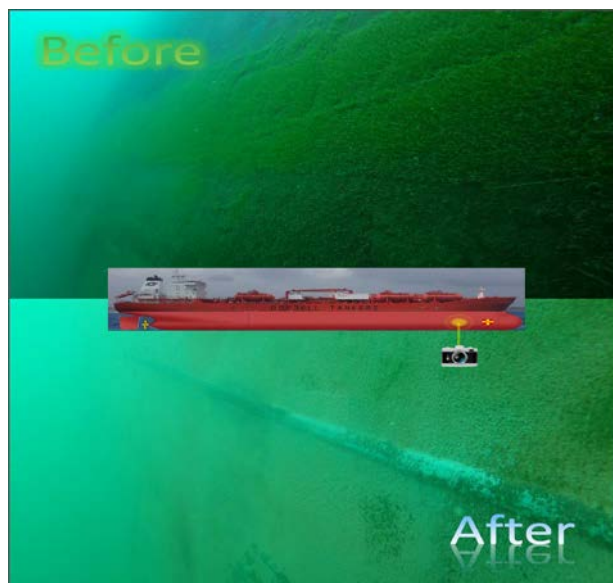
### ***Pollution protection plan***

The main purpose of the project is to prevent by-passing of the approved oily water discharge system. Monitoring and control of actions to achieve the objectives of the programme have been arranged in an Environmental Management System. The project started late 2013, and so far eight vessels have completed the programme.

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

Hull cleaning and propeller polishing are a normal part of ordinary dry docking work. In addition Odfjell carries out hull cleaning and propeller polishing between dry dockings. All Odfjell operated ships, both time-chartered and owned, are being closely monitored and cleaning intervals have been shortened since 2013. From 2015 we will further improve this scheme through closer monitoring and more effective planning of cleaning intervals.

The result of this type of intermediate operations is a significant reduction of fuel consumption and emissions of CO<sub>2</sub> and SO<sub>x</sub> either directly, or through reduction of the vessels EEOI.



### ***Newbuilding programmes***

In 2014 Odfjell took delivery of three out of four sophisticated 49,622 dwt coated chemical tankers with high efficiency design for improved propulsion performance. The fourth ship was delivered early 2015. These ships use significantly less fuel than comparable ships of same size. Furthermore, Odfjell GAS and partner Breakwater and Oak Hill have an order for four 17,000 cbm and four 22,000 cbm LPG/Ethylene carriers, all of these with eco designs with the latest available technology and equipment, including ballast water treatment systems to avoid distribution of microorganisms to marine environments. The ships are scheduled for delivery from 2016 -2017.

### ***Environmental challenges***

Several future challenges are identified involving different stakeholders such as authorities, customers and investors. For instance, there will be a significant increase in the use of low sulphur fuel, more stringent ballast regulations, NO<sub>x</sub> and SO<sub>x</sub> requirements, introduction of carbon taxes (CO<sub>2</sub>) and climate changes. Another challenge will be management of an increasing amount of local, national, regional and international regulatory requirements.

### ***Defined 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

For more information about the environmental engagement, please see the Odfjell Annual Report 2014.

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

The Ship Management Department's Environmental Management System (EMS)

- The EMS complies with the requirements of ISO 14001:2004, and is certified by DNV GL. The EMS is currently being revised to meet the requirements of ISO 14001:2014.

### **Fuel consumption:**

All fuel purchased by Odfjell is tested by a third party company. Test results of the fuel purchased in 2014 (all grades) indicate the average weighted sulphur content at 2,12 %, compared with 2.22 % in 2013. The global limit in 2014 was 3.50 %.

- In 2014 the Odfjell fleet reduced its consumption of marine fuels by 44,000 tonnes (8 %) compared to 2013. In terms of CO<sub>2</sub> emissions, this represents a reduction of 111,000 tonnes.
- The fleet consumed 471,000 tonnes, of which 21,000 tonnes were distillates. Most of the reduction from 2013 to 2014 is due to a decrease in fleet size. 23,000 tonnes were however achieved through reductions in the daily fuel consumption onboard the vessels.
- Based on the consumption of 90 vessels, total emissions of CO<sub>2</sub> in 2014 amounted to 1,469,405 tonnes, an 8% decrease compared to the 2013 shipping related emissions. Total emissions of SO<sub>x</sub> decreased to 10,053 tonnes, reflecting both volume reduction and reduction in sulphur content in the fuel.

### **Stern tube sealing system:**

- Two installations were performed in 2014 and one is scheduled in 2015. These seals are considered to be leak-free.

### **Oil content:**

- In order to reduce the oil content in the bilge water, 27 ships have been upgraded with the installation of a highly effective oily water separator. MARPOL requires that the bilge water discharged overboard should not contain more than 15 ppm (parts per million of oil). The units which are installed are capable to operate below two ppm. This programme is continuing in 2015.

### **Environmental impact from ship recycling:**

- No ships were recycled in 2014.

### ***Goals for 2015***

The following goals are defined:

- Reduced discharge of CO<sub>2</sub> to air
  - The goal for annual reduction is set to 2.0%.
- Reduction of discharge of ozone-depleting substances
  - The ozone-depleting substance on Odfjell ships is the R22 coolant (refrigerant). The goal is that during 2015 the R22 shall be phased out from all Odfjell ships.
- Reduce risk of discharge of oil to sea
  - The main risk of discharge of oil to sea is related to leakage in the propeller shaft sealing. The intention is to reduce the consequences of a leak by number of ships being retrofitted with biodegradable lube oil. All ships will be in compliance with US VGP (Vessel General Permit) by 2015.
- Implementation of tag and seal system
  - This will strengthen the barriers to prevent unintended discharge of oil to sea. The goal is to fit this on 29 ships in 2015.

# 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**

*Odfjell 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 Odfjell 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.*

*Odfjell 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 Odfjell, 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 new document named Corporate Supplier Conduct Principle aimed at third party suppliers.

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

Regulations from UK Bribery Act and The U.S. Foreign Compact Act are very important and leading requirements for all international business.

#### **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, Odfjell is working with local representatives and reviewing customary business practices to identify and eliminate such payments.

The Code of Conduct is supplemental to local Odfjell 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 requirements in the ISM code. A hotline is established for anonymous reporting/whistleblowing to the Compliance Officer.

### ***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.

The mission is to promote good corporate practice in the maritime industry for tackling bribes, facilitation payments and other forms of corruption by developing and sharing best practice, creating awareness of the challenges and collaborating with key stakeholders to develop sustainable solution. The elimination of bribery and facilitation payments is one of the network's main tasks. Main focus for MACN is to analyse the situation in the Black Sea, Nigeria, China, Indonesia and the Suez Canal.

## **MACN Members 2015 – 51 Participating Companies & Orgs**

### **Regular Members**



### **Associate Members**



### **Strategic Advisor**



### **Corporate QHSE audits, Anti-Corruption**

Odfjell has a comprehensive programme for internal audits, focussing on QHSE, accounting, financial control, ICT security and compliance with anti-corruption requirements. Corporate QHSE conducts system audits on operative and staff units to ensure compliance with corporate and management level requirements and guidelines.

In 2014 we carried out 18 audits, including eight audits of owned or managed terminals, two terminal inspections, six audits of overseas offices and two audits of staff or business units at the headquarters in Bergen. In addition to the corporate programme, internal, external and customer audits are conducted in operative units and on our vessels. These audits are for the main part triggered by regulatory requirements, certificates or contracts. None of the audits have resulted in withdrawal or suspension of certificates or contractual cancellation in 2014.

### ***Defined goals for 2014***

- 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.

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

Corporate Supplier Conduct Principles:

- A total of 64 suppliers have received and endorsed our conduct principles.

Internal information and training of related personnel:

- The tool-box for needed training is developed but not implemented.

Report on compliance with the Code of Conduct for senior managers:

- The principle was distributed to all managers with acceptance of the content.

Contribution in the MACN organisation

- A risk management method was developed and Odfjell took part in the development. As a best practice we also reported the recorded incidents from Inchape Shipping Services (ISS) to MACN incident database.

### ***Goals for 2015***

To assure continued focus on ethical behaviour and our commitment to integrity, the videos from UN Global Compact will be made available to all employees. In addition a course related to use of facilitation payments made by the Norwegian Shipowners' Association will be made available.

For 2015 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 to 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.
- Include Anti-Corruption principles in the corporate internal audit programme.