

Communication on Progress 2016

20.03.2016

Odfjell SE



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Letter from CEO

Creating sustainable values for our stakeholders by placing focus on ethical, social, environmental and governance standards continues to have 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.

Energy efficiency projects and an anti-corruption program were focus area regarding our Corporate Social Responsibility (CSR) policy in 2015. We have already established common core values and incorporated the UNGC principles in our Code of Conduct in the last years. In addition to the Code of Conduct and a Competition Law Compliance Principles, we have structured and formalised our new third-party supplier scope by implementing a Corporate Supplier Conduct Principles document.

Through membership, Odfjell has been involved in 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 our internal Leadership and Followership Development program. 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.

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 and by other means of communication.

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

Yours sincerely,

Kristian V. Mørch
CEO

Bergen 20.03.2016

About Odfjell

The Odfjell Group is one of the leading players in the global market for seaborne transportation and storage of chemicals and other speciality bulk liquids. The Odfjell fleet comprises of approximately 74 ships which trade both globally and regionally. The tank terminal division consists of 11 tank terminals and is part of a network of another 14 tank terminals partly owned by related parties. The tank terminals are strategically located within important shipping hubs around the world. The Odfjell Group's headquarters is in Bergen, Norway, and the Group has more than 20 offices internationally. Odfjell employs around 3,000 staff and posted annual gross revenue of USD 940 million in 2015.

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 2015 Odfjell's sophisticated fleet consisted of 74 ships, including owned, time-chartered and bareboat chartered. The total capacity of the current fleet is around 2.187 million dwt. The chemical tanker business posted a gross revenue of USD 940 million in 2015.

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. 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.

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 specialized bulk liquids is limited. Odfjell has investments in 11 operational part-owned tank terminals in the Netherlands, Belgium, the USA, Singapore, South Korea, Oman, China and Iran. Other terminals are under development in China. Odfjell Terminals also cooperates with another 14 tank terminals partly owned by related parties in South America and one in Canada. These tank terminals are partly owned by related parties. Odfjell's Terminal business generated a gross revenue of USD 112 million in 2015.

Our employees

At the end of 2015 Odfjell employed a total of 3,034 people as per the following allocation:

- Main office in Bergen – Norway: 148
- Branch offices abroad: 247
- Tank terminals: 861
- Aboard ships: 1,778

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, Australia, South Africa, Argentina, Brazil, Korea and United Arab Emirates.

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

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 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) program. We have established a corporate social responsibility council to facilitate an implementation of the United Nations' ten principles. 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.

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 Principles, Corporate QHSE & 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 UNGC's principles since 2013. 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 UNGC.

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.

In 2014 it was established a hotline for anonymous reporting/whistleblowing to the Compliance Officer. There is also a possibility for reporting directly to the chair of the Audit Committee instead of 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 program has been established to improve the health of seafarers. The program 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.

Human Rights principles - Defined goals for 2015

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

Measurement of outcome

- Improvement program (Project Felix) has been implemented with great success for the Company.
- Alternative ways of providing competence development not further evaluated
- Corporate internal audit program 2015 included Human rights requirements from Corporate QHSE & CSR Requirements

Goals for 2016

- Include Human Rights principles in the corporate internal audit program and people development.

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 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 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 2015 our seaborne personnel performed about 2,770 in-house course man days and 12,900 days of external training, of which 1,073 days were related to our Leadership and Followership Development Program. The increase in external training was brought about by Odfjell's commitment to send competent crew onboard, and in compliance with the required Maritime Labour Convention (MLC) training among Filipino seafarers and the Safety Refresher Training stipulated in the new STCW Requirement. The training man days reflects the company's strategy in developing the competencies of the seafarers in a three-fold manner – having the right knowledge, right skills and the right attitude. In total the training status is as follows:

Training	External TMD	Internal TMD	Total TMD
QHSE related	6 909	1 789	8 698
Non QHSE related	5 991	981	6 972
TOTAL	12 900	2 770	15 670

External and internal trainings days for seaborne personnel (TMD – Training man days)

Odfjell recognize the value of sustainability and development where we operate. Philippines have always been an important area for Odfjell. We employ a lot of people on shore and on board from Philippines. Odfjell has started hiring boys from Boys Town, giving less educated people a shot at making a decent living for themselves. For its own Crewing personnel, the Company launched the Basic Shipping Familiarization Course, enabling them to become significant contributors to the sustainability of the Philippine seafaring industry.

The Enhanced Pre-Employment Medical Examination (PEME) and Project Healthy Living's BMI Watch Campaign have been implemented, educating seafarers and their families alike of the importance of putting health and well-being their topmost priority.

A Safety Culture program was started in 2013 and continued in 2014/2015. This program 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 program 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

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 148 employees at the Company's headquarters in Bergen, 70.94 % are men and 29.06 % women, while the corresponding global figures (about 752 employees in our wholly owned onshore operations) are 73.35 % and 27.65 % respectively. Three out of six members of the Board of Directors are women.

Absence rate as at 31.12.2015

Compared with last year, the recorded absence rate at the headquarters decreased from 2.76 % to 1.91 %. Absence rate for Filipino mariners was 1.04 %, while for European seafarers it was 3.99 %.

Lost Time Injury Frequency

The work to secure a sustainable safety performance has continued, and we see very positive results. The Lost Time Incident Frequency (LTIF) indicator for Odfjell-managed ships was 0.72 in 2015, same as in 2014, while the Total Recordable Case Frequency (TRCF) was 2.64, 2014 figure was 2.94. Our target values are 1.20 for LTIF and 4.00 for TRCF respectively. The figures represent a considerable drop in the number as well as the severity of personnel injuries.

For 2015 the LTIF of the terminals operated and managed by Odfjell, was 0.30 against 0.80 from 2014. The decrease was due to a greater focus on the value of safety across the terminals organization.

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 2015.

Labour Rights principles - Defined goals for 2015

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

Measurement of outcome

- Open communication and teamwork promoted as usual, no additional measures implemented.
- Corporate internal audit program 2015 included Labour rights requirements from Corporate QHSE & CSR Requirements

Goals for 2016

- Implement measures to promote open communication and teamwork.

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.

Environmental Activities

Carbon Disclosure Project (CDP)

In 2015 our response to the annual CDP covered the shipping business, the headquarters in Bergen and our terminals in Rotterdam and Houston. Based on the reported figures from 2014, our disclosure score improved from 72 to 91. The disclosure score means the quality and completeness of company's response and is the best we ever reached with 91 points. The average for our dedicated industry in the Nordic region is 81 and the maximum disclosure score is 100. The performance band is D and means the assessment of our actions, which contribute to climate change mitigation, adaptation and transparency. This is back to our former score D from 2013, compared to C in 2014 (highest score is A), due to changes in the scoring method of CDP.

Nevertheless our carbon dioxide emission has further reduced by 6.6 % in 2014 compared to 2013. Due to the propulsion project and other environmental initiatives we reached a further reduction of our carbon dioxide emissions for 2015 by about 13 % for the fleet, which will make a dent in the CDP 2016 score.

Environmental Impact of the Odfjell Fleet

In 2015 the Odfjell fleet reduced the consumption of marine fuels by 39,555 tons (8.4%) compared with 2014. In terms of CO₂ emissions, this represents a reduction of 123,000 tons. Our total marine fuels consumption during the year was 432,000 tons,

of which 68,500 tons were distillates. Our distillate consumption increased 226 % compared to 2014, primarily driven by the Emission Control Area (ECA) regulations which took effect as of January 1 2015. Most of the overall consumption reduction is due to a decrease in fleet size, however 8,000 tons were achieved through reductions in the daily fuel consumption.

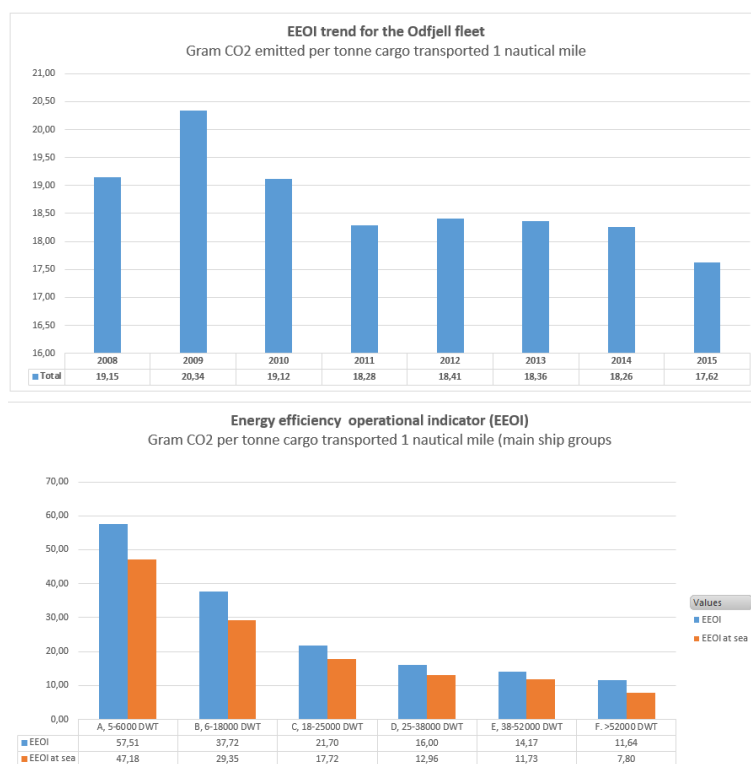
SOx Emissions

Based on all consumption in 2015 (both in port and at sea), Odfjell's vessels emitted on average 0.11 grams per ton cargo transported one nautical mile (10 % reduction). Total emissions of SOx decreased to 8,600 tons, reflecting reductions both in fuel volumes as well as in fuel sulphur content. All fuel purchased by Odfjell is externally tested. Test results of the fuel purchased in 2015 (all fuel grades) indicate the average weighted sulphur content at 1.90 % compared to 2.12% in 2014. The global limit in 2015 was 3.50%.

CO2 Emissions

Based on the consumption of 82 vessels, total emissions of CO2 in 2015 amounted to close to 1.3 mill tons, a 13 % reduction compared with the previous year.

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 CO2 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 2015 the EEOI for the Odfjell fleet was 17.62 grams of CO2 per ton cargo transported one nautical mile (g/tnm), an improvement of 3.5 % compared with 2014 and the best result since we started our measurements in 2008.



EEOI trends for the Odfjell fleet

Speed/Consumption Reduction Scheme

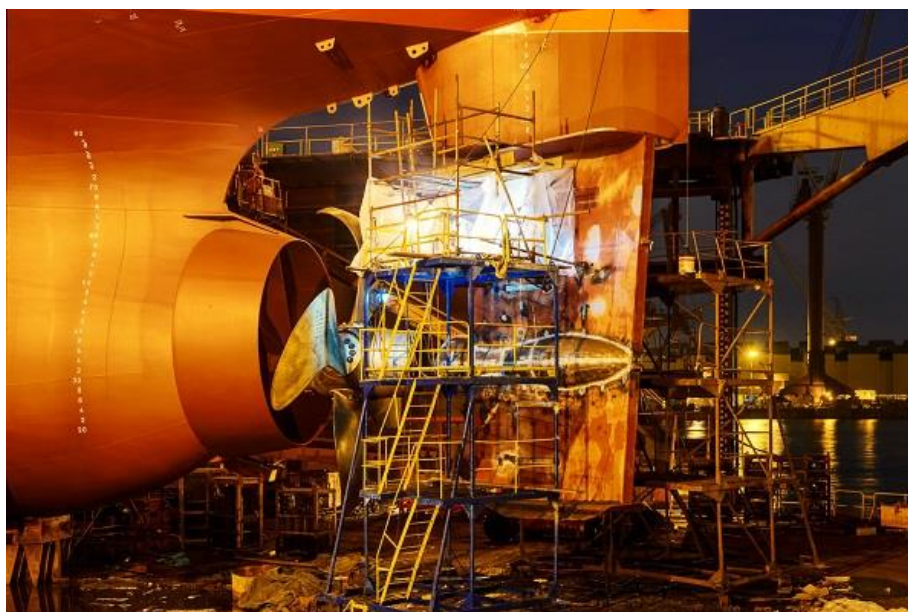
In 2015 Odfjell Tankers operated 45 vessels in reduced speed mode. Compared with full-speed mode this generated net fuel savings of about 75,000 tons, corresponding to emission savings of approximately 234,000 tons of CO₂ and 713 tons of SO_x.

Mewis duct

Odfjell decided in 2010 to install Mewis Duct on 22 vessels with the purpose to cut fuel consumption by an average of 10% and thus, to reduce emissions. The project was completed in 2015 and all 22 vessels are fitted with Mewis Duct. In addition, the last 4 vessels recently delivered to Odfjell had Mewis Duct installed at the Newbuilding Yard. As such, 26 of Odfjell vessels now have Mewis Duct installed and our statistics document significant fuel savings.

Improved propulsion efficiency

In 2015 we decided to upgrade the propulsion line on our Kvaerner and Poland class vessels in order to further reduce fuel consumption by approximately further 20% and thus, to reduce emissions. New energy efficient propeller blades, rudder-bulb and technical upgrades of the main engine, turbo chargers and shaft generator gear were part of the project. The savings have been confirmed by full scale sea trials. The vessels will be amongst the most energy efficient chemical tankers in the world, and will achieve the highest score on the RightShip energy rating, A+. Four vessels have been retrofitted in 2015 and the remaining 15 vessels will be upgraded in 2016 and 2017.



Upgrade propulsion line on Bow Clipper

Fresh water production by using reversed osmosis technology

In order to further reduce our consumption on auxiliary boilers we installed reversed osmosis plants on six vessels, enabling more energy efficient production of fresh water. In addition to the direct fuel savings, we expect this initiative to reduce time spent for time cleaning. In 2016 we plan to retrofit 19 more plants.

Engine room lights switch-off

In order to further reduce our auxiliary engine consumption, we made adjustments in the engine room (E/R), which automatically switch off the lights in the E/R when the room is unmanned. More than 30 vessels were included in this project in 2015, and the project is completed.

Weather Routing Concept

Since 2009 Odfjell has had our own weather routing concept utilizing both internal and external resources. The concept is applicable for both our owned fleet and the time-chartered fleet. In 2015, 732 sea voyages were subject to weather routing, reducing time at sea on these voyages by at least 40 days. This gave fuel savings of approximately 1,200 tons, equivalent to a reduction of about 3,700 tons of CO₂.

Intermediate Hull Cleaning and Propeller Polishing

To further improve our vessel energy efficiency, Odfjell carries out hull cleaning and propeller polishing also between dry-dockings. Cleaning intervals have been narrowed since 2013, and as from 2015 we will further improve this practice. This has offered significant reductions of fuel consumption and thus, of emissions of CO₂ and SO_x. During 2015, a total of 78 hull cleanings were performed.

New Fleet Performance System

In 2015 we implemented a new, in-house made alert based fleet performance system utilizing dashboard technology. System operators act on alerts triggered in the system if a vessel is consuming above defined vessel specific target values.

Ship Energy Efficiency Management Plan (SEEMP)

In 2012 Odfjell developed, in close cooperation with DNV GL, a SEEMP for the owned fleet, which was rolled out to the vessels during 2013. The SEEMP includes EEOI benchmarking for each vessel, vessel class and for the Odfjell fleet in total, enabling us to implement specific counter measures if a negative energy efficiency trend is observed. In 2015 we implemented auto-generated ship specific energy efficiency reports to form part of the SEEMP on all vessels, including the externally managed fleet, on a quarterly basis.

Bilge Water Treatment Plants

In order to reduce the oil content in the bilge water, 30 vessels have been upgraded with the installation of highly effective oily water separators (bilge water treatment plants). The bilge water discharged overboard from the vessels, on which such equipment has been installed, contains less than two parts per million (ppm) oil, while MARPOL requirements stipulate not more than 15 ppm. 3 vessels upgraded in 2015 and the project is now completed. This technical project contributes to reduce environmental impacts beyond the minimum requirements stipulated in current regulations.

Ship Recycling – Green Passports

To secure a controlled ship recycling process, Odfjell regularly audits recycling yards and now use the Baltic and International Maritime Council's (BIMCO) new standard recycle contract (RECYCLECON). We also obtain 'Green Passports' for all ships

before the age of 25. Our vessels establish an inventory of hazardous materials (IHM) that provides an inventory of materials on the vessel that could potentially harm environment or personnel during the recycling. A recognised authority performs an on board survey and issue an IHM statement of compliance. To date, 19 of our ships have been certified, another four are due in 2016. Odfjell use yards which are certified as compliant with the Hong Kong Convention and the 2012 Guidelines for Safe and Environmentally Sound Ship Recycling and we also require that the recycling yard follow a ship recycling plan.

Environmental Management System Plan for Shipping

Odfjell cooperates with US authorities to enhance its Environmental Management System. The aim of the program is to further reduce the probability of any pollution, and the program addresses hardware solutions, procedures and environmental awareness.

Vapor Recovery Systems – Global on Odfjell Terminals

In the later part of 2015 the terminals begin to focus on vapor recovery systems in Asia similar to the systems currently utilized in Europe and America. The new systems will cut pollutants emitted and help to continue to reinforce Odfjell Terminals commitment to the communities that we operate in.

New Boiler System - Odfjell Terminals Rotterdam

Odfjell Terminals Rotterdam installed a new boiler system that further improves efficiency and sustainability of the terminal by utilizing waste gas from ship transfer, and tank usage, as an energy source to limit the use of added fossil fuels as an energy source. The new boilers also help to reduce emissions from the boiler systems, as well as transfer operations, by utilizing the waste stream which reduces CO2 and other potential emissions that would, in the past, either go to a burner for further destruction or be released to the atmosphere. The increase in efficiency and the reduction in emissions is a key step in ensuring the terminal continues on the path of being the frontrunner in sustainability and conservation efforts in the Rotterdam area.

Environmental principles - Defined goals for 2015

- Reduced discharge of CO₂ to air
 - The goal for annual reduction was set to 1.5 %.
- 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 deep-sea 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.

Goals for 2016

- Reduce discharge of CO₂ to air by 1.5 %
 - Further propeller and gear upgrade
- Reduce discharge to sea
 - Retrofitting with biodegradable lube oil in compliance with US VGP (Vessel General Permit)
 - Further implementation of ballast water treatment systems to avoid distribution of microorganisms to marine environments
- EMS enhancement
 - Further implementation of Environmental Management System Plan

Measurement of outcome – environmental impact

- Reduced discharge of CO₂ to air by 13 % in 2015
- Reduced 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 deep-sea ships. Project completed.
- Reduced 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. Project ongoing.
- Implementation of tag and seal system
 - Procedure SMD140514 Tag and Seal System implemented. Fitted 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 (CSCP) 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 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 (<http://www.maritime-acn.org/>).

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.

Corporate QHSE and finance audits

Odfjell has a program for internal audits, focusing on QHSE, accounting, financial control, ICT security and compliance with CSR requirements like anti-corruption requirements. Corporate QHSE supported by Finance and ICT conducts system audits on operative and staff units to ensure compliance with corporate and management level requirements and guidelines.

In 2015 were carried out 11 internal corporate system audits, including seven audits of owned or managed terminals and four audits of overseas offices.

Anti-corruption principle - Defined goals for 2015

- Follow up the launching of the CSCP 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 MACN to share experiences and best practice with other ship owners.
- Include Anti-Corruption principles in the corporate internal audit program.

Measurement of outcome

- Follow up the launching of the CSCP by mapping the response from the main suppliers to this initiative – in progress.
- Provide internal information to related personnel – in progress.
- Report on compliance with the Code of Conduct for senior managers – in progress.
- Contributed to the MACN collective action in Argentina and regarding MACN work on BIMCO Anti-corruption clause for charter parties
- Corporate internal audit program 2015 included Anti-corruption requirements from Corporate QHSE & CSR Requirements

Goals for 2016

- Implementing an overall non-financial compliance risk assessment
- Establishing a general anti-corruption KPI's
- A training module on compliance and anti-corruption has to be established.
- Whistle Blower policy and procedure have to be approved, published and communicated.
- Contribute to the work in the MACN to share experiences and best practice with other ship owners.
- An integrity due diligence process should be developed and implemented so that counterparties are audited before contracts are entered into
- A new supplier shall be subject to a pre-qualification process (by a Management of Change approach).