SUSTAINABILITY REPORT 2017/2018

A leading, preferred, and reliable transporter of bulk liquids.

Utkilen

Utkilen AS is a fully integrated shipping company with headquarters in Bergen, Norway. The company, with a history going back to 1916, was founded in 1967 and owns and operates about 20 chemical tankers ranging from around 5,000 to 20,000 dwt. in size.

Around 500 Norwegian and international seagoing personnel work onboard our vessels and the shore organization totals about 50 employees.

We have a strong focus on safety and quality and our safety and quality systems are certified by DNV-GL.

Utkilen is one of the major seaway transporting companies of chemicals and other bulk liquid cargoes in Northern Europe.

OUR CORPORATE VALUES:

- Safety begins with me!
- Best in class performance
- We work as a team
- Continous improvement and innovation

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Good people make good companies great!

I know that all of you remember my slogan from 2 years ago; that people are what makes or breaks a company! This is still the truth, and, more so than ever, our focus on the human element will continue with full force in 2018.

Utkilen has great people! On board and ashore! We have employees who work long hours in a harsh environment and who spends many weeks away from their loved ones. These people are the ones who unfortunately also make mistakes. Just like in other companies and businesses, our people make mistakes, but our people also prevent mistakes from escalating into something bigger!

So, our people focus will continue, and many initiatives concerning people will be implemented during 2018. For instance, we are embracing on to a Behaviour Based Safety approach, something that goes hand in hand with our Safety Culture mapping. We are rolling out our leadership training version 2.0, and we are introducing accountability instead of responsibility! Guess what: This means strong focus, better performance, more involvement, and eventually better results!

Sustainability is a great word, and so it is with great pleasure we present to all our readers highlights from our 4 plus 4 newbuildings under construction in Japan and in China, plus a little review of the recent initiatives for our existing fleet. Shore power and fuel efficiencies are key words here, so please see the attached articles by our newbuilding and technical departments.

Sustainability is also about “how we do business” in general. Therefore, we are also updating our approach to corporate governance and we have joined what is called MACN (Maritime Anti Corruption Network) this year. Our Compliance officer is presenting some highlights from this work in this edition.

In my capacity as CEO for Utkilen, I try to set the course for some key focus areas that I would specifically like us to focus on in the year to come. For 2018, Behaviour Based Safety Approach, Accountability, and Sustainability are the selected focus areas. All of these involve the entire organization – it is not me, it is not you, but it is all of us. My reflections and insights continue to be: only strong teams provide strong performances – and good people make good companies great!

Stay connected and stay involved, and please enjoy this report. Utkilen is gradually increasing our business portfolios with new ships and new cargoes, and we are certainly expanding with new safety and sustainability initiatives! We all have great opportunities, and responsibilities, when it comes to taking care of our great company!

Safe sailing!

Best regards,
Kjell Ove Breivik,
CEO

Corporate sustainability

“To support and enhance Utkilen’ s Corporate Sustainability, a Code of Conduct has been developed.”

The Code is intended to help all employees understand and apply Utkilen’s standards in their everyday business activities. The Code is meant to stimulate awareness of ethical issues that we may encounter. Making the right decisions begins with honesty and integrity.

The Code requires all employees to conduct their business in consistency with all applicable laws and regulations in each relevant jurisdiction and that they are perceptive of and responsive to the concerns of the communities in which Utkilen operates. Employees shall make reasonable efforts to inform customers, suppliers, and business partners about this Code of Business Ethics. When appropriate, reference to the Code shall be part of contracts and business agreements.

The Code applies to the members of the board, managers, and all other shore-based employees and mariners as well as representatives of Utkilen and its subsidiaries. All employees have a duty to read and follow this Code. All managers have a responsibility to ensure that all subordinates are aware of and comply with the Code.

PERSONAL CONDUCT

1. Utkilen expects all employees to treat with courtesy and respect all those with whom they come into contact, either at work or in work-related activities.
2. Utkilen employees must take care not to offend local customs or cultures.
3. All employees are responsible for protecting the company’s reputation and for behaving in line with Utkilen’s expectations.
4. Employees are expected to contribute to an orderly and efficient work environment and to Utkilen’s overall results.
5. Employees should always strive to perform their duties to the best of their ability and abstain from any conduct that may have a negative effect on their colleagues or work environment.
6. The principle of non-discrimination, tolerance, and respect for one’s fellow workers should guide and underpin all behaviour.

ANTI-CORRUPTION: PROMOTING RESPONSIBLE BUSINESS PRACTICES

Utkilen became a member of the Maritime Anti-Corruption Network (MACN) in 2017. MACN is a global business network working towards fulfilling the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. Established in 2011 by a small group of committed maritime companies, with BSR providing the secretariat function, MACN had grown to include 90 members across the global maritime value chain by the end of 2017 and has become one of the pre-eminent examples of collective action to tackle corruption.

We believe that joining forces is a crucial step in order to prevent illegal and unethical business practices around the world. During 2017, MACN has continued to develop its strong platform to better understand the challenges and has executed on its strategy, which focuses on capacity building in the maritime industry, driving global collective initiatives against corruption, and building partnerships to improve integrity. By the end of 2017, MACN had collected over 8,600 incidents, anonymously reported by shipping companies on corrupt demands faced by seafarers globally. Further, MACN has actively engaged with stakeholders, including governments, on shared solutions to improve integrity standards in port operations. MACN has inspired and delivered increased participation in MACN’s Suez Canal Say No campaign, a new regulatory framework for the dry bulk vessel clearance process in Argentina, including training and open-sourced guidance to support implementation, and ethics training for more than 500 government officials in Nigeria. MACN has also established a new collaboration with other non-governmental shipping organizations to address the issue of maritime corruption more broadly in the industry and with maritime regulators.

COMPLIANCE SYSTEM: GAN INTEGRITY SOLUTION

In 2017, we established a new compliance management system where we can share knowledge, follow up, and document training for our employees. The system will also enable all employees to complete compliance training and take tests and quizzes as well as being the basis for other internal training programs in the future. The initial campaign, which was launched in 2017, is for all employees to acknowledge the Utkilen Code of Business Ethics as a first task.

People and safety

“Our ultimate goal is zero harm to personnel and the environment. Zero means that any personnel injury is unacceptable and that we continuously strive to reduce our impact on the environment.”

- Utkilen shall adhere to applicable laws, regulations, and requirements.
- Utkilen shall enhance a proactive approach to the management of Health, Safety, and Environment on board our ships and ashore.
- Utkilen shall develop and maintain a Health, Safety, and Environment program with defined goals, responsibilities, and KPIs.
- Utkilen’s experience feedback system shall enable the identification of risk and safeguard from possible threats.

OUR SEAFARERS

NORWAY	28
SWEDEN	2
LATVIA	122
LITHUANIA	6
RUSSIA	24
UKRAINE	5
POLAND	1
PHILIPPINES	306

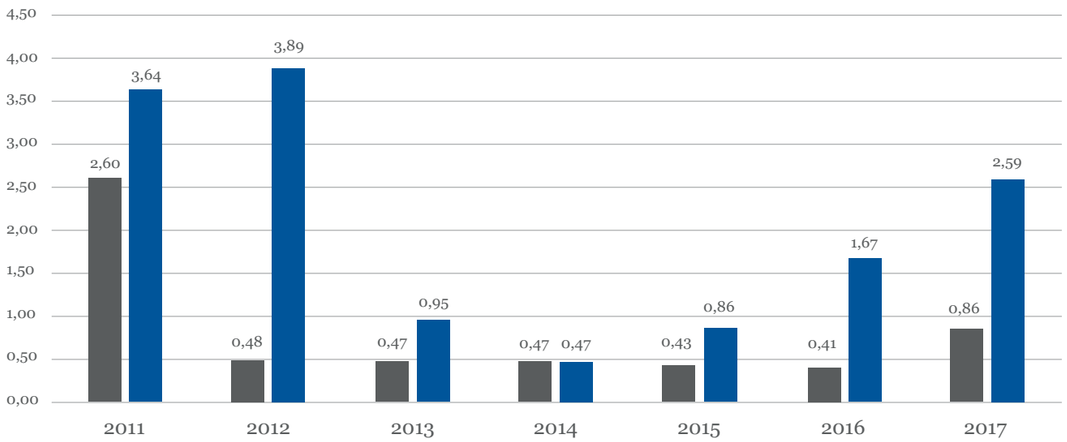
OUR SHORE STAFF

BERGEN	35
RIGA	9
MANILLA	4

Retention rate for Utkilen employees:
crew and officers 98,9 % *
office personnel 90,5 % *

* 24 months rolling

Fleet LTIF/TRCF



LTIF = Lost Time Injury Frequency

TRCF = Total Recordable Case Frequency

** The negative trend in personnel injuries 2016–2017 was being closely monitored by the Company. A series of mitigating measures were implemented in 2017 with positive effect.*

COMPETENCE ASSESSMENT
In 2017, Utkilen initiated a competence assessment project for all engine- and deck officers in the Fleet. The objective of the project is to verify the competence of all officers and target in-house recurrence training. All new employees will conduct the in-house competence assessment before employment. The competence assessment takes two days and consist of:

- written exam
- oral exam
- simulator exam

IN-HOUSE TRAINING
In-house training is mandatory for all employees in the Company. Professional in-house courses have been developed for seafarers and office personnel.

- Cargo handling course
- Energy conservation course
- Ice navigation course
- Pump man course
- Nutritious food handling
- Framo course
- Main engine course
- Behavior based safety course
- Leadership course part 1 and 2
- Appraisal training

PERFORMANCE EVALUATION
Performance evaluations are conducted to ensure that personnel understand what the Company expects of them and how they can contribute further to their performance. In 2018, the appraisal process will be revised to incorporate Behaviour Based Safety. Performance management is a key element in our continous improvement process.

Environment

“Utkilen’s commitment to the environment is very strong. Minimising the ship energy consumption is an integral part of Utkilen’s operations and is incorporated in the design of ships & equipment, chartering, operations, technical management and on-board management of the fleet.”

Environmental Management System (EMS)

Utkilen is certified in accordance with the ISO 14001 EMS standard. The EMS shall ensure that Utkilen’s Environmental Policy, including the objectives, activities, and targets described in the HSE program are met.

Utkilen’s Significant Environmental Aspects have been identified, including the control elements, and are continuously improved and monitored through Utkilen’s HSE Program

Utkilen’s HSE program has been established by the HSSEQ department and approved by top management. The program consists of selected HSE aspects with objectives, activities, targets, and responsibilities. The program is consistent with Utkilen’s HSE policy. It shall also take into account legal requirements, customer requirements and guidelines, industry standards, and own experience.

The program shall ensure continuous improvement of HSE performance and be communicated to the vessels through ship circulars. Top management review the HSE Program quarterly in the HSE meeting and annually in the management review.

EMISSION CONTROL AREAS

From 1 January 2015, all vessels trading within the Emission Control Areas (the “ECAs” as defined in the MARPOL Convention) have to use fuel oil with less than 0.1% sulphur.

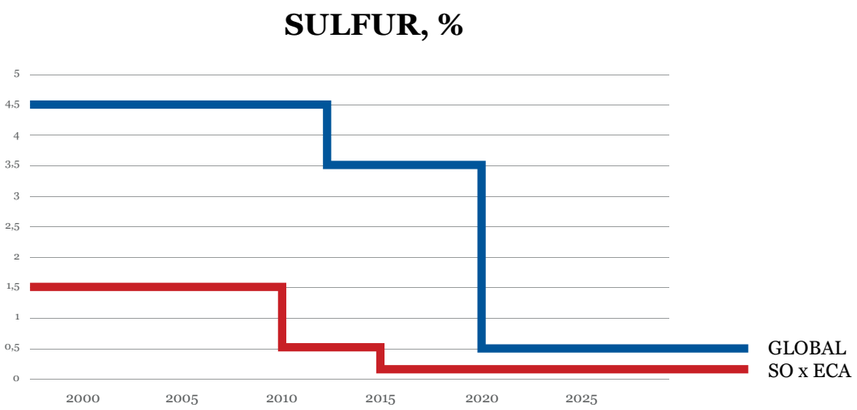
In addition, IMO decided in 2016 that the global sulphur cap of 0.5 % will take effect from January 1st 2020, lowering it from the present 3.5% limit.

The global fuel sulphur cap is part of the IMO’s response to heightening awareness of environmental issues contributed in part by harmful emissions from ships.

Our vessels still must comply with the 0.1% sulphur cap as we are trading mostly within ECA.

However, one thing is certain: This regulation will have an impact regardless of where the vessels are trading.

Utkilen will continue to monitor the different fuel types, quality and availability.



FUEL TYPE QUESTIONS

- How will industry meet the new regulations? What will be the mix of high sulphur fuel oil (for vessels with scrubbers) and bunker fuel with less than 0.5% sulphur?
- What will be the availability of 0.5% low sulphur bunkers?
- How will the change affect the bunker market?
- Will there still be a global market for the high sulphur fuel?
- How will compliance be enforced?
- How will prices for the various fuel alternatives develop?

FUEL CONSUMPTION INITIATIVES

During 2017, Utkilen made significant investment to increase its abilities for monitoring and optimizing ship fuel and emission control.

Our ships are in the process of having installed continuous monitoring of fuel for all consumers on board. The system monitors several parameters such as speed, weather and engine settings (temperatures, pressures), as well as ship conditions such as draft. The system is called Fleet Analytics, and is delivered by the Swedish company Lean Marine.

When the system is fully implemented, it will enable Utkilen to make a more analytical approach to analyse trim and finding the most economical speed for the ships depending on weather and cargo. Below is a screenshot of the typical fleet overview and ship overview.

FLEET ANALYTICS

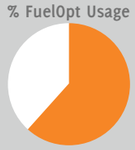
Doris

Last data: 2h 22min

Report internal: 2018-03-11 11:03 - 2018-03-11 11:03

Origin — Destination

% FuelOpt Usage



Avg. ME RPM	Avg. Power	Avg. SOG
588 RPM	732 kW	2.7 Kn

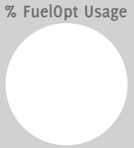
Finnstraum

Last data: 1h 43min

Report internal: 2018-03-11 11:43 - 2018-03-11 11:43

Origin — Destination

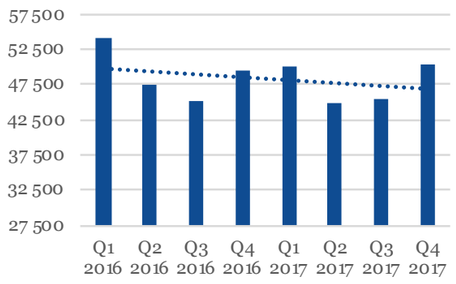
% FuelOpt Usage



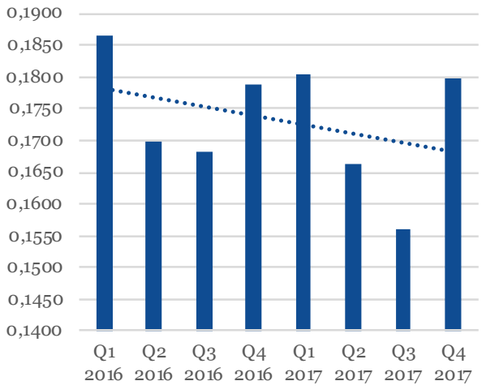
Avg. ME RPM	Avg. Power	Avg. SOG
N/A RPM	2292 kW	8,2 Kn

Environmental impact:

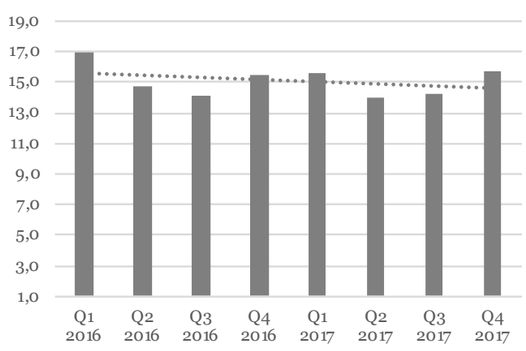
CO2 (metric tonnes)



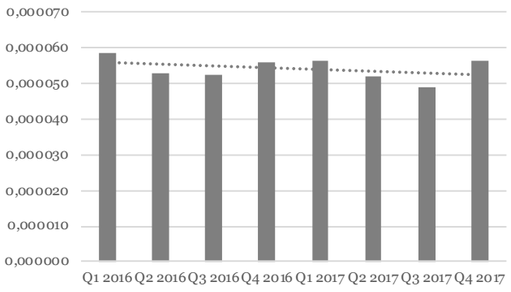
CO2/nautical mile



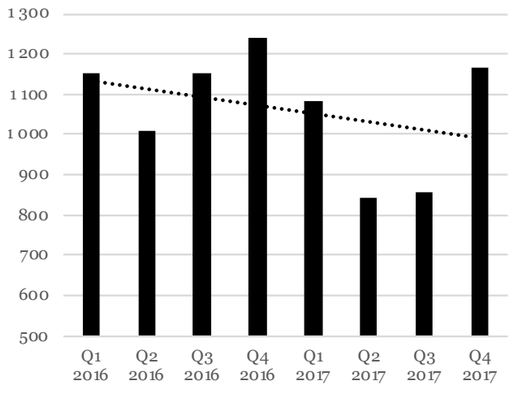
SOx (metric tonnes)



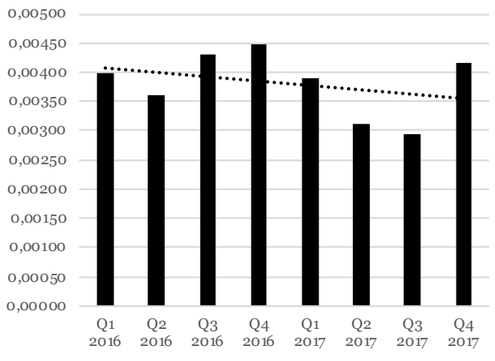
SOx/nautical mile



NOx (metric tonnes)



NOx/nautical mile



Environmental activities 2017–2018:

Objective	Activity	Responsible
Reduce energy consumption through voyage speed performance	Ship Energy Efficiency Management Plan (SEEMP) Speed/consumption monitoring	Operations Department
Energy efficiency initiatives	Newbuildings with ECO design, dual fuel ready engines, and TIER 3 compliant Installing shore power technology on newbuildings and retrofit on existing vessels.	Newbuilding Department
Improve Energy management	Replace standard lighting on board with LED lighting Energy Efficiency Management Course established in Manila	Technical department
Reduce energy consumption through RPM/Pitch controller system and monitoring system	Performance monitoring system installed on all vessels	Technical department
Ensure that key personnel have required environmental knowledge	Quarterly meetings with third parties (e.g. Class) on upcoming environmental requirements and industry standards	HSSEQ Department
Reduce energy consumption through frequency converters	Retrofit frequency converters	Technical Department
Manage the social and environmental impact of the Company	Annually develop and distribute a Company Sustainability Report	HSSEQ Department
Define ship specific energy efficiency standards	Establish ship energy efficiency operational index (EEOI) certificates for each vessel	Operations Department
Reduce the environmental impact of anti-fouling	Monitor hull condition Systematic use of underwater cameras onboard	Technical Department
Improve and monitor Utkilen's Significant Environmental Aspects	Ship Energy Efficiency Management Plan (SEEMP)	Technical Department

RESULTS 2017

KEY PERFOMANCE INDICATORS	2017 Target	2017 Actual
Personnel injuries:		
Fatalities	0	0
Lost Time Injuries	0	2
Restricted Work Case	0	1
Medical Treatment Case	0	3
First Aid Case	< 15	13
Lost Time Injury Frequency	0	0,86
Total Recordable Case Frequency	0	2,59
Hydraulic Oil Spills:		
Overboard	0	0
On deck	< 5	1
In tray	< 5	0
Cargo/Bunker Spill:		
Overboard	0	0
On deck	0	1
In tray	0	0
Inspections: (*)		
OCIMF	< 3	2,71
CDI	< 4	3,82
Port State Control	< 0,25	0,33

(*) Findings pr. insp.

KEY FIGURES

People and safety	2016	2017
Number of seafarers	420	494
Number of office staff	50	48
Lost Time Injury Frequency (LTIF)	0,41	0,86
Total Recordable Case Frequency (TRCF)	1,67	2,59
Fatalities	0	0
Lost Time Injury	1	2
Environment		
Emission CO_2 (metric tonnes)	195 728	190 675
Emission NOx (metric tonnes)	4 552	3 951
Emission SOx (metric tonnes)	61,2	59,6
Emission CO_2 (pr. nautical mile)	0,17580	0,17050
Emission NOx (pr. nautical mile)	0,00410	0,00353
Emission SOx (pr. nautical mile)	0,00050	0,00050

Newbuilding Program

With the four AVIC Newbuildings 9900 projects, Utkilen will take a great leap forward into the future. The vessels are designed with high focus on safety, environment, energy conservation, efficiency, and maintenance friendliness.

TECHNICAL:
The vessels are selected to give a very high flexibility and with long maintenance intervals.
The power supply constellation with three auxiliary engines (one large engine which will take the full discharging alone, and two smaller ones) together with a shaft generator connected via a frequency converter, ample shore power connection (5 X 350A/440V), and a future battery pack instalment will ensure very reliable, flexible, and safe operation of the vessels.

EFFICIENCY:
Where efficiency is concerned, the vessels are designed with a highly fuel-efficient hull.
In order to decrease the fuel consumption further, a shaft generator with a frequency converter will be installed. This enables the vessels to run with the shaft generator supplying the main switchboard, while main engine RPM and propeller pitch setting can be optimized for amount of fuel burnt per nautical mile, at any given speed within the ships limits.

The ships are also designed for high capacity loading and discharging for a fast turnaround time at port.

The same goes for the tank cleaning process in between cargoes. The ships can utilize the sea water used by the engine cooling process, via the specially designed "ice" sea chest, for the tank cleaning process. The sea water temperature increase gained from the Engine Cooling Process will be around 20 degrees. The result is that the energy required for heating the tank cleaning process water is reduced, and in many circumstances eliminated.

ENVIRONMENT:
The environmental aspect is also given priority and incorporated into the ships' design. The Main Engine will be installed dual fuel/gas ready – for future conversion regarding the type of fuel consumed.

The Main Engine will be equipped with an NOx exhaust gas reactor: SCR – with TIER 3.
All three auxiliary engines will also have an NOx exhaust gas reactor: SCR – with TIER 3.

The vessels will be equipped with ample shore connection solutions. Each ship will be delivered with two shore power connection cabinets, one on each side, making shore power supply possible regardless of which side of the vessel will be alongside. Each cabinet will have five connectors 350A / 440V, CE norm connectors after European standard, giving the vessels the capability to do the entire discharging operation by shore power supply only.

The vessels will also be fully prepared for a future battery pack installation. This is designed to be acting as a spinning reserve, peak shaver, and "standby" power source, but can also be used as a hybrid solution for propulsion in emergencies.

ENERGY CONSERVATION:
In addition to the "re-use" of the sea water used for the cooling process in the engine room for tank cleaning, the energy conservation is taken further in this design.

The heating of the accommodation can be done by utilizing the excess heat from the main engine and aux.engine 1 fresh water high temperature cooling system. This is done via a dedicated heat exchanger and a secondary system transferring the heat to the rooms that requires heating

The vessels will be fitted with an "Alaska unit" in the sea water cooling system for operations in areas with sea water temperatures below +12 C. The "Alaska unit" will harness energy from the sea water, which will be used via the ships common accommodation ventilation system for heating purposes.

Fans for engine room and heat exchanger room will be frequency controlled, governed by the pressure and temperature in the rooms they supply.

Sea water and low temp cooling water pumps will also be frequency controlled, governed by the temperatures in their specific system. In addition, the low temp system is designed with automatic shut of valves in many of its branch loops. This means that whenever a system is stopped, the cooling on that system is shut off automatically. This, in its turn, causes less demand on the frequency-controlled pumps – requiring less power to operate.

All lighting on board will be LED type – and this alone will reduce the power consumption with many KW/h per day.

All the vessels will be equipped with an economizer for utilizing the waste heat from the main engine exhaust.

All the vessels will have extra thick insulation in the engine room and Accommodation areas – minimizing the heat losses, an important aspect in cold weather areas.

Company History

“I guess I was about 11 or 12 when I took apart the entire engine. When dad came home to see this he was very upset. He said I would never be able to put it back together the right way and make it run again. I put the engine back together and it ran like before.”

– Excerpt from the memoirs of Anders Utkilen

The Utkilen family has its roots in Kilstraum, located in the municipality of Austrheim, situated at the seaside about a one-hour drive north from Bergen. The sea was, and still is, important to the people in this community. The sea was previously the most important means of communication for this district and fisheries played an important role as well as transportation of various goods along the coast.

In a way the history of the company goes back to 1916, when the father of Anders Utkilen bought a small freight vessel called “Alstein”. His sons, among them Anders, worked on board this vessel and learned their skills the hard way. Anders Utkilen actually became a captain on board “Alstein” at the age of 17.

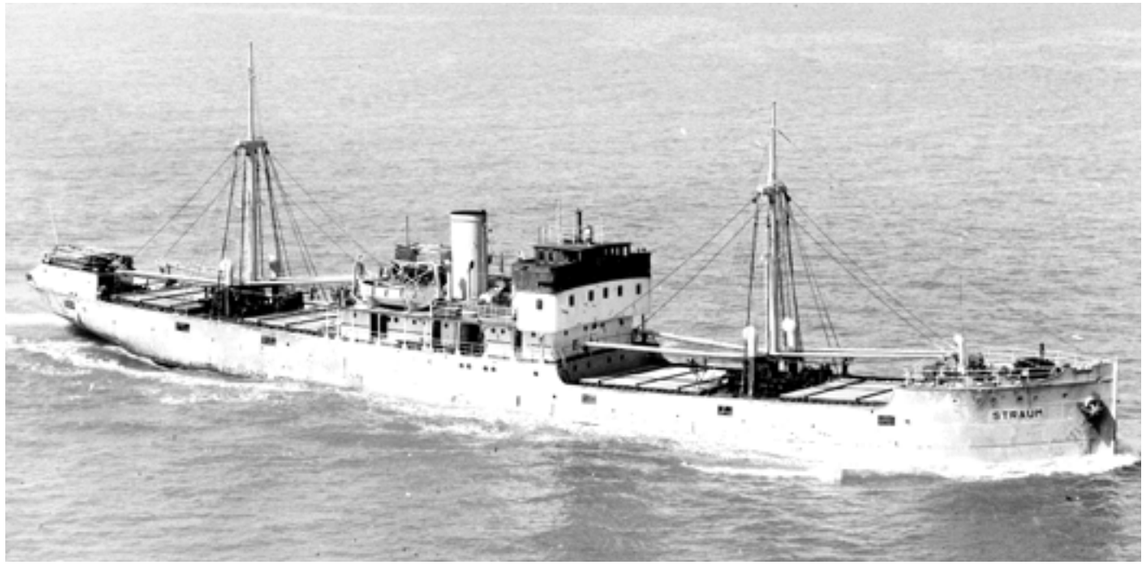
At the age of 23 he bought a 1/3 share of “Alstein”. In 1930, Anders and his brothers bought an old sailing ship that was completely rebuilt to a motor ship and used for transportation of live fish as well as other goods. Anders undoubtedly had a technical talent and was very inventive in many ways as far as technical solutions onboard the ships were concerned.

Anders and his brothers engaged in the transportation of goods, mainly on the Norwegian coast, as well as fisheries (trawling) until the early 1950s. In 1945, the administration of the company was moved to Bergen. Anders and his brothers bought and sold smaller ships over the years and managed to build up equity in their jointly owned company “Brødrene Utkilen”. In 1958 and 1962 Anders’ two brothers left the company, and in 1962 the company changed name to “Anders Utkilens Rederi”. In 1967, the company was established as a stockholding company, and this is when the present owner, Ove Utkilen, joined the company.

The company was able to operate profitably and as such build up a healthy financial position. In December 1979, a milestone was reached. The company took delivery of a newbuilding of 2 500 dwt. built at Bolsoenes yard in Molde. This was probably the most modern and well equipped small tank vessel at the time. She had double bottom and deepwell pumps in all her cargo tanks. In 1980 and 1981, the company took delivery of two more vessels from the same yard. These vessels had one feature which appeared to have a crucial effect on the later development of the company, namely the fact that these ships had stainless steel centre tanks and thus were able to carry high grade chemical (IMO 2) cargoes as well as acid products.

In March 2007, the company changed its name from “Anders Utkilens Rederi AS” to “Utkilen AS”. Today Utkilen AS owns and operates, in part or wholly, 20 modern chemical tankers altogether, ranging from around 5 000 dwt to 20 000 dwt., which makes the company one of the major operators in this market segment in Northern Europe.

This remarkable development is rooted on the seamanship of Anders Utkilen and his people, on hard work, and a skilled organization.



Utkilen

Utkilen AS
Strandgaten 197

P. O. Box 1163 Sentrum
N-5811 Bergen, Norway

Tel: +47 55 30 78 00
Fax: +47 55 30 78 48