

**Communication on Progress**  
(reporting year 2016)

**20.03.2017**

**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 action plans were focus area for our Corporate Social Responsibility (CSR) activities in 2016. 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 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 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.

I have personally supported the pledge with other CEOs globally, to tune our business to achieve United Nations' Sustainable Development Goals. In January 2017 we launched our new strategy. This year we will renew and develop our sustainability strategy for the next years.

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

Odfjell endorses the United Nations Global Compact, and our plan is to continue to do so.

*Yours sincerely,*

Kristian V. Mørch  
CEO, Odfjell

Bergen, Norway, 16 March 2017

## 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 75 ships which trade both globally and regionally. The tank terminal division consists of ten 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 international shipping hubs. The Odfjell Group's headquarters is in Bergen, Norway, and the Group has more than 20 offices around the world. Odfjell employs 2,890 staff and posted annual gross revenue of USD 825 million in 2016.

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 ingredients and raw materials can be found in everyday life products such as medicines, medical equipment, building materials, cosmetics, food, textiles, cars and plastics.

### ***Our Mission & Vision***

Our core business is handling hazardous liquids – safely and more efficiently than anyone else in the industry.

We shall be a leading, preferred, environmental friendly and profitable global provider of transportation and storage of bulk liquid chemicals, acids, edible oils and other special products.

### ***Our employees***

At the end of 2016, Odfjell employed a total of 2,890 people as per the following allocation:

- Headquarter in Bergen, Norway: 147
- Branch offices abroad: 237
- Tank terminals: 816
- Aboard ships: 1,690

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

Besides the headquarter in Bergen, Norway, our shipping offices are located in the following countries: USA, Singapore, China, The Netherlands, India, the Philippines, Japan, Australia, South Africa, Argentina, Brazil, Korea and the 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 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 by 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.*

As a worldwide service provider, we are dependent on a sound global environment, on keeping our employees safe, on the trust of our customers, and on viable local communities. We know that our actions have impact, and are committed to increasing our sustainability measures and minimising our environmental footprints - on shore and on board.

Odfjell actively initiates and promotes a proactive QHSE culture, and engages in global and regional CSR programmes to improve sustainability. Taking care of our employees and our surroundings is at the core.

To guide our work, Odfjell has committed to a set of targets based on the Confederation of Norwegian Enterprise (NHO) on UN's 17 Sustainability Development Goals (SDG's). These targets embrace ambitious measures for the company's efforts and impact on Environment, Governance and Compliance. This is diligent work, to be continuously improved; we can always do better.

In 2017 we will develop and implement a new sustainability strategy and update the related policies, following our launch of the main strategy – the Odfjell Compass.

### ***Code of Conduct (CoC)***

The CoC has been revised and harmonised with the UNGC's principles since 2013. The main updates are in the following chapters: 'Protection of Odfjell's Property and Assets', 'Issues Relating to Hospitality, Alcohol and Intoxicating Substances', 'Sexual & Other Unlawful Harassment' 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.

Our employees' wellbeing and safety are paramount. Odfjell does not tolerate discrimination or harassment of any kind. Every employee shall be treated with respect and dignity. In 2016, the Odfjell's Code of Conduct's chapter 'Non-discrimination' was extended and renamed to Sexual & Other Unlawful Harassment. Every employee shall be given equal opportunities for development of skills, new challenges and promotions irrespective of gender, ethnicity, religion, age, sexual orientation, disability or culture.

## ***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 regards 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. We are in the process of implementing the CSCP in all business units and for consultants, agents and other third parties.

## ***Reporting mechanism***

Our Code of Conduct describes the notification process for suspected malpractice. Violation of our standards and/or procedures may have negative influence on the Company and can create dangerous situations 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 2016, we finalised our Whistleblowing policy and procedure, which are defining the rules for reporting suspected serious wrongdoing through dedicated channels, including breaches of Odfjell's business principles or Code of Conduct (and accompanying policies). A hotline for anonymous reporting/whistleblowing to the Compliance Officer was established in 2014. There is also a possibility of reporting directly to the chair of the Audit Committee as an alternative to the Compliance Officer.

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

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

Odfjell is a member of the UN Global Compact Nordic Network (GCNN), a forum in which participants from Iceland, Finland, Sweden, Denmark and Norway meet and discuss the implementation of the ten principles. The meetings cover best practice, 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.*
- *Businesses 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 an attractive company to work for, and a company that offers an interesting working environment 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 the countries we operate in. 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.

For seafarers and their families, the 'Healthy Living's Body Mass Index Watch' project is providing education in health and well-being. 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 have been carried out on a selection of vessels. Further use of such sample surveys will be evaluated.

### **Supporting Local Communities**

Since 2014, Odfjell has contributed with a three-year financial support programme for the Norwegian Church Aid's work in Puntland, Somalia. The aim is to give former pirates vocational and business training, and enable them to establish a new,

sustainable livelihood. The Norwegian Church Aid also conducts local information campaigns, encouraging the community to dissociate from piracy, thereby reducing the piracy recruitment among the younger generations.

### **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, proactive, sustainable and innovative**. These values are our leading lights and shall guide us in our daily operations.

## ***Human Rights principles – goals and outcome***

### **Defined goals for 2016**

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

### **Measurement of outcome for 2016**

- The Corporate internal audit programme for 2016 included Human rights requirements from Corporate QHSE & CSR Requirements

### **Goals for 2017**

- Prioritise talent development
- Promote knowledge sharing and communication on our values and human rights
- Implement a new sustainability strategy and update CSR goals for all principles, following our launch of the main strategy – The Odfjell Compass

## Labour Rights Principles

### **Principles 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.*

### **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 competence development, and of offering new challenges within Odfjell. Gender-based discrimination is not permitted in connection with recruitment, promotion or remuneration.

Communication with employees is important and a number of employee consultation committees have been established at several locations. Some examples are:

- Officers' Councils with the main purpose to improve communication and co-operation between personnel on ships and ashore, through exchange of information and viewpoints. The Officers' Councils comprise four officers, as well as the representative from executive management and the Council Secretary.
- A Working Environment Committee (Arbeidsmiljøutvalg) at the headquarters 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, and at ad-hoc basis. The committee represents both the employer and the employee. This Committee has been established to maintain and improve motivation, efficiency and the working environment at the Company's headquarters in Bergen.
- A Works Council is active also 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 the personnel's overall views and initiatives on various issues are presented to management for review and follow-up.

- A European Representative Body was established in connection to 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.

### **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.

### **Global Safety Day**

Each year we organise an 'Odfjell Global Safety Day' – a global event at sea and on shore, dedicated to safety. Our emphasis in 2016 was on safety awareness and to highlight that achieving zero incidents and reducing injuries require dedicated work and continuous focus. In line with the International Labour Organisation's (ILO) 'World Day for Safety and Health at Work', the theme of this year's safety day was 'Workplace Stress: A Collective Challenge'.

### **Empowering our Employees**

A competent, secure and professional personnel on shore and on board are vital for Odfjell's well-being and success, today and in the future. In line with our commitment to support and enhance our personnel's competencies, we have executed the following programmes in 2016:

- 'Leadership- and Followership Development Programme' for seafarers
- 'Effective Communication Workshop', developed for Crewing staff in frequent contact with seafarers.
- New: Odfjell 'Diploma of Competency' (ODOC). In line with STCW and patterned from the Norwegian system of certifying able-bodied seamen and motormen ('Fagbrev').

Odfjell recognizes the value of sustainability and development in the countries we operate in. The Philippines has always been an important country for Odfjell. We hire many on shore and on board Filipino employees. Odfjell is hiring boys from the orphanage 'Boys Town', hence giving less educated people an opportunity to become professional seafarers. For our own Crewing personnel, we have launched the 'Basic Shipping Familiarisation Course', enabling employees to become significant contributors to the sustainability of the Philippine seafaring industry.

A 'Safety Culture' programme started up in 2013 and has continued since. Today, this programme moves into a phase with a specific focus on the leadership aspects of safety through the LFDP, which is mandatory for all Odfjell seafarers.

The programme has the following objectives:

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

### **Gender and ethnicity**

Odfjell has a policy of providing employees with equal opportunities for skills development, and of offering new challenges within Odfjell. Every employee shall be given equal opportunities for development of skills, new challenges and promotions, irrespective of gender, ethnicity, religion, age, sexual orientation, disability or culture.

Gender-based discrimination is not permitted in connection with recruitment, promotion or wage compensation. Of about 147 employees at the headquarters in Bergen, 71% are men and 29% women, whilst the corresponding global figures for the about 723 employees in our fully owned onshore operations are 72% and 28% respectively. Nevertheless, we are aware that the percentage of female seafarers is under 0.4% in 2016. Three of the six Directors of the Board of Odfjell SE are women.

### **Absence rate as of 31.12.2016**

Compared to 2015, the recorded absence rate at the headquarters has decreased to 1,6% from 1,9%. For the Filipino mariners, the absence rate in 2016 was 1,3%, for Europeans 3,1% and for Brazilian (Fleet Flumar) mariners 0,4%.

### **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 2016.

## Lost Time Injury Frequency

Safety is fundamental in everything we do. Never to be compromised, safety is implemented as our number one guiding principle.

We educate, review and analyse to secure that our employees have the competence, equipment and resources to perform their tasks in a safe and secure manner. The continuous work to improve the sustainable safety performance shows positive results, with a decrease in the severity of personnel injuries and 'Total Recordable Case Frequency' (TRCF) from 2015 to 2016 for Odfjell managed ships.

*LTIF and TRCF on Managed Ships for 2016 compared to 2015:*



For 2016, the 'Lost Time Injury Frequency' (LTIF) for the Odfjell managed Terminals was 0.26, compared to 0.30 for 2015. For ships, the LTIF was 0.88, compared to 0.72 for 2015. We will not be satisfied until we reach our goal on zero personnel injuries.

## ***Labour Rights principles – goals and outcome***

### **Defined goals for 2016**

Implement measures to promote open communication and teamwork.

### **Measurement of outcome for 2016**

Open communication and teamwork promoted as usual, no additional measures implemented.

### **Goals for 2017**

- Include Labour Rights principles in the corporate internal audit program.
- Improve cooperation of Officers' Council with other committees.
- Implement a new sustainability strategy and update CSR goals for all principles, following our launch of the business strategy – the Odfjell Compass

## Environmental Principles

### **Principles 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.*

### **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**

As one of the world's leading service providers within the chemical tanker and terminal industry, Odfjell aims to be a front runner in minimising our environmental footprints. Energy efficiency programmes and a range of initiatives are in process, and the arrows are pointing in the right direction.

#### **Improved propulsion efficiency**

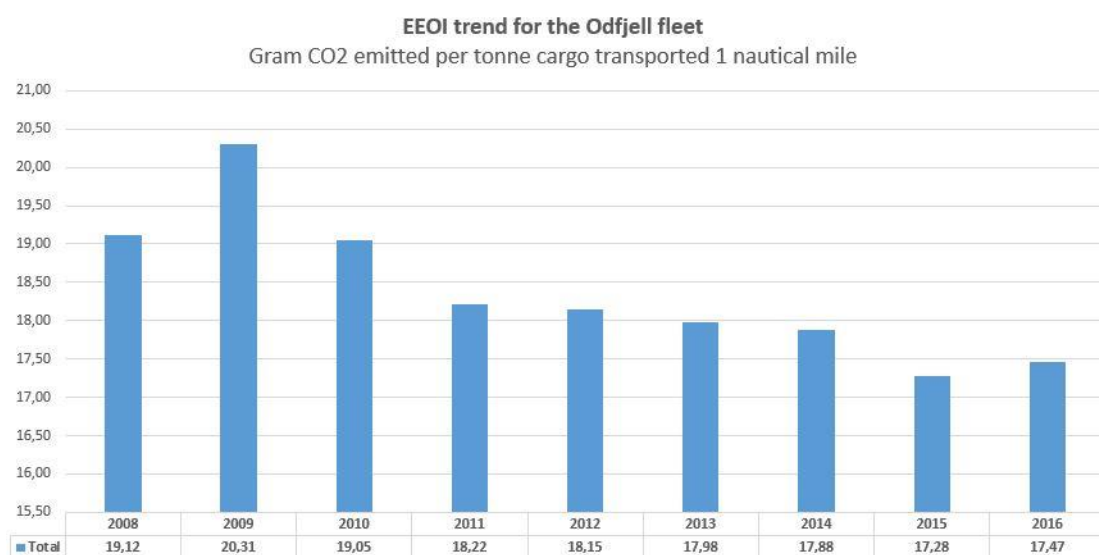
Odfjell's energy efficiency- and retrofitting programme continued at good pace in 2016. Still, we have a long way to go, and the total consumption of marine fuels remains unchanged compared to 2015. The unchanged consumption is due to the fleet being operated at a higher speed compared to previous years.

Based on the consumption of 73 vessels, total emissions of CO<sub>2</sub> in 2016 amounted to close to 1.3 million tonnes. In 2009, IMO's 'Marine Environment Protection Committee' (MEPC) 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, the EEOI for the Odfjell fleet was 17.47 grams of CO<sub>2</sub> per tonne cargo transported

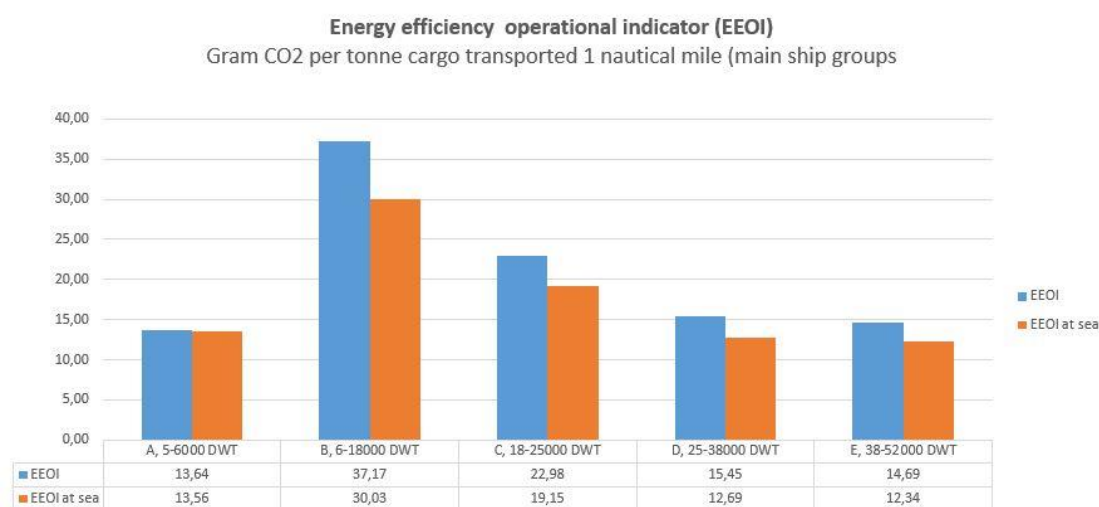
one nautical mile (g/tnm). This is 1.1% higher than in 2015, and is explained by operation of the fleet at a higher speed mode.

All fuels purchased by Odfjell are externally tested. Test results of the fuel purchased in 2016 (all fuel grades) indicate the average weighted sulphur content at 2.0% compared to 1.9% in 2015. The global limit in 2016 was 3.5%. Our Carbon Disclosure Project climate change score is set at Performance band C.

As part of our propulsion line upgrade for the Kvaerner and Poland class vessels, we are introducing new energy efficient propeller blades, rudder-bulb, and we perform technical upgrades of the main engine, turbo chargers and shaft generator gear. The savings have been confirmed by full scale sea trials. Four vessels were retrofitted in 2015, nine in 2016, and the remaining six are scheduled for upgrade in 2017. The retrofitted vessels are now among the most energy efficient chemical tankers in the world – achieving the highest score on the RightShip energy rating, A+.



*EEOI trends for the Odfjell operated fleet from 2008-2016*



*EEOI trends for the Odfjell operated fleet per vessel class for 2016*

### **Fresh water production**

Our fresh water production project continues: Reversed osmosis plants were installed on 14 vessels in 2016, bringing the number up to a total of 20 vessels in our fleet. The plants reduce consumption on auxiliary boilers by enabling more energy efficient production of fresh water, and we expect this initiative to reduce tank cleaning time as well. In 2017 we plan to retrofit plants on an additional three vessels.

### **Weather routing**

A weather routing concept – utilising both internal and external resources - has been in use since 2009. The concept is applicable for both our owned fleet and the time-chartered fleet. In 2016, 750 sea voyages were subject to weather routing, reducing time at sea on these voyages by more than 53 days. This gave fuel savings of approximately 1,600 tonnes, equivalent to a reduction of about 4,800 tonnes of CO<sub>2</sub>.

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

Hull cleaning and propeller polishing between dry-dockings further improve our vessels' energy efficiency. This practice has been continuously improved since 2013, resulting in significant reductions of fuel consumption – and thus of CO<sub>2</sub> and SO<sub>x</sub>.

In addition to normal dry-dockings, 70 underwater service operations (propeller polishing and/or hull cleaning) were conducted in 2016, with the aim to further improve the energy efficiency of the fleet.

### **SEEMP, fleet performance and Environmental Management System Plan (EMSP)**

Since the implementation in 2013, the 'Ship Energy Efficiency Management' plan (SEEMP) enables us to implement specific counter measures if a negative energy efficiency trend occurs. From 2015, this also includes quarterly auto-generated energy efficiency reports on all vessels, including the externally managed fleet.

Odfjell's unique alert based fleet performance system utilises dashboard technology for constant shore based monitoring of the fleet's energy efficiency. This system, in combination with retrofitting reversed osmosis plants, has led to a consumption reduction on boilers of 38% at sea and 21% in port, equal to 6,000 tonnes fuel or 17,000 tonnes CO<sub>2</sub> annually. To further reduce the probability of pollution, Odfjell cooperates with US authorities to enhance our EMSP. The plan addresses hardware solutions, procedures, and environmental awareness.

### **Waste minimisation and emission reduction programmes at terminals**

Throughout our organisation, we strive to reduce waste by modifying processes for waste segregation, recycling and disposal. Our facility in Houston maximises the recycling programme by waste segregation, and our terminal in Rotterdam has installed a new boiler system that improves efficiency and sustainability by utilizing waste gas from ship transfer and tank usage as an energy source. This reduces our CO<sub>2</sub> footprint at our terminals.

Vapour recovery systems are now utilised at terminals in Asia as well as Europe and America, and the process of installing equipment to reduce fugitive emissions is ongoing. These systems cut emitted pollutants and reinforce Odfjell Terminals' commitment to the communities in which we operate. We have started the process of reducing fugitive emissions by installing equipment, such as double seals on our pumps and emission free valves on our gas condensate project. We continue to prioritise these systems to ensure that we minimise emissions during operations.

### **Ship recycling**

Odfjell has implemented thorough procedures to secure that the ship recycling process is executed in a safe manner for the environment and personnel involved.

Odfjell regularly audits recycling yards, use BIMCO's new standard recycling contract (RECYCLECON), and we require that the yards follow a ship recycling plan. A recognized third party authority, Lloyds', performs an on board survey and issue an IHM (Inventory of Hazardous Materials) statement of compliance. To date, 23 of our ships have been certified, another four are due in 2017. In addition, we obtain 'Green Passports' for all ships before the age of 25.

The yards Odfjell uses are certified as compliant with the Hong Kong Convention and the 2012 Guidelines for Safe and Environmentally Sound Ship Recycling.

### **Corporate Compliance Manager (CMM) and Environmental Compliance Officer (ECO)**

A Corporate Compliance Manager (CMM) and an Environmental Compliance Officer (ECO) were established for Ship Management (SM) in 2016, in addition to the existing Designated Person function and Compliance Officers of Odfjell. The CCM and ECO are applicable to all SM employees on board and on shore, and ensure conformity with the requirements of ISO 14001:2014 and the Environmental Management System Plan (EMSP).

### **Supporting biodiversity in the Philippines**

The Odfjell employees in the Philippines take an active part in local tree-planting, in cooperation with the non-profit, non-governmental organisation Fostering Education & Environment for Development (FEED). FEED initiates scientific and practical research, social forestry programmes, and community development initiatives to grow, preserve and protect Philippine biodiversity.

## ***Environmental principles - goals and outcome***

### **Defined goals for 2016**

- Reduce discharge of CO<sub>2</sub> 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 (EMSP)

### **Measurement of outcome for 2016**

- Discharge of CO<sub>2</sub> to air 2016 is 1.1% higher than in 2015
  - 14 vessels were retrofitted with propeller and gear upgrade in 2016
  - Installed Reverse osmosis plants on 14 vessels in 2016 (in total now on 20 vessels in our fleet)
- Reduce discharge to sea
  - Retrofitting with biodegradable lube oil in compliance with US VGP progressing as planned
  - In plan for timely implementation of ballast water treatment systems
- EMS enhancement
  - Completed for Managed ships

### **Goals for 2017**

- Reduce discharge of CO<sub>2</sub> to air from vessels in average by 1.5%
  - Further propeller and gear upgrade
  - Reduce running hours of auxiliary engine
- Reduce discharge to sea
  - Retrofitting with biodegradable lube oil in compliance with US VGP according procedure 1318 VGP US Biodegradable Lube Oil
  - Further implementation of procedure 1310 Tag and Seal System
  - Continue planning for timely implementation of ballast water treatment plants in accordance with applicable regulations.

## 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 solutions. The elimination of bribery and facilitation payments is one of the network's main tasks. Focus for MACN is to analyse the situation in the Black Sea, Nigeria, China, Indonesia and the Suez Canal.

### **Corporate audits**

Odfjell has implemented a compliance monitoring programme via internal system audits. The programme focuses on internal financial control, IT security and compliance with our QHSE and CSR requirements. Corporate QHSE conducts these internal system audits, with the support of Finance and IT. The audits are conducted on operative and staff units, to ensure compliance with corporate and management level requirements and guidelines. 12 internal system audits, including seven audits of owned or managed terminals and four audits of overseas offices were carried out in 2016.

In addition, a great number of other internal, external and customer audits are conducted within operative units and on our vessels on a regular basis. These audits are most often triggered by regulatory requirements, certificates or contracts. None of the external audits resulted in withdrawal or suspension of certificates or contractual cancellation in 2016.

### **Anti-corruption programme**

Odfjell's Anti-Corruption council was established in 2012. Odfjell has an iterative anti-corruption programme, updated with annual activities and actions.

Odfjell's anti-corruption activities have focused on actions after EY's health-check on compliance to four areas HSE & labour law, Environmental regulations, corruption and competition laws. This health check is based on best practice, and all actions were closed in 2016. Odfjell has also signed a contract with an integrity software provider. This solution - the 'Compliance Management System' (COMS) - will

integrate ethics and anti-corruption training, policy signing, documentation and monitoring. Major activities in 2016 were related to risk assessment, whistleblowing policies, Corporate Supplier Conduct Principles, Code of Conduct implementation, Integrity due diligence, audits and establishment of training and signing programme.

Odfjell will launch a new Anti-corruption program and policy in 2017, built on a new anti-corruption framework. The framework is based on UK bribery-act best practice.

## ***Anti-corruption principle – goals and outcome***

### **Defined goals for 2016**

- Implementing an overall non-financial compliance risk assessment
- Establishing general anti-corruption KPI's
- A training module on compliance and anti-corruption has to be established
- Whistleblowing 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)

### **Measurement of outcome for 2016**

- Corporate risk heat map including overall risks established and reviewed
- Anti-corruption KPI on Anti-Corruption training execution and signing of Code of Conduct established
- Compliance Management System (COMS) purchased and Anti-Corruption campaign started
- Whistleblowing policy and procedure published and communicated
- Meeting participation and knowledge sharing in MACN
- Integrity due diligence (IDD) process developed and implementation started
- Included in IDD process (please see above)

### **Goals for 2017**

- Roll out Code of Conduct signing via new Compliance Management System (COMS)
- Finalise new Anti-Corruption Policy including framework
- Roll out Anti-corruption policy training and signing via COMS
- Contribute to the work in the MACN to share experiences and best practice with other ship owners
- Continue implementation of Integrity Due Diligence and third party assessments