

SUSTAINABILITY REPORT 2014

PROTECTING THE ENVIRONMENT

SUPPORTING SUSTAINABLE DEVELOPMENT

ENSURING A BRIGHT FUTURE

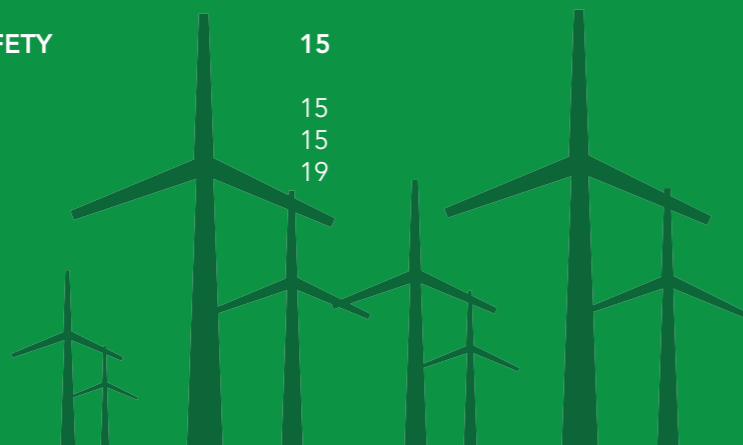


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1.1 Managing Director's Message

We are pleased to present to you Nakilat's Sustainable Development Report for the year 2014. This report is Nakilat's fifth submission to the annual Sustainable Development Industry Reporting Initiative overseen by HE the Minister of Energy and Industry Dr. Mohammed bin Saleh Al Sada. Nakilat keenly supports sustainable development reporting in Qatar and is proud to make a continued contribution to this annual sector-wide initiative.

In 2014, Nakilat celebrated a number of significant sustainability milestones. Nakilat's continuous attention to safety, health and environment (SHE) elements and quality systems was demonstrated by the seamless transfer of four LNG vessels into ship management under Nakilat Shipping Qatar Limited (NSQL), a wholly-owned subsidiary of Nakilat. This was the result of a detailed and in depth management of change plan that was executed flawlessly. To qualify for managing the LNG vessels, Nakilat had to undergo an audit by Qatargas. This was completed successfully permitting the transition of the management to NSQL.

Safe operations are central to Nakilat's operating philosophy and to our ongoing success. Nakilat's LNG fleet has achieved a lost time injury frequency (LTIF) of 0.36 and total recordable case frequency (TRCF) of 0.54, while the Nakilat-managed LPG and LNG fleet has achieved LTIF of 0.00 and TRCF of 0.00. These figures are well below the industry average LTIF of 1.11 and TRCF of 2.25 and are among the best in the shipping industry.

Also in 2014, Nakilat successfully underwent external audits to verify compliance with ISO 9001, OHSAS 18001 standards and ISM certification for the Fleet. Nakilat also completed the certification audit and obtained ISO 14001 certification for Nakilat Corporate Office and NSQL.

Qatarization is also central to the sustainable development of Qatar's economy. Nakilat recruited 11 new Qatari employees in 2014, pushing the total Qatari headcount to 65 employees, taking our Qatarization rate to 24% (excluding contractors). In addition, Nakilat's Qatarization Committee has developed guidelines that are currently under review. The committee's goal is to drive manpower and training recommendations based upon evaluation of Nakilat's Qatarization process.

Nakilat's fleet is also the focus of Nakilat's Qatarization efforts. Eighteen Qatari Marine Cadets are currently under Nakilat's sponsorship at the International Maritime College in Oman, studying to become marine officers. Upon completion of the program, the Marine Cadets will serve as officers aboard Nakilat vessels.

A culture of safety has been reinforced among all Nakilat's employees. Nakilat published its first SHEQ Essentials Handbook, containing all essential SHEQ elements presented in a user friendly document for use in the office and at home. The company also commenced monthly safety quizzes requiring participation of all staff. To monitor the status and progress of Nakilat's safety culture, the first safety culture survey was conducted in 2014. The safety survey revealed an encouraging 76% of respondents gave Nakilat's safety culture the highest rating of 'Good'.

Going forward, Nakilat's high-level goals have been identified as progress toward being efficient, safe and reliable transporter by all key measures, e.g. cost per ton mile, vessel operating costs (including repairs), safety and term of operation tools, cost-benefits analysis and selection guidelines to prioritize specific initiatives for maximum benefit, will be established.

We offer our gratitude to HH Sheikh Tamim Bin Hamad Al Thani, the Emir of the State of Qatar, and to HH Sheikh Hamad Bin Khalifa Al Thani, the Father Emir of the State of Qatar, for their inspirational leadership and for the creation of the QNV 2030, which is guiding our country towards a bright and enduring future.

We are also deeply thankful to HE Dr. Mohammed bin Saleh Al Sada, Minister of Energy and Industry and Nakilat's Chairman, for his invaluable guidance and for his oversight of the Sustainable Development Industry Reporting Initiative for Qatar's Energy and Industry Sector.

Finally, we are grateful to all our shareholders, employees and stakeholders for their continued support. We look forward to many more milestones in the sustainable growth of our company.



1. SUSTAINABILITY AT NAKILAT

1.2 Our Approach to Sustainability

Nakilat and its joint ventures are committed to the Qatar National Vision (QNV) 2030, which outlines the development of a sustainable future for the State of Qatar. Nakilat's gas-carrying fleet plays an essential role in the country's energy strategy and its activities at Erhama Bin Jaber Al Jalahma Shipyard continue to make an important contribution to the diversification of Qatar's economy.

All of Nakilat's activities are underlined by the company's commitment to sustainability and to supporting the success of the QNV 2030. In accordance with Nakilat's Mission and Vision statements and with its Safety, Health, Environment and Quality (SHEQ) policy, this commitment covers all areas of operation, including:

- **Governance, Ethics and Compliance** – operating in an ethical manner and in accordance with the laws where the company operates.
- **Employees** – providing an excellent workplace for employees.
- **Environment, Health and Safety** – reducing the company's environmental impact and ensuring health and safety of staff.
- **Supply Chain** – working to make our suppliers 'greener'.
- **Economic Impacts** – using our financial resources responsibly to ensure continued success and increase shareholder value.

1.3 Reporting Scope and Period

This Report is limited to Nakilat and its JVs (NKOM & NDSO) operations and its initiatives, unless otherwise indicated. The period covered by this Report is from January to December 2014 which is the financial year of Nakilat.

1.4 Stakeholder Engagement

Stakeholder Group	Description	Activities & Engagement
Communities	Facilities in Doha and Ras Laffan	Interaction with government and local populations
Partners	Leading shipping and shipyard companies from around the world	Regular forums and meetings with partners Close contact with partners is maintained through regular meetings and by our participation in key industry events
Customers	Charterers include Qatargas, RasGas, ExxonMobil, Shell, Gunvore and international companies	Close contact with charterers is maintained through regular quarterly meetings and a customer satisfaction survey twice per year.
Employees	256 employees at Nakilat, +4,000 employees at JVs	Annual Employee Forums, regular surveys and questionnaires
Suppliers	200 + suppliers (TBC by Supply)	An emphasis on procurement from the local market (TBC by Supply)
Investors	Nakilat is a joint stock company established by the State of Qatar to own, operate and manage LNG/LPG vessels and to provide shipping and marine-related services to a range of participants within the Qatari hydrocarbon sector.	Company tries protect the interests of investors by way of following the Corporate Governance and keeps them informed about its financial state of affairs through publishing Quarterly & Annual financial reports on the Qatar Exchange and in the leading Newspapers of Qatar .

1.5 Affiliations & Memberships

Nakilat has relationships with a number of organizations related to various aspects of sustainability, including the following:

- UNFCCC
- Qatar Petroleum SQ
- British safety institute
- Al Khor Traffic Department



2.1 External Reporting Standards

Nakilat recognizes the importance of external sustainability reporting standards to promote relevant, transparent and comparable disclosure of company performance. We use the Global Reporting Initiative's G3 Guidelines as our standard reporting framework.

This report has been prepared in line with the Sustainable Development Industry (SDI) Report for Qatar's Energy and Industry sector, which is aligned with both the Qatar National Vision 2030 and Qatar's National Development Strategy.

2.2 GRI Index

Based on the Global Reporting Initiative's Application Levels, we self-declare this report to application level B.

2.3 Auditor Verification Statement

On the basis of our review, nothing came to our attention that the Nakilat Sustainable Development Report does not properly reflect information and values. We are not aware of any errors that would materially affect the data presented, or that the assumptions utilised were inappropriate.

3.1 Corporate Overview

Nakilat is a Qatari marine company providing the essential transportation link in the State of Qatar's LNG supply chain. Its LNG shipping fleet is one of the largest in the world, growing to 61 LNG vessels in 2015. In addition, via wholly-owned subsidiary Nakilat Shipping Qatar Limited (NSQL), Nakilat manages and operates four Very Large Carriers, which Nakilat jointly owns with Milaha and four LNG carriers jointly owned with OSG.

Via two strategic joint ventures – Nakilat-Keppel Offshore & Marine (N-KOM) and Nakilat Damen Shipyards Qatar (NDSQ) – Nakilat operates the ship repair and construction facilities at Erhama Bin Jaber Al Jalahma Shipyard in the State of Qatar's Port of Ras Laffan.

Nakilat also provides port agency services through Nakilat Agency Company (NAC) for the Ports of Ras Laffan and Mesaieed and warehousing for vessels in Qatari waters via Nakilat's Vessel Support Unit (VSU). Joint venture Nakilat- SvitzerWijismuller (NSW) offers marine support services at the Port of Ras Laffan and at the State of Qatar's offshore activities around Halul Island.

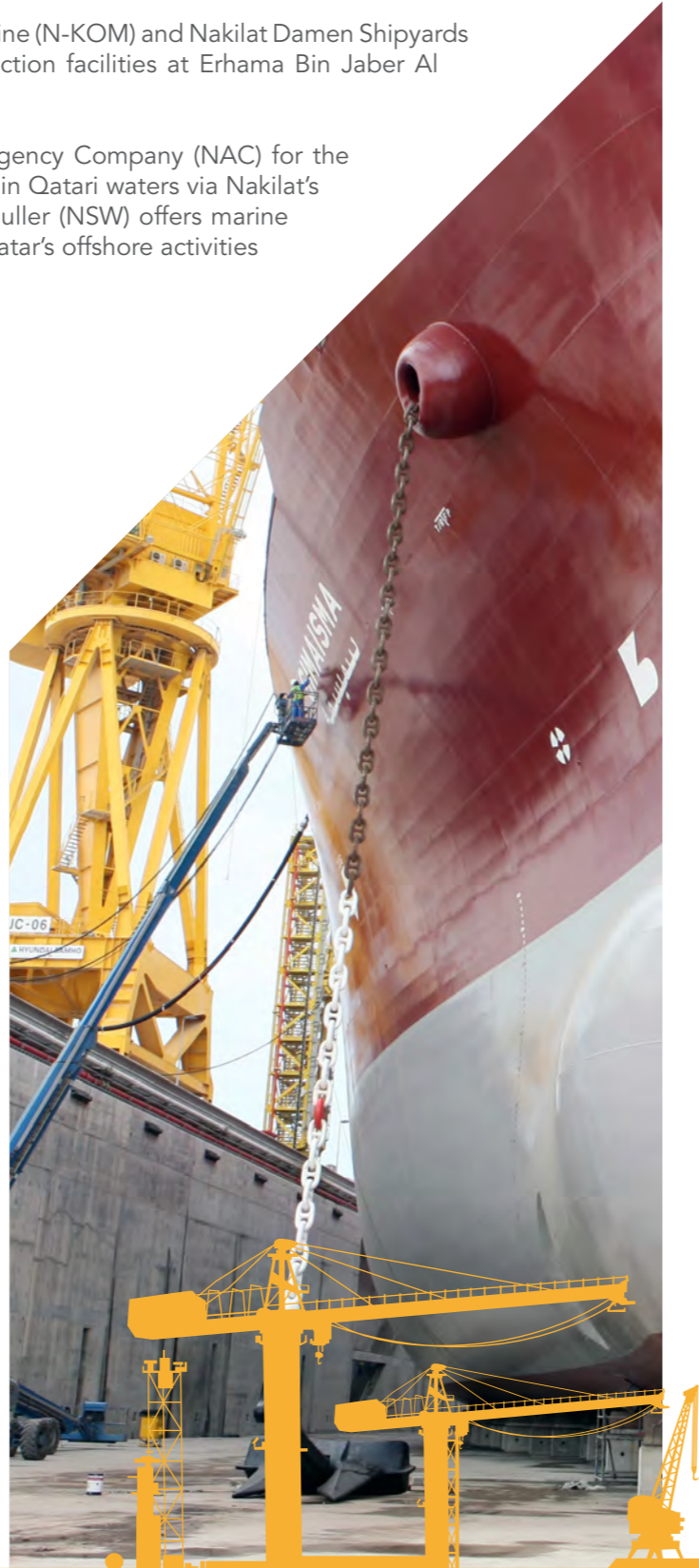


In 2007, Qatar Gas Transport Company (Nakilat) entered into a joint venture with Keppel Offshore & Marine (KOM) with the vision to establish a world-class shipyard in Qatar. Three years later, Qatar celebrated a historic moment in its maritime history as the Erhama Bin Jaber Al Jalahma Shipyard was inaugurated by the Father Emir of Qatar, His Highness Sheikh Hamad Bin Khalifa Al Thani, on 23rd November 2010.

Strategically located at the heart of oil and gas activities in the Arabian Gulf, Nakilat-Keppel Offshore & Marine (N-KOM) combines a wealth of experience and expertise from its parent companies: Qatar Gas Transport Company (Nakilat) and Keppel Offshore & Marine (KOM) stand to provide repair, conversion and construction services for marine vessels, offshore and onshore structures.

Spanning over 50 hectares, the comprehensive facility is equipped with two graving docks and a floating jetty that can easily accommodate VLCCs, quays and piers offering a total berthage capacity of 3,150m, a range of workshops ideally situated in front of the drydocks, more than 320,000sqm of fabrication area as well as, on-site sub-contractor facilities.

N-KOM prides itself as a provider of choice for safe, reliable and quality services by ensuring that our workplace is incident-free and promoting individual and collective responsibility towards the safety of our people, partners, shareholders, customers, suppliers, community and the environment. In addition, N-KOM Green Thrust 2020 serves as a Corporate Social Responsibility (CSR) initiative to lead and coordinate staff participation in environmental protection, preservation and sustainability activities and programs.



Nakilat Damen Shipyards Qatar (NDSQ) is a joint venture between Nakilat, the world's leading transporter of liquefied natural gas (LNG), and Damen, a global leader in shipbuilding. The ultra-modern 110-hectare shipyard is located at the Port of Ras Laffan City, as one of the world leaders in ship maintenance, repair and construction.

NDSQ operate a world-class and state-of-the-art facility capable of building ships in steel, aluminum or glass reinforced plastic with a length of up to 170m. Vessels manufactured by NDSQ feature Damen's proven shipbuilding designs and its industry-leading standards for quality in all aspects of the manufacturing process.

All ship construction and outfitting is completed under cover in halls. This facilitates an optimal working environment and ensures world-class quality productivity and fast delivery times. The yard has access to extensive steel and pipe work facilities, blasting and painting shops. NDSQ is working with the world's most renowned marine equipment suppliers and co-makes for the supply and installation of key systems on board the vessels.

3.2 Awards & Recognition

- Nakilat — Certificate, Sustainable Development Industry Reporting Initiative, 2014
- Nakilat — Annual Qatarization Certificate, Ministry of Energy and Industry, 2014
- Nakilat — Transport Company of the Year Award, Arabian Business Qatar Awards, 2014
- N-KOM — Safety and Security Award, The Maritime Standard Awards Middle East, 2014.
- NDSQ — ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 requirements
- NDSQ — Certificate of appreciation and recognition from Qatar Petroleum
- N-KOM — Shortlisted for the "Environmental Responsibility Award" at the Seatrade Middle East and Indian Subcontinent Awards 2014.

3.3 Milestones

2004

JUNE

Nakilat established.

2005

Two LNG vessels delivered to Nakilat

APRIL

Floation of Nakilat shares on Qatar Exchange.

MAY

Nakilat Agency Company (NAC) Ltd. formed.

2006

Two LNG vessels delivered to Nakilat

APRIL

Nakilat awarded 25-year time charter by Qatargas 2 for six Q-Max vessels.

Construction begins on the Shipyard in Ras Laffan.

SEPTEMBER

Nakilat awarded 25-year time charter by Qatargas 3 for 10 large LNG carriers.

Towage joint venture with Svitzer incorporated.

OCTOBER

Nakilat-Svitzer joint venture awarded 22- year service contract by Qatar Petroleum for the Port of Ras Laffan.

NOVEMBER

Nakilat awarded additional Q-Max vessel by RasGas 3 charterer.

Nakilat formed a strategic alliance with Shell Trading and Shipping Company Limited (STASCO) for the management of 25 wholly-owned LNG carriers.

2007

Eight LNG vessels delivered to Nakilat

FEBRUARY

Nakilat awarded 25-year time charter by Qatargas 4 for eight large LNG carriers.

APRIL

Steel cutting for first Q-Max.

NOVEMBER

Delivery of first Q-Flex, Al Gattara.

DECEMBER

First Q-Flex vessel at Ras Laffan carrying Qatargas cargo.

2008

21 LNG vessels delivered to Nakilat

SEPTEMBER

Delivery of first Q-Max, Mozah.

NOVEMBER

Joint venture Nakilat-Keppel Offshore & Marine (N-KOM) incorporated.

2009

18 LNG vessels delivered to Nakilat

MARCH

All four LPG ships delivered.

2010

Three LNG vessels delivered to Nakilat

JANUARY

Joint venture Nakilat Damen Shipyards Qatar (NDSQ) created.

SEPTEMBER

N-KOM received initial ISO 9001, ISO 14001 and OHSAS 18001 certification by DNV.

NOVEMBER

Erhama Bin Jaber Al Jalahma Shipyard inaugurated.

N-KOM and NDSQ begin operations.

2011

APRIL

Nakilat receives ISO 9001:2008 and OHSAS 18001:2007 certification.

N-KOM completes first LNG dry-docking project, Simaisma.

Gulf Drilling International and N-KOM sign major contract.

MAY

N-KOM receives first Qatargas vessel, Al Wakrah.

NDSQ receives ISO 9001:2008 certification.

2012

MARCH

N-KOM signs agreement with GTT

JUNE

Nakilat assumes management of its four LPG carriers.

AUGUST

Nakilat closes US \$380 million Islamic financing.

SEPTEMBER

NDSQ completes construction of its first vessel, a 140m load-out and recovery barge.

First Qatari marine cadets sign with Nakilat.

OCTOBER

N-KOM was named 'Shipyard of the Year' at the Lloyd's List Middle East & Indian Subcontinent Awards 2012.

NOVEMBER

NDSQ launches first three mooring boats of a 19-vessel order.

N-KOM wins 'Ship Repair Shipyard' award at the Seatrade Middle East & Indian Subcontinent Awards 2012.

N-KOM re-certified for ISO 9001 and receives initial certification for API Q1, ISO TS/29001 and Monogram Licence by American Petroleum Institute.

DECEMBER

Nakilat secures US \$200 million of financing for Gulf LPG.

2013

MARCH

NDSQ signs contract to build two 71m fast luxury vessel.

Nakilat signs MoU with Algerian state energy company Sonatrach.

JUNE

Nakilat Inc. arranges refinancing worth US \$917 million.

JULY

Nakilat increases its ownership in Maran Nakilat Ltd. and expands the fleet by 4 new technology vessels.

OCTOBER

NSW signs a contract variation with QP for the provision of additional marine services at Ras Laffan.

NDSQ and NSW sign a shipbuilding contract for seven new vessels with NSW to operate the vessels on delivery.

NDSQ certified ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

NOVEMBER

Eng. Abdullah Al Sulaiti is appointed as Managing Director of Nakilat.

N-KOM wins 'Ship Repair Shipyard' award for the second consecutive year at the Seatrade Middle East & Indian Subcontinent Awards 2013.

N-KOM re-certified for ISO 14001 and OHSAS 18001 by American Petroleum Institute.

Nakilat arranges a US \$160 million bank financing transaction for N-KOM and NDSQ.

A deal is completed to further expand the Maran-Nakilat joint venture by adding two LNG vessels.

2014

JANUARY

N-KOM signs a contract with MAN Diesel & Turbo to collaborate on the ME-GI project.

MARCH

NDSQ signs two MoUs worth a total of QAR 3.1bn with Qatar Armed Forces.

APRIL

A deal is completed to further expand the Maran-Nakilat joint venture by adding three LNG vessels.

JUNE

N-KOM signs a MoU with HeLenGi Engineering for the conversion of Greek ferries.

JULY

N-KOM is awarded two contracts worth US \$110 million by Gulf Drilling International.

N-KOM signs a contract worth US \$19 million with Qatar Primary Materials Company.

Four LNG vessels are brought under the management of NSQL.

AUGUST

NDSQ delivers the first two workboats to NSW.

OCTOBER

Nakilat decides to bring commercial management of its jointly owned VLGC vessels in-house and focus on term charters.

NOVEMBER

N-KOM wins the Safety & Security Award at The Maritime Standard.

Middle East and Indian Subcontinent Awards 2014.

N-KOM signs a contract with DNV GL to co-operate on LNG and gas solutions projects.

N-KOM received certifications from American Petroleum Institute.



3.4 Goals

Nakilat is a Qatari marine company providing the essential transportation link in the State of Qatar's LNG supply chain. Its LNG shipping fleet is the largest in the world, growing to 61 LNG vessels in 2015. In addition, via wholly-owned subsidiary Nakilat Shipping Qatar Limited (NSQL), Nakilat manages and operates four very large LPG carriers, which Nakilat jointly owns with Milaha. NSQL also manages and operated four LNG carriers.

Via two strategic joint ventures – Nakilat-Keppel Offshore & Marine (N-KOM) and Nakilat Damen Shipyards Qatar (NDSQ) – Nakilat operates the ship repair and construction facilities at Erhama Bin Jaber Al Jalahma Shipyard in the State of Qatar's Port of Ras Laffan.

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3.4.1 Nakilat's Strategy Elements

Nakilat's strategy elements are based on Nakilat's Vision and Mission statement which highlights the five key elements of our strategy. The Business Planning Process is driven by our Vision and Mission and thus by these five key strategy elements. They are:

- Financial Performance
- Customer
- High Safety, Health and Environment
- Operational Efficiency
- Growth

3.4.2 Nakilat's High Level Goals (5-Year Declared Future)

- Nakilat will be recognized as a strong global brand in LNG transportation
- All owned vessels would be technically operated, managed and crewed by Nakilat
- Nakilat will be an independent shipping company by enhancing its own infrastructure and processes
- Nakilat will be the provider of choice to their customers reflecting a high degree of customer satisfaction and trust
- Progress toward being efficient, safe and reliable transporter by all key measures, e.g. cost per ton mile, vessel operating costs (including repairs), safety and environmental statistics, and no off-hire claims
- Increased role in current JV/project vessels through acquisition of additional equity interest, support services and vessel management
- Work to help develop a "one-stop-shop" in Ras Laffan to serve the customers' needs, thus eliminating any reliance on any other port (Initial focus on Nakilat vessels, achieved benefits to be expanded to market as appropriate)
- Take advantage of measured business growth opportunities, e.g. FSRU's, jack-up lift boats, LNG bunkering

3.4.3 Nakilat's Strategic Focus Areas

- Capitalize on synergies within Nakilat Subsidiaries and Joint Ventures
- Enhance Controls
- Staff Engagement, Talent Management, Personal Development and Qatarization



4.1 Program Overview

Nakilat continued its efforts to achieve superior Safety, Health and Environmental (SHE) performance. Continuing from last year, Nakilat has established a uniform reporting platform for all Nakilat companies and joint venture interests. Nakilat companies have set stringent SHE targets which are reported against monitored and assessed frequently. Nakilat and its joint venture companies' SHE performance was favorable compared to the industry average in the industry group sectors.

Nakilat successfully underwent external audits to verify compliance ISO 9001, OHSAS 18001 standards and ISM certification for the Fleet. Nakilat also obtained ISO 14001 certification for Nakilat corporate office and Nakilat Shipping Qatar Limited in November 2013 after a yearlong process of embedding the necessary policies and procedures into the company's management systems.

4.2 Environmental Performance

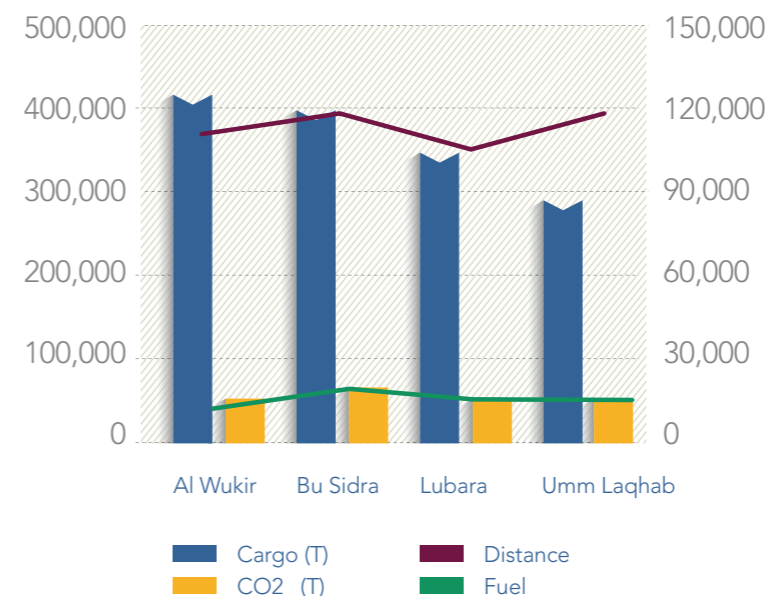
Environmental performance is an essential element of Nakilat's SHE Management System. It provides the mechanism for checking that environmental policies and corporate targets are being achieved and also enables corrective actions to be focused on areas where they are most needed. It also provides key information on environmental performance to Nakilat's Senior Management, including information on the overall goal of continuous improvement. All environmental monitoring is undertaken in accordance with SHEQ Manual and SMS, where applicable.

During the reporting, the following primary activities have been monitored:

- Vessel Fuel consumption, sulphur content and cargo loaded;
- Vessel waste streams;
- Vessel Oil usage;
- Ballast water management;
- Vessel Energy Efficiency;
- Desktop data accuracy;
- Nakilat office waste streams;

In order for environmental reporting to be of value, source data must be accurate and collected systematically, including appropriate data analysis procedures.

Vessel / Data	Fuel (T)	Cargo (T)	CO2 (T)	Distance
Al Wukir	14,080	411,759	44275	97,698
Bu Sidra	16,527	400123	51941	103,841
Lubara	13,291	343,148	42010	88,408
Umm Laqhab	14,951	290,512	51256	104113

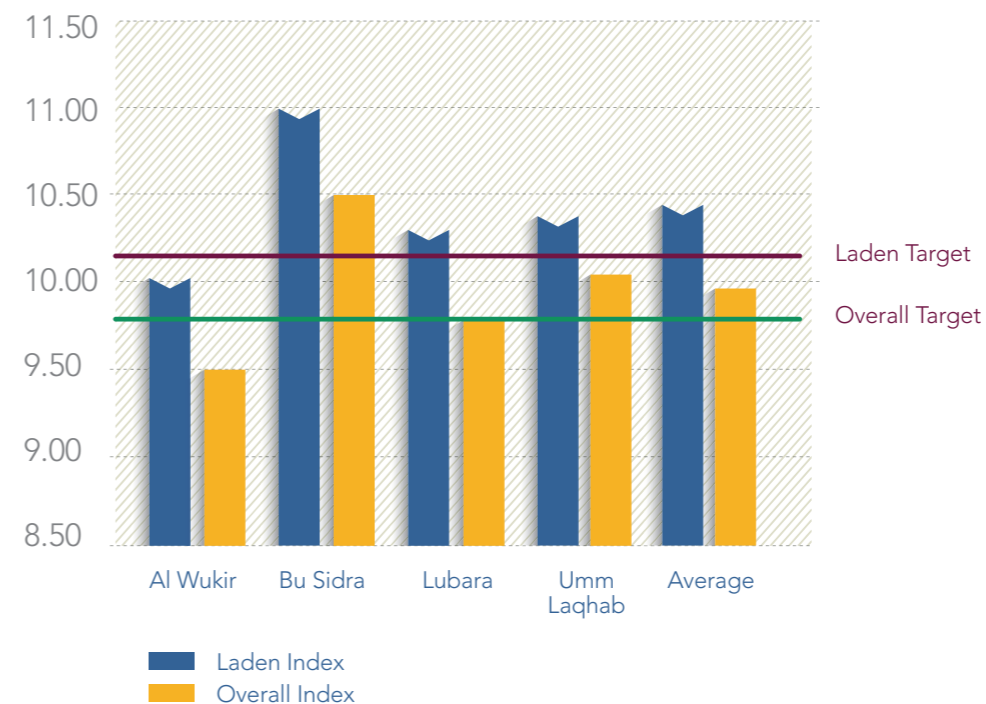


Average EEOI, CO2 Index – 2014

The environmental performance data collected, together with health and safety performance data will be used to compile the annual SHE Status Report.

In addition to the formal reporting of environmental performance for review/benchmarking purposes, it is widely recognized that reporting on environmental performance has significant benefits which include:

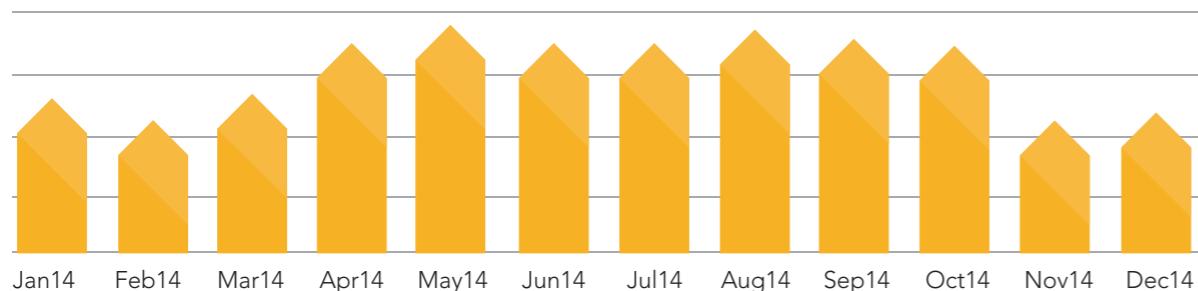
- Maintaining and enhancing Company reputation.
- Aiding communication with a wide variety of stakeholders (including employees, government regulators, financial institutions, shareholders and the public).
- Reducing environmental risks through improved environmental management.
- Reducing the use of natural resources and operating costs.



Highlights from JVs

Conservation of Energy at NDSQ

A total of 27272.74 MWH of electricity has been consumed from January till date. There is an increase of approximately 28.3% in electricity consumption in the month of May as a result of commissioning activities in preparation to handover the super yacht facility to NDSQ and due to many factors such as increase of man power, projects and full utilization of facilities etc. as compared to last year.

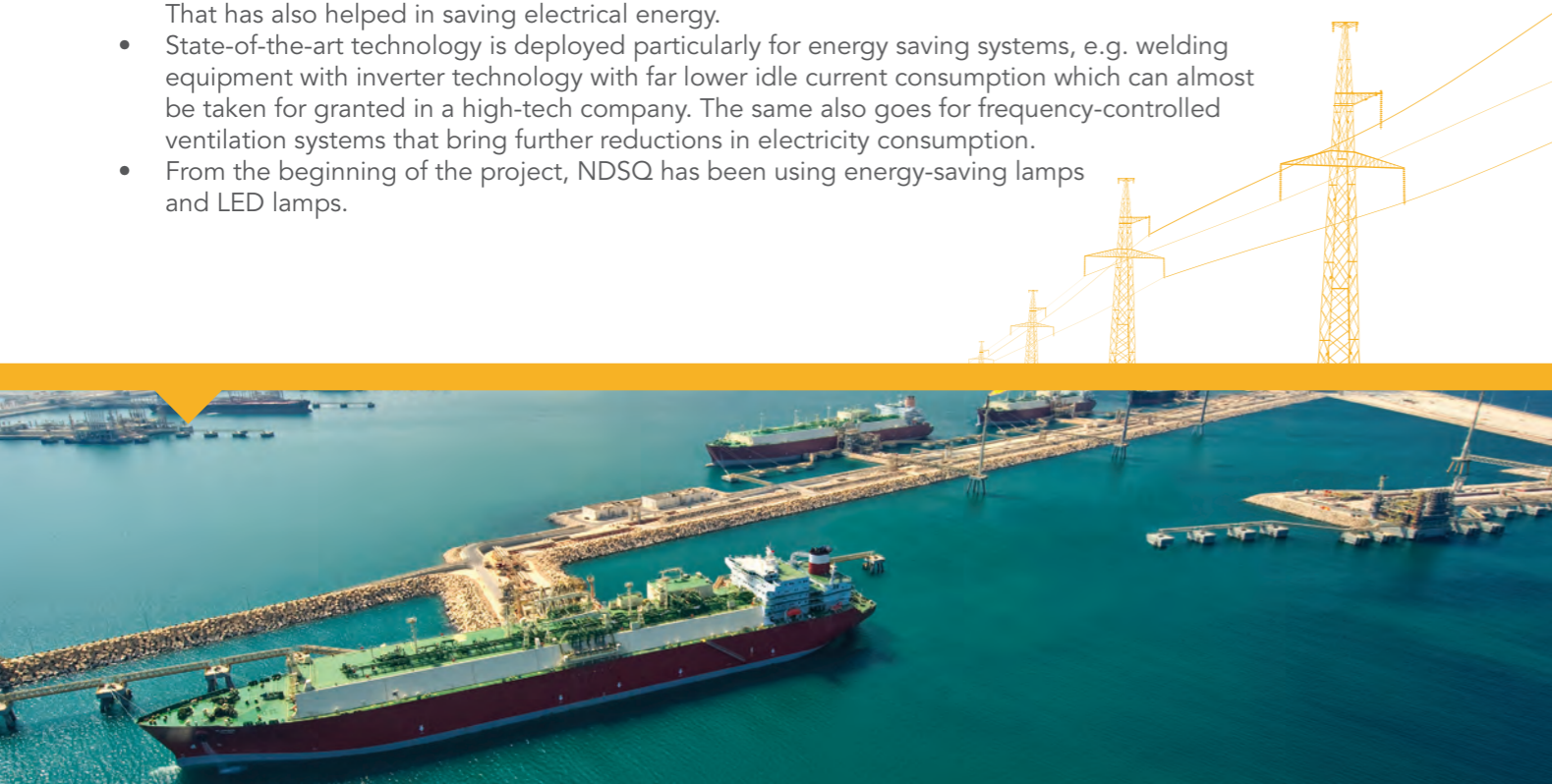


	Jan14	Feb14	Mar14	Apr14	May14	Jun14	Jul14	Aug14	Sep14	Oct14	Nov14	Dec14
Electrical Consumption	2106.88	1739.51	2083.92	2908.92	3244.9	3040.7	3033.06	3162.95	3015.49	2936.41	1657.64	1776.88

There are various different measures NDSQ is adopting to reduce electricity consumption. For example, the air-conditioning and ventilation systems are controlled automatically depending on the facility of the company, time of day and day of the week (work holidays, Sundays, bank holidays). The shipyard's super yacht buildings have been fitted with an innovative, environment friendly ventilation system. The air in the buildings is cooled and heated by ground and component cooling. The system is controlled by a computerized building management system.

In addition to the above, we also adopt several methods such as:

- We adopt a campaign for switching off all the electrical appliances at the close of work. That has also helped in saving electrical energy.
- State-of-the-art technology is deployed particularly for energy saving systems, e.g. welding equipment with inverter technology with far lower idle current consumption which can almost be taken for granted in a high-tech company. The same also goes for frequency-controlled ventilation systems that bring further reductions in electricity consumption.
- From the beginning of the project, NDSQ has been using energy-saving lamps and LED lamps.



N-KOM's Ambient Air Quality Monitoring for Nakilat's Shipyard

In order to ensure that our emissions to the ambient air are within the statutory limits, N-KOM monitors several ambient air quality parameters as shown below:

Parameters	Min	Max	Average	Applicable Standards	
PM10(µg/m3)	37.65	118.68	70.48	150 µg/m3 (2)	
SO2 (µg/m3)	2.10	27.30	11.10	365 µg/m3 (2)	
NO2 (µg/m3)	2.80	115.60	26.10	150 µg/m3 (2)	
CO (µg/m3)	111.40	1828.7	479.60	10000 µg/m3 (3)	
VOC (µg/m3)	0.00	4.70	0.90	NA	
Aromatic Hydrocarbon (ppb)	Benzene	0.27	0.47	0.36	0.24 PPM (4) (240 ppb)
	Toluene	0.25	6.76	2.42	
	Ethyl benzene	0.37	2.44	1.53	
	Mp-xylene	0.39	4.26	2.63	
	o-xylene	0.17	1.59	1.00	

Reference : (1) USEPA std; (2) Qatar Ministry of Environment (MoE) std. for 24 hourly; (3) Qatar MoE std. for 8 hourly; (4) RLIC std. for non-methane Hydrocarbon; NA: Reference Standard Not Available for VOC



N-KOM's Marine Water Quality Monitoring

N-KOM conducts water quality monitoring at five different locations along its shore. Water sample from each location are tested for the same parameters such as Total Suspended Solids (TSS) and pH value. On average, N-KOM's TSS value did not cross 2.0 mg/l when compared with the MoE limit of 35 mg/l. Also, our pH value has always been within 6 - 9 as per the Qatar's Ministry of Environment (MOE) regulation.



4.3 Health & Safety Performance

The Safety and Health of all employees is paramount to our success as a business, and a strategic imperative for our organization. Our initiatives to increase safety and health awareness focus on high risk areas and assisting sites and areas of work with the highest rates of injury. Our "Target Zero" initiative motivates employees to embrace a zero accidents mentality.

Our businesses use a standard internal online reporting tool to document and thoroughly investigate injuries and illnesses from start to finish. The tool helps us analyze root causes and take corrective actions to prevent recurrence. A separate "Risk assessment" reporting tool allows us to identify and correct hazards before they result in injury or damage. Nakilat's performance in terms of injuries shows improvements, but we still intend to foster an even stronger safety culture, where both standards and systems are continuously improved and where each individual takes personal responsibility for creating a safe working environment by reporting the unsafe acts and near misses.

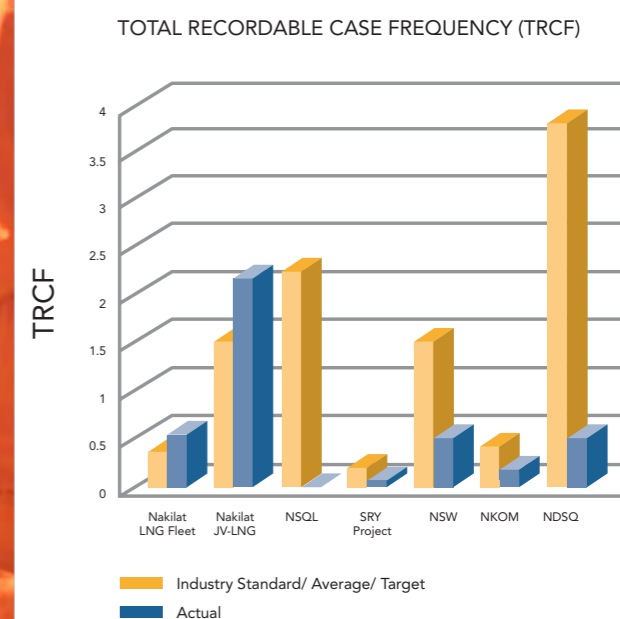
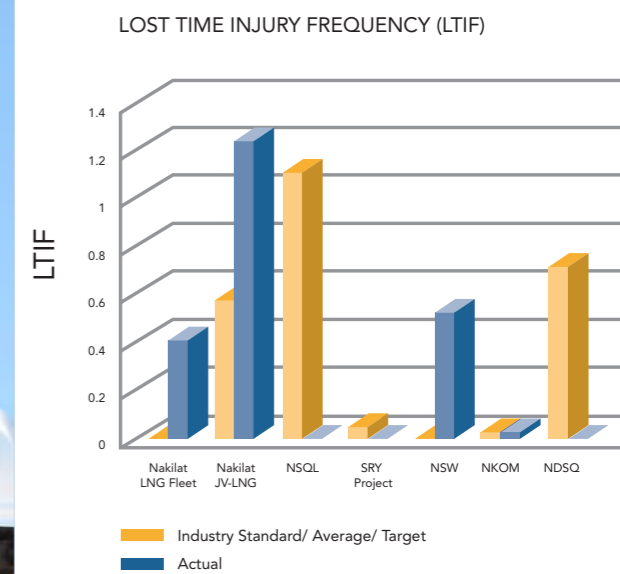
Nakilat's continuous attention to SHE elements and quality systems was demonstrated by the seamless transfer of four LNG vessels into ship management under Nakilat Shipping Qatar Limited (NSQL), a wholly-owned subsidiary of Nakilat. This was the result of a detailed and in depth management of change plan that was executed flawlessly.

To qualify for managing the LNG vessels Nakilat had to undergo an audit by Qatargas. This was completed successfully permitting the transition of the management to NSQL.

NSQL LPG vessels continue to operate at the highest SHE standards. The quality of the vessel operations has attracted the attention of industry leading corporations such as Shell and ExxonMobil. ExxonMobil conducted a TMSA review of NSQL in October 2014, which has made NSQL vessels eligible for ExxonMobil service. This is a significant milestone in Nakilat's continued operations as a high quality owner and ship manager.

Nakilat successfully underwent external audits to verify compliance with ISO 9001, OHSAS 18001 standards and ISM certification for the Fleet. Nakilat also completed the certification audit and obtained ISO 14001 certification for Nakilat Corporate Office and NSQL.

Nakilat's continued emphasis on safety, health and environment programs has resulted in the continuation of our remarkable safety record and vessel reliability. Nakilat's LNG fleet has achieved a lost time injury frequency (LTIF) of 0.41 and total recordable case frequency (TRCF) of 0.54, while the Nakilat-managed LPG and LNG fleet has achieved LTIF of 0.00 and TRCF of 0.00. These figures are well below the industry average LTIF of 1.11 and TRCF of 2.25 and are among the best in the shipping industry.





- The Nakilat-managed LPG and LNG vessels have achieved one million total recordable case (TRC)-free man-hours and 2.5 million lost time injury (LTI)-free man-hours. The fleet has been LTI-free from the date of commencement of ship management in February 2012.
- Nakilat submitted its fourth Annual Sustainability Report to Qatar Petroleum and received a Certificate of Appreciation from HE Minister of Energy and Industry for participating in the Sustainable Development Industry Reporting Initiative.
- Nakilat has initiated a comprehensive effort companywide to enhance and improve performance in the identified areas, with a view to enhancing business sustainability in line with the Qatar National Vision 2030.
- As part of its safety culture enhancement program, Nakilat published the Nakilat SHEQ Essentials Handbook, containing all essential SHEQ elements presented in a user friendly document for use in the office and at home.
- Nakilat commenced monthly safety quizzes requiring participation of all staff within the company.
- The first safety culture survey was conducted, which will form the basis for monitoring the status and progress of Nakilat's safety culture. The safety survey revealed an encouraging 76% of respondents gave Nakilat's safety culture the highest rating of 'good'.
- NDSQ was recertified for the ISO 9001, ISO 14001 and OHSAS 18001 management standards.
- N-KOM won the Safety & Security Award at The Maritime Standard (TMS) Middle East and Indian Subcontinent Awards 2014.
- N-KOM launched its Safety Excellence 2020 campaign, aimed at enhancing safety awareness among its workforce.

Highlights from JVs

Incident investigation completion

NDSQ incident investigations are conducted by professional investigation teams which enable root causes to be identified and lessons learnt to be communicated to our stakeholders through various ways to avoid reoccurrences. Effective investigations and post incident communications in which employees can be engaged, allows NDSQ to understand behaviors which is critical to enhancing our safety culture and delivering continuous improvement within the Business.

Red & Green Card Program (Stop Work & Good Work Program)

In line with N-KOM's Safety Excellence 2020 to Empower People, this program was launched on 2nd November 2014.

Stop Work (Red Card) aims to empower N-KOM's Supervisory Line Personnel with the authority to stop work or not to perform tasks or activities that they feel may pose risks to themselves, co-workers or the environment. N-KOM believes that through this approach, hazards could be better recognized and controlled before they actually impact life or property. This program encourages exercising such authority without threats of retaliation and intimidation.

Good Work (Green Card) aims to positively reinforce the benefits of working safely through a proactive approach that comprises recognition, evaluation and control of unsafe work practices and hazardous conditions; it also seeks to enhance the safety conscious culture amongst N-KOM employees by implementing a safety recognition program that encourages safe work practices among employees.



5.1 Compliance with Statutory Requirements

Nakilat's fleet of vessels fully comply with all mandatory international & national regulations with regard to environmental protection and maintains valid certification authorized by various recognized classification bodies.

- Certificate of fitness for Liquefied Gas Carriers in compliance with International Code for the Construction and Equipment of Ships Carrying Liquefied Gases in Bulk.
- International Oil Pollution Prevention Certificate in compliance with MARPOL - International Convention for the Prevention of Pollution from Ships MARPOL Annex 1.
- International Sewage Pollution Prevention Certificate in compliance with MARPOL Annex IV - Regulations for the Prevention of Pollution by Sewage from Ships.
- International Air Pollution Prevention Certificate in compliance with MARPOL Annex VI- Regulations for the Prevention of Air Pollution from Ships.
- International Energy Efficiency Certificate in compliance with MARPOL Annex VI- Regulations for the Prevention of Air Pollution from Ships.
- International Antifouling System Certificate in compliance with International Convention on the Control of Harmful Antifouling System on Ships.
- Certificate of Compliance. International Ballast Water Management Convention
- Vessel General Permit in compliance with U.S. ENVIRONMENTAL PROTECTION AGENCY (EPA) NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES).

In addition to above mandatory certification the vessels maintain voluntary compliance certification with HONG Kong International Convention for the Safe & Environmentally Sound Recycling of Ships. Compliance with this requirements means that a record of all potentially hazardous materials onboard is maintained throughout the operational life of the ships.

5.2 Emission Control Measures

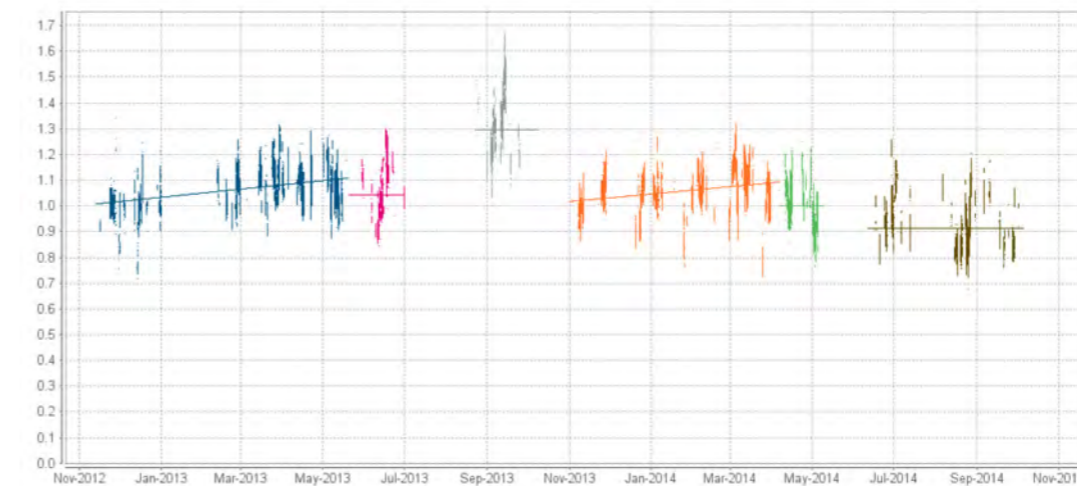
Nakilat's commitment to improving its speed / fuel consumption performance of the vessels is paramount, and we are persistently striving to identify and implement enhancement measures wherever possible. A number of voluntary improvement measures have been identified and successfully implemented on all the vessels.

5.2.1 Hull Cleaning

Hull fouling in service is a natural phenomenon that cannot be eliminated entirely. All LNG vessels were coated with the high performance coating systems (latest available technology) at the time of delivery, however a gradual drop in hull performance was observed causing increased fuel consumption for the same speed. As can be verified from the voyage performance analysis over the last five years, a slight fouling has shown to cause at least 10% drop in speed leading to increased fuel consumption (increased emissions) to achieve the same speed.

A hull performance monitoring regime was established and vessels hull were regularly cleaned as soon as the performance deteriorated to a predetermined set point. Performance data collected so far, indicates that each "hull cleaning combined with a propeller polish" returns the vessel's performance to its baseline criteria.

Below figure shows analysis of one vessel's performance where base line criteria is set at 1.0 and shows the performance deterioration due to hull fouling in service and the improvement realized after each cleaning event.



It is difficult to separately determine the positive effects of hull cleaning, coating upgrade, super-polishing and coating removal of propellers. However, Fig1. Clearly shows that the hull resistance drops below the base line criteria of 1.0 when all the corrective measures are carried out simultaneously.



5.2.2 Hull Coating Upgrade

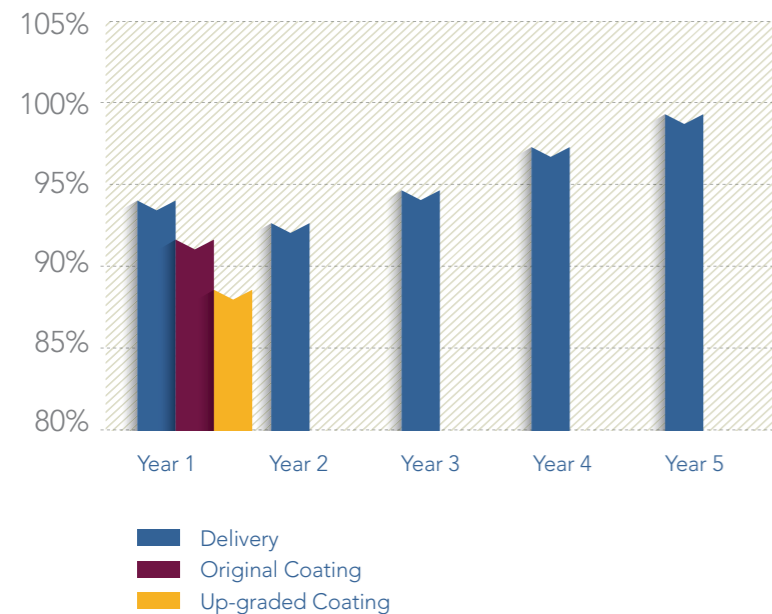
LNG fleet commenced their scheduled dry docking in Nov 2012 where the hull coating system has been upgraded to a more advanced coating system to further minimize the performance deterioration rate.

Performance of new coating system has very encouraging results with very little or no hull fouling with vessels in more than two years in service.

Comparative Data Analysis is continuously carried and it can be safely claimed that approx. 3% reduction has been realized in propulsive fuel consumption.

Below graphical analysis demonstrate the fuel savings between two vessels (red & yellow) after five yearly dry docking having original & which were coated by 2 different systems.

NAKILAT PROPULSION FUEL CONSUMPTION



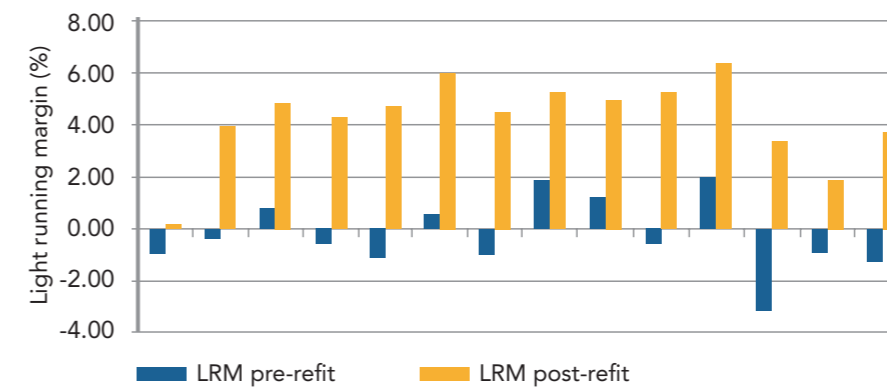
5.2.3 Propeller super-polish & Edge Modification

LNG fleet consists of twin engine twin screw vessels and the propellers were originally delivered with coated surfaces and suffered from fouling phenomenon similar to the hull. After careful consideration and in consultation with original makers, a decision was made to remove the propeller coating and super polish the surfaces. For some vessels this was accomplished in service by utilizing under water diving companies and for some vessels this has been carried out during routine dry docking.

Also, on the recommendation of an independent study (conducted to determine the root cause of premature overloading of the engines in slight sea conditions - additional fuel consumption to achieve design rpm), propellers blade edges have been modified during the recent routine dry docking to lighten the propellers technically termed as increased LRM (Light Running Margin).

Below figure shows the comparison of LRMS across the fleet where propeller edge modification has been accomplished.

PROPELLER LRM PRE AND POST REFIT



5.3 Noise Reduction

Although the vessels were delivered in compliance with relevant Code for noise levels on board ship however some concerns were raised by the local communities with regard to low frequency noise levels from Generator Engines while vessel was alongside discharging cargo. As a result of an independent study by Lloyd's Register, silencers for all Diesel Generators have been upgraded to reduce the noise emission by 15db. Services of Lloyds Register ODS have been retained to confirm the effectiveness of the new silencers.

SOUND POWER OF EXHAUSTS

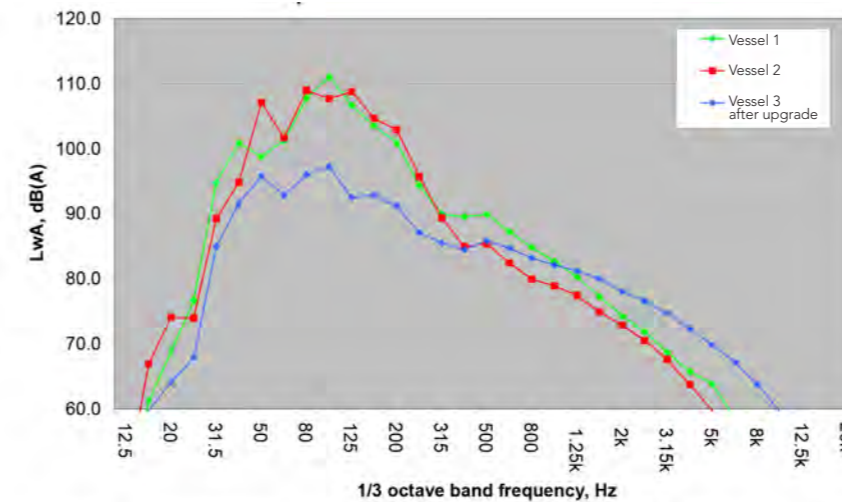


Figure 1 Comparison of calculated sound power levels of exhausts for vessels of Group G before (Zarga and Rasheeda) and after silencer (Shagra) upgrade.

5.4 Case Study

1 – Boil Off Gas Recovery at Ras Laffan.

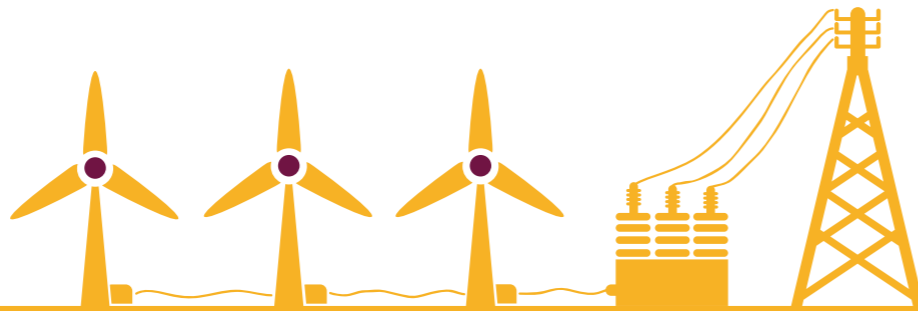
The Jetty Boil Off Gas (JBOG) recovery project was successfully commissioned at the beginning of October 2014, making recovery of BOG generated during cargo transfer operations compulsory alongside Ras Laffan berths.

Nakilat supported and participated in the project ensuring all wholly- and jointly-owned vessels on long-term charter to Qatargas and RasGas have been successfully upgraded and made fully compatible with this project.

With these modifications to equipment (e.g. High Duty Compressor) vessels will comply with the terminal's operating philosophy.

The key personnel involved in this operation are: the Operator located in the Loading Main Control Building (LMCB); the ship's Vessel Cargo Officer responsible for the operation and control of the ship's facilities; the Berth Operator; and the terminal Loading Supervisor representing the LNG venture providing the LNG. Together they are responsible for maximizing the recovery of BOG produced during ship loading.

Nakilat continues to lead and support initiatives which protect our environment.



2 – Pilot Conversion of Main Propulsion Engines on LNG Carrier, to burn cleaner and more eco-friendly and less emission gas from ship's LNG Cargo Tanks.

Qatar shipping company Nakilat and Qatari LNG producers Qatargas and RasGas Company Limited have agreed with engine manufacturer MAN Diesel and Turbo to convert a Q-Max vessel to use LNG as an alternative to heavy fuel oil in the main engines.

The Q-Max will be the world's first low-speed marine diesel engine to be converted to use LNG as a fuel. The modification will meet current known and future stated global emissions regulations.

The control of greenhouse gas and exhaust gas emissions have a high priority in today's shipping industry. In-step with the emissions regulations, the engine manufacturer, MAN Diesel and Turbo has made technical advancements to the low speed diesel engine to have flexibility to utilize Liquefied Natural Gas (LNG), a cleaner fuel as compared to heavy fuel oil, as an alternative fuel source employing the ME-GI (M-Type Electronically Controlled – Gas Injection) concept. Evaluation of the proposed ME-GI design for the Q-Flex and Q-Max vessels has concluded in a high confidence level with regards to safety and reliability of the propulsion system.

This project is yet another milestone in Qatar's standing as a reliable provider of clean energy to its customers in a safe and environmentally-sensitive manner and further evidence of Qatar's proactive approach to the sustainable development of the country's marine industry. So far the use of LNG as a bunker fuel source in the LNG shipping industry has been applied to conventional steam driven LNG carriers and more recently to Dual or Tri-Fuel Diesel Electric LNG ships with low pressure injected, medium speed four-stroke diesels.

The use of ME-GI as an alternative will allow a cleaner fuel technology with a significant reduction in environmental emissions, cleaner burning engines with potential to increase mean time between maintenance, provide flexibility of fuel supply to react to market changes and reduced bunkering activities which in turn will offer operations and marine risk reduction.

6. ECONOMIC IMPACT



Nakilat plays a key role in strengthening and consolidating Qatar's position in the Supply Chain of the environment friendly fuels like LNG & LPG, through its LNG & LPG vessels and its operations at Erhama bin Jaber Al Jalahama Shipyard.

Nakilat benefits from a very steady and stable stream of Revenue due to the long term Charters with QatarGas & RasGas. Also Nakilat benefits from its strong Joint Venture partners who are one of the world leaders in the Shipping industry.

Nakilat is a steady and stable investment for its Qatari and international shareholders. It has produced steady dividends for its shareholders. It paid its shareholders cash dividends worth QAR 2.99 billion over past 6 years including 2014. This is equivalent to an average of QAR 499 million per year (average QR 0.90 per share) and thus providing an attractive investment vehicle to its Qatari and international shareholders.

While Nakilat has increased its dividend and outpaced initial projections, it continues to retain a part of its annual profits to pursue its long term growth strategy. Nakilat carries a robust Retained Earning balance of QAR 1.2 billion at the end of the year 2014.

Nakilat's consolidated revenue from all sources has also been very steady at around QAR 3.4 billion per year over last 4 years. Nakilat has generated a robust profit of QAR 3.2 billion cumulatively over last 4 years which averages to QAR 806 million per year.

Nakilat is strongly committed to its social responsibilities to the State of Qatar and has appropriated QAR 97.1 million to the Social and Sports Fund since 2010.

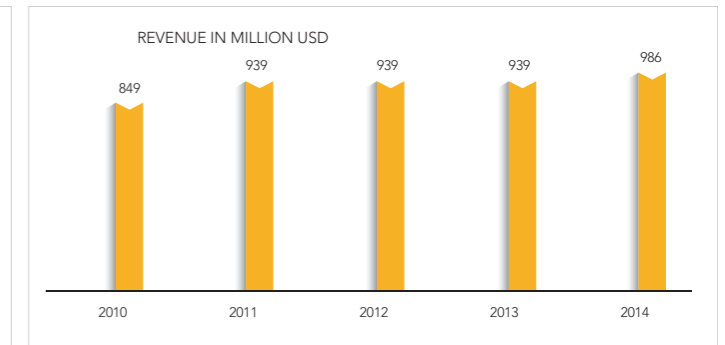
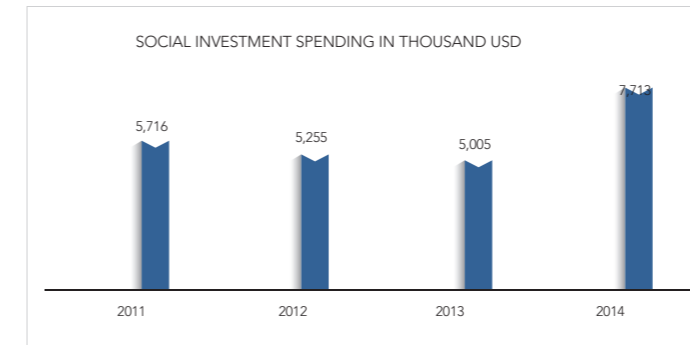
Nakilat provides a unique initiative to young Qataris by sponsoring Qatari nationals for the Marine Cadet Program. Nakilat has spent on this initiative around QAR 5 million and has sponsored 18 Marine Cadets since 2011. Nakilat recognizes the importance of being a socially responsible corporate and hence donated QAR 1 million during 2014.

To finance its high quality assets Nakilat has raised debt in local Qatari banking market as well as in regional and international banks.

Given Nakilat's long life high quality assets, its financings are considered as a prime asset by local and international banks and help benchmarks in financing markets contributing to State of Qatar's economy, particularly the Financial Sector.

From 2011 to 2014, Nakilat has primarily refinanced some of its debts with Qatari banks contributing to the growth of banking sector in Qatar. It has also assisted its LNG Joint Ventures to refinance by Qatari banks, their debts worth around USD 1.5 billion. During 2014 Nakilat & its joint ventures have paid to local banks around QAR 134 million as interest. Thereby contributing to the growth in Qatar's banking sector.

Major rating agencies reaffirm Nakilat's ratings for 2014 with stable outlook.



	Nakilat Consolidated USD	Nakilat Consolidated QAR
1. Payments to Local suppliers	306,451,464	1,115,952,201
2. Various Taxes paid to Govt.	160,050	582,828
3. Marine candidate	875,286	3,187,379
4. Donations	276,673	1,007,512
5. Pension Fund contribution	425,980	1,551,220
6. Social & Sports Activities Support Fund	6,134,784	22,340,000
7. Interest paid to local banks	36,896,307	134,359,009
8. Cash Dividends paid to investors/shareholders	167,355,204	609,428,996
Social Investment Spending (6+5+4+3)	7,712,723	28,086,112
Economic value distributed (8+7+2+1)	510,863,025	1,860,323,034
<u>Economic value generated</u>		
1. Revenues	985,655,755	3,589,295,000
2. Net Income	245,775,539	894,999,000

7.1 Corporate Governance

7.1.1 Mission Statement

To be the world's leading owner and operator of vessels for the transportation of liquefied natural gas (LNG) and associated products, and to be the provider-of-choice for ship repair and construction services, as measured by customer satisfaction; financial profitability; growth; operational efficiency; and high standards of safety, health, environment and quality.

7.1.2 Vision Statement

To maximize shareholder value by:

- Optimizing investment in core businesses of transporting LNG and associated products through stringent cost controls, effective risk management and innovative financing.
- Establishing "centers of excellence" for the repair and maintenance of very large LNG carriers and other vessels, and for the construction of small, high value ships, thereby providing assets for the State of Qatar.
- Providing a fully integrated logistics service to vessels.
- Identifying and capturing synergies.
- Recruiting, developing and retaining the highest quality personnel in the industry.
- Complying fully with all applicable legislation, regulations and relevant marine industry standards.
- Demonstrating the highest ethical standards for integrity in all business relationships.



7.1.3 Safety, Health, Environment and Quality Policy

At Nakilat, we value our people, partners, shareholders, customers, suppliers, community and the environment. We believe in and are committed to establishing a world-class company by:

- Placing Safety, Health, Environment and Quality (SHEQ) at the top of our agenda, with the aim of causing no harm to people and the environment.
- Setting targets for Safety, Health, Environment and Quality improvement, and measure, appraise and report SHEQ performance to drive continual improvement.
- Providing adequate resources and leadership to effectively implement the company SHEQ management system and achieve SHEQ objectives.
- Maintain the highest level of integrity with all stakeholders.
- Treating employees, partners and customers with respect and dignity.
- Encouraging teamwork and collaboration in order to support the achievement of our mission goals.
- Recognizing and rewarding accomplishments.
- Striving to be innovative and continually improve performance, by sharing best practices and implementation of lessons learnt.
- Encouraging entrepreneurship and empowering individuals to lead and take responsibility.
- Openly communicating and sharing related information within the corporation.
- Complying with applicable Safety, Health, Environment, Quality, Legal and other requirements related to our activities.



7.2 Ethics and Compliance

Nakilat's Code of Business Ethics Policy establishes clear rules of conduct in order to avoid conflicts of interest. As a general rule, employees or their immediate families shall not have direct or indirect interest in any entity or business enterprise that has current or prospective dealings with the company.

All employees have to complete and submit annually by 31st March of each year, the annual certification statement to certify they have read and understood the principles of the Code of Business Ethics Policy and that they will comply with these. Nakilat's Ethics and Conflict of Interest Committee is responsible for ensuring application and respect of the Ethics Policy, and for reporting and investigating any case of violation with regard to conflicts of interest.



8.1 Talent Management

Alignment of corporate and individual goals is facilitated through the Nakilat Performance Management System, which is also the means through which people are assessed and their redevelopment areas identified.



As shown above, every year, as part of the business planning process, the Senior Management team determine where and how they will direct their efforts in the upcoming year in order to drive the vision and mission of the Company. This is consolidated into a formal Business Plan for the upcoming year, and submitted to the Board for approval. Once approved, the goals of the Business Plan are shared with the wider organization, through the Senior Management team. Employees use these business goals as a reference point when setting their performance objectives for the year, and Nakilat's performance management system requires that an employee identify which Business Goal each of his/her performance objectives are aligned to. This creates synergy and alignment throughout the Company, and clarifies why an employee's focus should be directed towards a particular activity, initiative, or endeavor.

To ensure that the entire performance management cycle is well understood and properly executed, Performance Management training is delivered "just-in-time" for Managers (appraisers) as well as Employees (appraisees) as a pre-cursor to the Planning Phase and the 2 Reviewing phases. In addition, once each quarter, "refresher" training is conducted, which also enables new joiners to become au fait with the Company's Performance Management process and system.

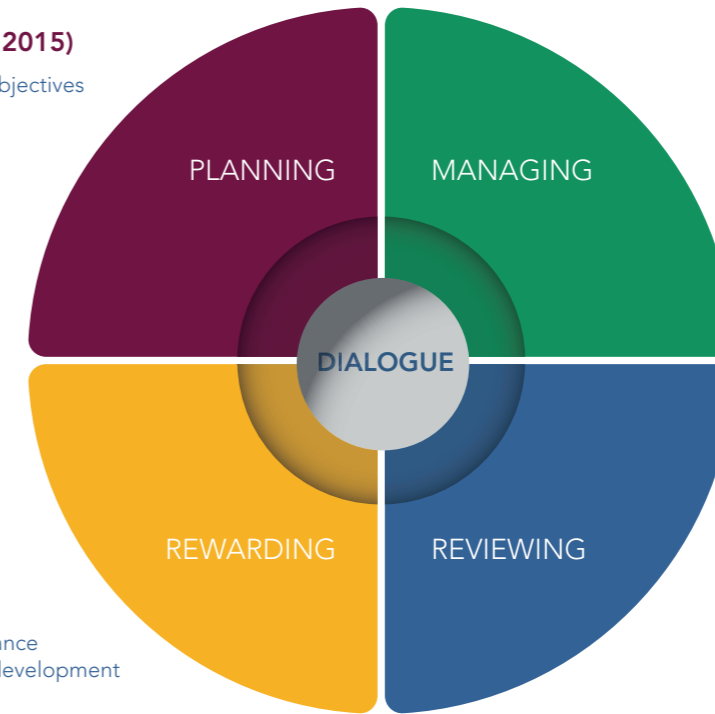
PERFORMANCE APPRAISAL CYCLE AND SYSTEM

Planning Phase (Jan 2015)

- Defining and agreeing objectives

Managing (ongoing)

- Tracking, monitoring, supporting and coaching performance



Reward Phase

- Relating pay to performance
- Link to learning, career development and succession planning

Review Phase (midyear & year-end)

- Appraising performance and providing feedback

8.2 Compensation & Benefits

Nakilat has reviewed its current grading structure, through conducting a job evaluation exercise utilizing the current job descriptions to ensure internal equity.

In addition to that, Nakilat has conducted a market salary review to identify its current position within the market, to ensure external equity and competitiveness, and to be able to attract and retain the best calibers to support achieving Nakilat's set objectives.

8.3 Employee Engagement

In 2013 JMJ carried out an employee satisfaction survey for Nakilat and the result was 74%.

In N-KOM- Supervisors' Engagement Programs were held from October to December 2014. There were 8 sessions steered by Senior Manager – HR and Senior Manager – Organization Development. Objectives of the sessions were to highlight new and revised policies and gather feedback.

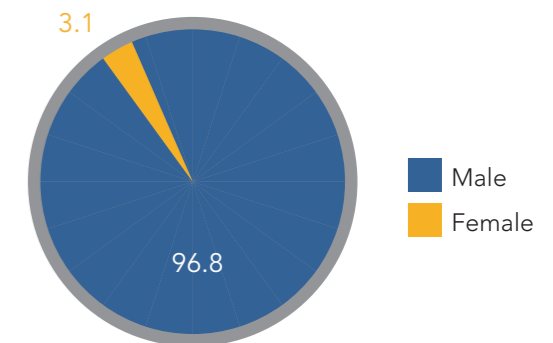
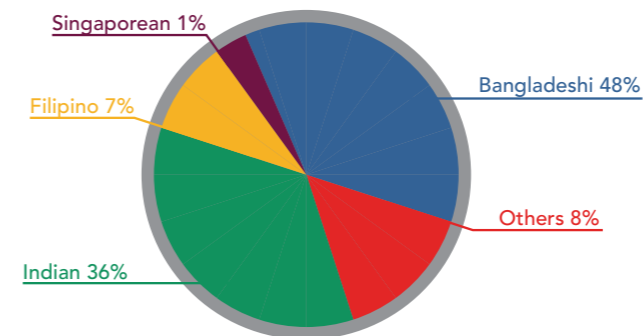


8.4 Diversity

Nakilat has a highly diverse workforce, with expatriates from all continents working harmoniously with their Qatari counterparts across a range of functional departments.

A culture of warmth, acceptance, and tolerance pervades the corridors of Nakilat, with employees across all levels demonstrating a high level of respect and regard for their colleagues, regardless of nationality, race, ethnicity, gender, or level in the Company.

N-KOM DIVERSITY



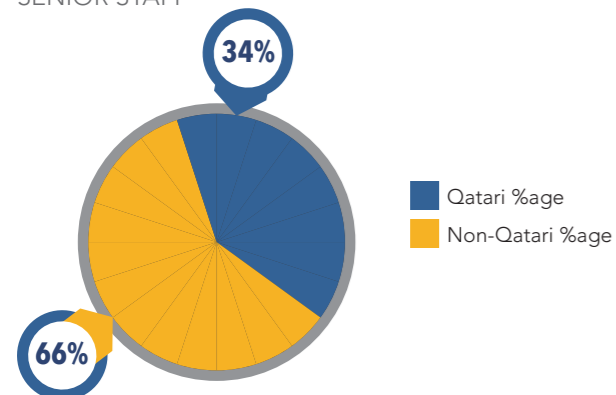
8%

Others

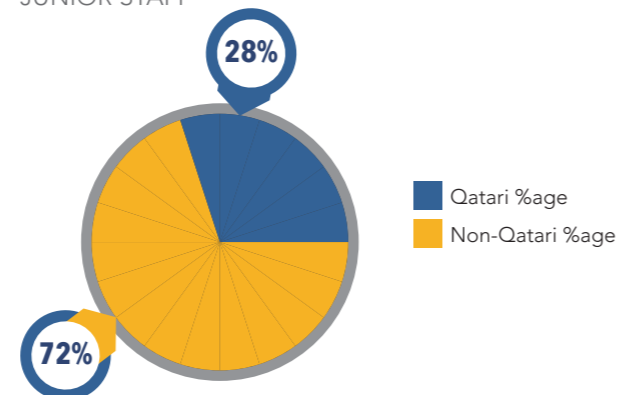
PRC (China)	1	Azerbaijan	3	Somalia	9
Australia	1	Algeria	4	Nepal	24
Greece	1	Ethiopia	5	Singapore	25
Iran	1	Pakistan	6	Sri Lanka	41
Morocco	1	Ghana	6	Myanmar	73
Portugal	1	Malaysia	7	Philippines	185
KSA	1	Korea	8	India	962
Ukraine	1	Qatar	8	Bangladesh	1290
Indonesia	2	Egypt	8		

NAKILAT HEADCOUNT SPLIT BY QATARI AND NON-QATARI

SENIOR STAFF



JUNIOR STAFF



8.5 Work/Life Balance

Nakilat, within its overall remuneration package, which is incorporated in the allowance and benefits P&P, employees are compensated with adequate standards appropriate to the employee's status in the State of Qatar. At the time of joining, HR prepares an induction session for the employee explaining the environment, culture, job and benefits associated allowances along with the overall structure and progress of the Company.

To mention a few, Nakilat provides 100% educational assistance to a maximum of four children in any one year. Employees are also encouraged to relax and socialize outside their regular work place by enrolling themselves and their family towards club membership in Doha. Annually, the management arranges one social gathering with the employees and its family members with various activities and prize distribution.

Nakilat ensures the safety and welfare of its employees by participating in the safety awareness quiz which is mandatory. Employees also enjoy full medical coverage, group life insurance and workman compensation.

Highlights from JVs

- In NDSQ we have 824 employee from different nationalities including Qataris where 20 employee are females. Presently, there are four Qataris in our workforce and they are contributing immensely to the growth of the company. The number of female employees has risen to 20 over the year despite the male dominating activities in ship building industry.
- In 2014, training hours to N-KOM Staff increased significantly compared to the year earlier. Training hours includes the number of training programs conducted, total training hours and the total number employees trained. N-KOM believes that equipping its employees with knowledge and practical skills to carry out work-related tasks and will improve their work performance, build commitment and enable them to fulfill their potential within their Section.

N-KOM training statistics

	Year 2013	Year 2014
Number of Training Programs	96	200
Number of employees trained	1,524	8,154
Total Training (Man-hours)	27,860	122,375

- N-KOM Vision 2020 Leadership Development programs

Mentoring and Coaching: This program focused on equipping N-KOM Engineers and Executives with the competencies, skills, knowledge and attitude to be an effective coach to evaluate the performance and unleash the potential of N-KOM Staff to achieve optimum performance at the workplace.

Senior Leadership Program: Conducted in June and August 2014, the program was attended by senior management and a select group of middle managers. They were provided with a common language, framework and techniques to effectively plan and manage the yard, achieve targets, desired standards of behavior and implementation strategic and operational decisions.

Change Agents Program: This program focused on building N-KOM's internal capacity to communicate and engage NKOM staff on V2020 related initiatives and programs by developing a group of 48 employees as 'Change Agents' to further the cause of N-KOM's V2020.

Diploma (Conversion) in Marine and Offshore Technology (DCMOT) Programme: N-KOM also sponsored budding talents: Suramya Khilnani (Project Engineer) and Ashutosh Gugnani (Planning Engineer) from Marine and Off-shore divisions for the Keppel Offshore & Marine (KOM) Diploma—Conversion in Marine & Offshore Technology (DCMOT) course in Singapore. The four-month long course was conducted by KOM in partnership with Ngee Ann Polytechnic for the second consecutive year for high performing staff from KOM's overseas and local business units .

Keppel's Inspiring Leader Summit: Two Projects Managers, Akash Malhotra from Offshore division and Mohamad Abdelmonem from Marine division were also selected to represent N-KOM at Keppel's Inspiring Leader Summit held in Singapore from 19-28 June 2014. The summit culminated with the Outstanding Keppelite Award. Mohamed Abdelmonem was one of the three recipients for this prestigious award, which recognizes employees with exemplary core values and outstanding work performance .

Industry Training and Certification: As part of our people development program and with the aim of becoming the Centre of Excellence for Gas Solutions, N-KOM also partnered with French engineering company Gaztransport & Technigaz (GTT) to provide intensive industry training and certification to a select group of welders and engineers that enhance our suite of services in welding works for cargo tank membranes and ensure self-sufficiency for repairs carried out on various LNG containment systems.



9.1 Supplier Management

The Supply Chain Management (SCM) Department Strategy is designed to align directly with NAKILAT Vision and Mission Statement consistent with the plans and priorities for Supply. Implementation and success of this strategy relies heavily upon strong cross-departmental and cross-functional collaboration and connectivity.

The strategy is developed to enable NAKILAT maintain a competitive position and earn a high return of its investment through effective and efficient management of 3rd party spend for supplies and services.

SCM strives to ensure a business need is sourced and supplied competitively while maintaining continuity and contingency of supply and applying rigorous supplier performance management processes. Priority is given to local businesses where supplied goods and services are competitive.

In addition, SCM endeavors to optimize the working capital invested in the inventory and to align the procurement effort with NAKILAT JV companies to ensure consistency and process standardization and to secure a higher commercial advantage.

Wherever possible and in particular for corporate procurement to develop long term call off contracts to avoid repetitive purchasing and reduce transactions.

9.2 Supplier Selection

Our ability and success to be a safe and accountable LNG/LPG carrier depends in part on the capability and performance of our suppliers and contractors.

Suppliers and Contractors support us to carry out our operations and to deliver our commitments. This requires rigorous selection processes and reliable performance management system.

NAKILAT's general policy is to procure goods and services and place contracts via competitive tender process (either via public or on a restricted basis), in addition to other procurement strategies and tactics based on the type and the nature of the requirements with the potential of adding value to NAKILAT.

The supplier selection and evaluation process requires a significant amount of effort and financial and human resources. In return, NAKILAT expects significant benefits from contracting with suppliers/contractors consistently offering high value and quality.



Pre-qualified bidders must pass the technical evaluation criteria and fulfill all pre-defined technical requirements and criteria in order to be eligible for the commercial analysis consideration. At this stage, the commercial evaluation will not only consider the price; but the total-life cost elements as part of the overall evaluation as and where applicable and select the bidder which offers best overall value.

From this perspective, the SCM mission is not only important but also challenging. SCM together with the originating department is required to identify and agree what is the "best overall value" for the organization, and execute procurement decisions accordingly.

Ethics:

Our contractors have to comply with the Legal requirements and to perform consistently with the rules and principles of the NAKILAT Code of Conduct when they work on our behalf.

All our orders and invitation to tenders include a statement and/or provision indicating that NAKILAT intends to make its business dealings characterized by honesty and freedom from deception and fraud and that it finds unethical behavior unacceptable.

To reinforce our commitment to high ethical standard, all NAKILAT employees are required to complete the "Business Ethics and Conduct Personal Compliance Form" on an annual basis.

As NAKILAT, we aim to create an open environment where our employees, 3rd parties and any other person or entity we deal with has the right to speak up whenever they believe that our code of conduct or any other legal requirement could be or has been violated.

9.3 Supplier Diversity

In line with Qatar National Vision 2030, NAKILAT business and operations support creating jobs and opportunities for many local and international suppliers. We therefore believe that we have a positive role to play in helping to build the required skills and capabilities of mainly local businesses and in developing the local supply chain in order to support NAKILAT business and to compete in supplying goods and services associated with the LPG and LNG operations and corporate business demand.

To support the sustainability objectives, it is important for NAKILAT to diversify its supply base while promoting the use of local suppliers (where appropriate).

Almost 99% of VSU and NAC procurement is done locally, which represents a direct contribution to local supply chain enrichment and development.

An important portion of our spend, however, is derived from marine procurement to support the vessel operations.

During 2014, approximately 60% of the goods and services were sourced locally whereas 40% has been procured from international suppliers based on the vessel's international location. In future and to support self-sufficiency, we intend to broaden our local supply base and aim toward encouraging strategic international marine suppliers to be established in the State of Qatar.

We have conducted a number of studies involving some major OEM's in the marine industry to support our vision in creating a marine hub in the country.

9.4 Greening the Supply Chain

There is a growing need for integrating environmental elements into supply chain management.

Whenever possible, NAKILAT and its JVS are consolidating their demand in order to place single contracts gaining commercial advantage based on economies of scale. This also greatly supports our green procurement initiative since it removes much paperwork and effort and increases efficiency.

NAKILAT SCM is directly contributing towards the environmental protection by requesting (whenever appropriate) electronic submissions from tenderers to decrease and even eliminate the usage of paper. In addition, instruction has been given to our freight forwarder to consolidate shipments wherever possible.

NAKILAT purchase orders T&Cs includes a provision regarding the packaging of dangerous or hazardous goods which needs to be undertaken in accordance with the IMDG code, IATA/ICAO regulations and technical instructions and any relevant Maritime & Coastguard (MCA) guidance notes. Furthermore, all spares supplied by our main suppliers to the ships are 'Asbestos free'.

9.5 Suppliers & Contractors Management (SPM)

NAKILAT's basic Supplier Performance Management process has been established to ensure the value obtained during the pre-award stage is retained during the post-award stage while creating goodwill and enhancing NAKILAT's reputation for fairness and integrity in our dealings with our suppliers and contractors.

We work to establish long-term relation in line with specific contracts with strategic and selected contractors. We are incorporating key performance indicators (KPI) for these contracts covering areas such as: safety, quality and continuous improvement. These KPIs are monitored and discussed during the regular performance review meetings along with the results of the customer feedback obtained through satisfaction surveys. These performance review meetings provide a solid foundation to ensure a two-way communication is maintained and serve as a forum where a challenge or an opportunity is proactively discussed and managed for mutual benefit and value added.

NAKILAT intends to extend the SPM and apply to more of the spend categories and introduce automation through SRM (Supplier Relation Management) activated within NAKILAT existing SAP system.

9.6 What we plan to do next

With NAKILAT business and income projected to expand and rise, SCM challenge is to manage and meet business demand securely, sustainably and affordably. To realize the benefits and to send clear messages to suppliers regarding its business requirements, it is imperative for NAKILAT to lead the way by own example and demonstrate its strong commitment by integrating sustainable procurement approaches into its day-to-day procurement activities.

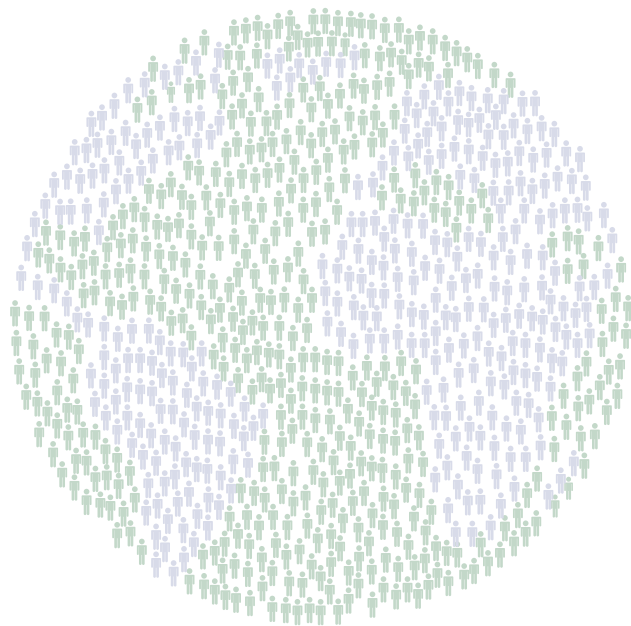
Going forward, we shall consider enhancing and promoting the principles of sustainable procurement throughout our supply chains as follows:

- We will look for opportunities to continue to support the local supply market and will reinforce the application of a whole life costing approach to our procurement, encouraging international marine OEMs to establish in the country to support the development of a marine hub in Ras Laffan.
- We will introduce automation through SRM (Supplier Relation Management) activated within NAKILAT existing SAP system.
- While we have always ensured that our procurement activities are being more environmentally friendly, we shall monitor the local and international legislative and industry developments on environment and take proactive approach in adopting adequate measures, including revising and updating our model contract and other standard templates specifically instructing suppliers and contractors to use bio-degradable packaging and/or other recyclable materials.
- We will continuously seek to identify and manage risks in the supply chain and address those in our policies and procedures.





SUSTAINABILITY
MATTERS



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