

Communication on Progress

(reporting year 2017)

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Odfjell SE



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Letter from CEO

We care for our employees, for the environment, for our customers, for the local communities where we operate – and we don't compromise on safety.

From the early beginning in 1914, Odfjell has built our activities based on a long-term perspective, which means that “sustainability” is deeply rooted in our DNA and how we operate and make decisions every day. We believe in doing what we say, and saying what we do – and we are aware that we are judged by our actions, which means that we always need to conduct our business in a sustainable way.

Odfjell is a committed member of UN Global compact and we embrace to 10 principles as defined, and we also support and participate actively in other industry initiatives.

Through our history, Odfjell has embraced innovation and we have often gone first in our industry, and to this day we continue to pursue industry innovations. To make sure we continue to improve on our environmental footprint we continue to invest in new and more energy efficient assets, and we are also investing in new technology on our existing vessels.

Sustainability is responsibility. As a global company, we have a responsibility for our employees, our investors, our customers, the local communities where we operate, and the global environment – and we will only be able to prosper and grow successfully if we accept these responsibilities and act in a sustainable way.

Yours sincerely,

Kristian V. Mørch
CEO, Odfjell

Bergen, Norway, March 20, 2018

About Odfjell

The Odfjell Group is one of the leading players in the global market for seaborne transportation and storage of chemicals and other specialty bulk liquids. The Odfjell fleet is growing and comprises more than 90 ships, which trade both globally and regionally.

The tank terminal division consists of eight tank terminals and is part of a network of another 13 tank terminals partly owned by related parties. The tank terminals are strategically located at important international shipping hubs. The Odfjell Group has offices in 17 locations around the world, and is headquartered in Bergen, Norway. Odfjell employs around 2,700 staff and posted a total revenue of USD 843 million in 2017.

Odfjell's operations are contributing to industrial and social development. Our core business is the transportation and storage of organic and inorganic bulk liquid chemicals, acids, animal fats, edible oils, potable alcohols, and clean petroleum products.

All over the world, companies depend on these liquids to create products we all use, every day. Be it ingredients for life-saving medicines, the football you play with or the water bottle you drink from, chances are that these building blocks have been transported and handled by us.

Our Mission & Vision

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

We shall be a world class and preferred global provider of transportation and storage of specialty bulk liquids.

Our employees

At the end of 2017, Odfjell employed a total of 2,693 people as per the following allocation:

- Headquarter in Bergen, Norway: 148
- Branch offices abroad: 235
- Tank terminals: 620
- Aboard ships: 1,690

Sustainability – Our responsibility

Our Corporate Social Responsibility (CSR) Policy

Odfjell's CSR policy includes 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 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 to secure value for our investors, customers, employees and the communities where we operate.

Odfjell's core business is handling hazardous liquids, and we are determined to do it safely and more efficiently than our competitors.

Our ships carry some of the world's most hazardous chemicals through some of the world's most fragile marine environments, and our terminals store chemicals on shore, by the homes of families and thriving local communities. From the early beginning in 1914, the company has built its activities on a long-term growth vision. A sustainable way of business is in our genes.

Our actions and operations have consequences, and we are committed to continuously improve our measures to operate safely, be profitable and decrease negative impact. As a worldwide service provider, we are dependent on a sustainable global environment.

Odfjell actively initiates and promotes a proactive QHSE culture, we focus on energy efficiency and emissions, we engage in global and regional CSR programs, and we have a responsibility to be profitable.

For further information and graphics, please see chapter 'Sustainability – Our responsibility' in Odfjell's Annual report 2017, page 34-39.

Human Rights

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 (COC) 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.

Ergonomic surveys covering working conditions are carried out at regular intervals at our headquarters in Bergen, at our main overseas offices, and selected vessels. Further use of such sample surveys will be evaluated.

Supporting Local Communities

As an international shipping company, we operate and have stakeholders in all corners of the world. This global activity gives us a responsibility to always aim for excellence in sustainability and to ensure the trust of all our stakeholders. As part of our short- and long-term sustainability initiative, we promote a culture that meets the expectations of our stakeholders and respect the communities we operate in.

Odfjell's corporate values

In 2014, and after a thorough internal selection process involving all employees, we introduced the Odfjell corporate Core Values: Professional, Proactive, Sustainable and Innovative.

Human Rights principles – goals and outcome

Defined goals for 2017

- Prioritize talent and leadership development
- Promote knowledge sharing and communication on our values and human rights
- Implement a new sustainability strategy and update CSR goals for all principles, founded in our corporate strategy – the Odfjell Compass

Measurement of outcome for 2017

- Talent and Leadership development program based on our values is initiated
- A new Sustainability strategy is in progress and will be implemented 2. quarter 2018
- Our company strategy has been updated to further strengthen our commitment to our stakeholders

Goals for 2018

- Implement and evaluate talent and leadership development program
- Implement a new sustainability strategy and update CSR goals for the UNGC principles

Labor Rights

Assessment, Policies and Goals

In Odfjell, we respect employees' right to freedom of association. Forced or compulsory labor is not allowed, and child labor 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 recruitment, promotion or remuneration.

Communication with employees is important and employee consultation committees have been established at several locations.

KEY INITIATIVES

- **Officers' Councils** with main purpose to improve communication and cooperation between personnel on ships and ashore, through exchange of information and viewpoints. The Officers' Councils comprise four officers and representative from Executive Management and the Council Secretary
- A **Working Environment Committee** (Arbeidsmiljøutvalg) at the headquarters in Bergen, Norway 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 at Odfjell Terminal 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 Executive management
- **Occupational Health and Safety Management** certifications for terminals (OHSAS 18001)
- **Maritime Labor Convention** (MLC) certifications for vessels

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
- Everyone is allowed to request full stop of 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

KEY INITIATIVES

- Range of educational safety courses and dedicated events on board and on shore
- Annual 'Odfjell Global Safety Day' (see below)
- Occupational Health and Safety Management certifications for terminals (OHSAS 18001)
- Management reporting and event analysis on restricted work cases (RWC), medical treatment cases (MTC) and first aid cases (FAC)

Global Safety Day

Each year, we organize an 'Odfjell Global Safety Day' – a global event at sea and on shore, fully dedicated to safety. Our emphasis in 2017 was 'Embrace Prevention Culture – Be Proactive', and was marked by a variety of activities on board our ships, at the terminals and our offices. This event is in line with the International Labor Organization's (ILO) 'World Day for Safety and Health at Work' and takes place in April.

Empowering our Employees

For any company, a vital success factor is the competence and attitude of its employees. For Odfjell – with our core business of storing and transporting some of the world's most hazardous liquids in some of the world's most fragile areas – competent, professional and diligent personnel is maybe even more important than for other businesses. Everyone is dependent on our safe operations. This is a great responsibility, and the expertise of our crew onboard and ashore is vital for Odfjell's daily operations and success, today and in the future.

We commit to provide support and continuously enhance our personnel's competencies. Building crew competence contributes to safer and more profitable shipboard operations. In 2017, Odfjell completed a total 11,224 training man-days for our crew. This covers courses provided by external training providers, as well as courses uniquely developed for Odfjell, by Odfjell. In addition, several crew competence development initiatives such as the Odfjell Leadership Program for Officers and Odfjell Diploma of Competency have been implemented.

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. According to our COC, gender based discrimination is not permitted.

Of about 148 employees at the headquarters in Bergen, 71% are men and 29% women, whilst the corresponding global figures for the about 1003 employees in our fully owned onshore

operations are 76% and 24% respectively. Nevertheless, we are aware that the percentage of female seafarers is only 0.7% in 2017. Three of the six Directors of the Board of Odfjell SE are women.

Absence rate as of 31.12.2017

Compared to 2016, the recorded absence rate at the headquarters has decreased to 1.37% from 1.6%. For the Filipino seafarers, the absence rate in 2017 was 1.3%, for European seafarers 2.8% and for Brazilian seafarers 0.6%.

Response to labor standard violations

There have been no reports of possible breaches of labor standards since we became a member of the UN Global Compact in 2011. Our Human Resources Departments have received no reports of violations of labor rights principles in 2017.

Lost Time Injury Frequency (LTIF)

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

We educate, review and analyze 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 build awareness and improve the sustainable safety performance shows positive results in Odfjell's lost time injury frequency (LTIF) statistics. For 2017, the LTIF for the Odfjell managed terminals was 0.1, compared to 0.21 for 2016. For Odfjell managed ships, the LTIF was 0.23, compared to 0.88 for 2016. We will not be satisfied until we reach our goal of zero personnel injuries.

The total recordable case frequency (TRCF) for the Odfjell managed ships rose to 2.42 from 1.76 in 2016. We study the nature of these cases in detail, and implement additional efforts accordingly.

Labor Rights principles – goals and outcome

Defined goals for 2017

- Include Labor 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 UNGC principles, following our launch of the corporate strategy – the Odfjell Compass

Measurement of outcome for 2017

- Labor law audit has taken place in crewing main office in Manila and onboard ships via the Maritime Labor Convention (MLC) audits
- Officers' Council's work reemphasized
- New Sustainability strategy in progress and will be implemented 2. quarter 2018
- Main strategy – The Odfjell Compass - updated

Goals for 2018

- Include Labor Rights principles in the corporate internal audit program.
- Further strengthen Officer's Council work and cooperation with other committees
- Implement a new sustainability strategy and update CSR goals for all principles

Environment

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 minimizing our environmental footprints. Energy efficiency programs and a range of initiatives are in process, aiming to reduce the environmental impact of our business. The arrows are pointing in the right direction.

KEY INITIATIVES

- Improved propulsion efficiency
- Weather routing/route optimization for vessels
- Intermediate propeller polishing and hull cleaning
- Fresh water production by using reversed osmosis technology on vessels
- Reduce consumption of lubrication oil and use bio-degradable lubrication oil on propeller shafts
- Testing new and very advanced types of Anti Fouling paints
- Installing Ballast Water Treatment (BWT) plants
- Ship energy efficiency management plan (SEEMP)
- Environmental management system plan for vessels
- Optimization our wastewater treatment facility at Rotterdam terminal
- Minimization of our solid waste and our wastewater at Houston terminal
- Volatile Organic Compound (VOC) emissions reduction programs at all terminals
- 'Green Passport' for older vessels
- ISO 14001 certifications
- Carbon Disclosure Project (CDP) reporting since 2009

Environmental principles - goals and outcome

Defined goals for 2017

- Reduce discharge of CO₂ 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.

Measurement of outcome for 2017

- Reduce discharge of CO₂ to air from vessels in average by 6% compared to 2016 measured in Energy Efficiency Operational Index (EEOI) of 16.42 gram CO₂ per ton mile for 2017, best ever recorded since 2008
 - Further propeller and gear upgrade in progress
 - Reduce running hours of auxiliary engine reached
- Reduced risk of pollution (discharge to sea) counted via ships being retrofitted /fitted in 2017
 - Retrofitting with biodegradable lube oil in compliance with US VGP in progress
 - Tag and Seal System implementation on all vessels in progress
 - Implementation of ballast water treatment plants in accordance with applicable regulations

Goals for 2018

- Reduce discharge of CO₂ to air from vessels in average by 1.5%
 - Further propeller and gear upgrade
 - Reduce running hours of auxiliary engine
 - Sophisticated antifouling system with ultra-low resistance
- 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

Anti-Corruption

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, favor, advantage or incentive offered, promised or given to any public official, international organization, 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.

Compliance Officers within the different business units and regions are assigned to monitor that the company and its employees act in accordance with applicable laws and regulations, the company's COC, and to ensure that the company acts in an ethical and socially responsible way. Particular focus applies to competition law compliance, environmental licenses to operate and anti-corruption measures.

KEY INITIATIVES

- Yearly COC acknowledgement via Compliance Management System (COMS)
- Dedicated Compliance Officers, Designated Person, and Environmental Compliance Officer
- Whistleblowing policies and procedures including anonymous confidential reporting hotline
- Corporate Supplier Conduct Principles
- Establishment of Integrity due diligence in 2017
- Regular updates on new rules and regulations issued to all relevant personnel
- Mandatory anti-corruption training via COMS
- Anti-corruption (AC) Council since 2012, with framework and annual AC program reported to audit committee
- Member of the Maritime Anti-Corruption Network (MACN) since 2013, www.maritime-acn.org
- 'Say No campaign' against corruption on all Odfjell managed vessels worldwide from December 2017
- Yearly risk assessment on corruption risks

Anti-corruption principle – goals and outcome

Defined goals for 2017

- Roll out COC signing via COMS
- Finalize new AC Policy including framework
- Roll out AC 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

Measurement of outcome for 2017

- COC signing via COMS implemented
- New AC Policy & Procedure including signing and tailored training via COMS postponed to 2. quarter 2018 due to inclusion of Terminals AC policy work
- General AC training via COMS completed
- AC awareness training for the Board of Directors has taken place
- Say-No campaign Suez launched in December 2017 on all Odfjell managed ships
- Further implementation of Integrity Due Diligence and third-party assessments has taken place

Goals for 2018

- Inclusion of crew in COC and AC Policy & Procedure signing via COMS
- Implementation of new AC Policy & Procedure including signing and tailored training via COMS
- Follow-up and evaluation of the Say-No campaign via incident/demand reporting
- Endeavor to implement BIMCO AC clause on renewed Contracts of Affreightment
- Expand requirement on Corporate Supplier Conduct Principles towards brokers/suppliers
- Issue guidance for gifts and hospitality and evaluate a system solution for this process
- Contribute to the work in the MACN to share experiences and best practice with other ship owners
- Improve and continue implementation of Integrity Due Diligence and third-party assessments

For more information about Odfjell in 2017, see our Annual report 2017 on Odfjell.com.