

# SUSTAINABILITY REPORT 2016



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# SUSTAINABILITY AT NAKILAT

**1.1 MESSAGE FROM CHIEF EXECUTIVE OFFICER**

We are pleased to present to you Nakilat's Sustainability Report for the year 2016. Nakilat takes pride in contributing to the overall sustainable development of the industry and the nation, through its primary role of transporting clean energy and diverse range of initiatives geared at sustainability. Recognizing the importance of growing the maritime industry in Qatar, Nakilat has taken steps, amidst the challenging market conditions, to expand its ship management operations. A fleet transition agreement was signed for Nakilat's wholly-owned LNG carriers to be transitioned in a phased manner from Shell International Trading and Shipping Company Limited (STASCO) to Nakilat Shipping Qatar Ltd. (NSQL) and by the end of 2016, Nakilat will have assumed full ship management of four Q-Max LNG carriers.

This strategic move not only enhanced Nakilat's growth and robustness in Qatar's LNG supply chain, but also created more opportunities for maritime vendors and suppliers to venture into Qatar, thus contributing towards the growth of the local maritime industry and support cluster.

In 2016, a comprehensive 'Incident and Injury Free (IIF)' safety programme was launched to further boost our efforts at creating a strong safety culture, and ensure that we operate in a safe, reliable and efficient manner. The programme aimed to bring about transformation which results in a performance consistent with an authentic commitment to work without any injuries or incidents. The success of this programme is well reflected from the lost time injury frequency (LTIF) and total recordable case frequency (TRCF) rates of our wholly-owned and managed fleets, which have been consistently below the set targets, and are among the best in the shipping industry. Our fleet also complies with the highest international codes and standards, to protect the safety of both our people and environment.

The company's sustainability drive also extends to its strategy for human capital development. With an emphasis on National Development, Nakilat has implemented various unique programs to attract, retain and develop our diverse workforce which is further deliberated in this report. In 2016, Nakilat achieved a Qatarization rate of 37.6%, a testament of our efforts in developing talented Qatari men and women to be groomed and prepared for leadership roles.



Our Qatarization initiatives are not only aligned with the company's mission statement, but also with that of Qatar's National Vision 2030, which aims for the development of Qatar's workforce.

As we navigate through the challenging economic climate, financial prudence will become increasingly significant to us, nevertheless equally important is the commitment to sustainability – addressing the needs and concerns of our employees, society, stakeholders and the environment. The company will continue to focus on operational efficiency by leveraging on consolidated resources, utilizing the best of its workforce, technology, and business processes, to effectively respond to the changing market forces.

We thank our board of directors, shareholders, employees and stakeholders for the continued support as we aim towards achieving more milestones towards the sustainable growth of our company.

**Eng. Abdullah Al-Sulaiti**  
 Chief Executive Officer

### 1.2 OUR APPROACH TO SUSTAINABILITY

Nakilat and its joint ventures (JVs) are committed to the Qatar National Vision 2030, which outlines the development of a sustainable future for the State of Qatar. Nakilat's gas-carrying fleet plays a critical role as the essential transportation link for the country's energy strategy. Our activities at Erhama Bin Jaber Al Jalahma Shipyard continue to make significant contributions towards the diversification of Qatar's economy.

Nakilat's activities are guided by the company's commitment to sustainability and in supporting the success of the Qatar National Vision 2030. In accordance with Nakilat's Mission and Vision statements and with its Safety, Health, Environment and Quality (SHEQ) policy, this sustainability 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 Joint Venture's (N-KOM & NDSQ) operations and initiatives unless otherwise indicated. The period covered by this Report is from January to December 2016, 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	<ul style="list-style-type: none"> <li>• Regular forums &amp; meetings with partners.</li> <li>• Close contact with charterers is maintained including regular meetings and by our participation in key industry events</li> </ul>
Customers	Charterers include Qatargas, RasGas, ExxonMobil, Shell, and international companies	Close contact with charterers is maintained through regular quarterly meetings and a customer satisfaction survey twice per year.
Employees	More than 250 employees at Nakilat, and 1,856 employees at JVs	Annual Employee Forums, regular surveys and questionnaires
Suppliers	More than 200 suppliers	An emphasis on procurement from the local market.
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 to protect the interests of investors with good Corporate Governance and keeps them informed about its financial state of affairs through publishing Quarterly & Annual financial reports on the Qatar Exchange and in leading local newspapers.

### 1.5 AFFILIATIONS & MEMBERSHIPS

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

- SIGTTO-Society of Gas Tanker & Terminal Operation
- Qatar Petroleum
- British Safety Council
- Ministry of Defence
- Al Khor Traffic Department
- Abdullah Bin Hamad Al-Attiyah Foundation



# GOVERNANCE, ETHICS & COMPLIANCE



## 2.1 CORPORATE GOVERNANCE

### 2.1.1 Vision Statement

To be the global leader and provider of choice for energy transportation and maritime services.

### 2.1.2 Mission Statement

To maximize shareholder value by:

1. Safely, reliably and efficiently provide shipping and maritime services
2. Protect the environment where we work
3. Maximize shareholders return through optimized investment opportunities
4. Exceed customer expectation through strong partnership
5. Foster passionate collaboration and capture synergies among the Nakilat family
6. Invest in human capital; attracting, retaining and developing our workforce with an emphasis on national development
7. Contribute to and support Qatar National Vision 2030

### 2.1.3 Values

• <b>Safety</b>	Incident and Injury free
• <b>Passion</b>	Strong commitment towards continuous improvement
• <b>Integrity</b>	Honesty with sound moral principles
• <b>Respect</b>	Value others' diversity and perspective
• <b>Encouragement</b>	Be motivated and motivate people around you

### 2.1.4 Corporate Objectives for 2016

The following Corporate Objectives for 2016 have been established, in order to realize the Company's Mission, Vision and 5-Year declared future:

1. Industry Leading Safety Performance
2. Execute Corporate Branding and Marketing Campaigns
3. Implement and Execute LNG Carrier Transition Plan
4. Operational Excellence and Improvement of Corporate Infrastructure
5. Capture Synergies
6. Capture Measured Business Growth Opportunities
7. Leverage Organizational Capability and Human Capital
8. Cost Optimization



### 2.1.5 Safety, Health, Environment and Quality (SHEQ) Policy

At Nakilat, we value our people, partners, shareholders, customers, suppliers, community and the environment. We 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 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

## 2.2 ETHICS AND COMPLIANCE

This Code of Business Ethics and Conduct (Code) summarizes the standards that must guide our actions. These standards represent company policy and establish conditions for our employment. The company is committed to a policy of fair dealing and integrity in all aspects of its business. When acting on the company's behalf, employees must comply with all laws, behave with integrity and treat all organizations and people in a fair and honest manner. The company expects its suppliers and contractors to adhere to a code of conduct equivalent to provisions of this policy.

All employees are required to complete an annual certification statement to declare that they have read and understood the principles of the Code of Business Ethics Policy, and that are compliant with these principles.

This exercise is conducted annually by 31<sup>st</sup> March of each year. Nakilat's Ethics and Conflict of Interest Committee is responsible of ensuring the application and compliance with the Ethics Policy, and for reporting and investigating any case of violation with regards to conflicts of interest.



# COMPANY PROFILE

## 3.1 CORPORATE OVERVIEW

Nakilat is a Qatari shipping and maritime company providing the essential transportation link in the State of Qatar's liquefied natural gas (LNG) supply chain. Its LNG shipping fleet is the largest in the world, comprising of 63 LNG vessels. In addition, Nakilat manages and operates four very large LPG carriers which Nakilat jointly owns with Milaha.

Nakilat's core business of shipping Qatari LNG to global markets is key to our company's strength. Our LNG fleet represents one of the world's newest and largest LNG fleet, with all vessels incorporating state-of-the-art technology to ensure the safe, environmentally sound and cost effective transportation of LNG. The vessels represent a total investment of about US \$12 billion by Nakilat, which comprises 25 wholly-owned LNG ships and 38 joint-venture LNG vessels that have a combined aggregate carrying capacity of around thirteen million cubic meters of LNG cargo space.

A fleet transition agreement was signed for Nakilat's wholly-owned LNG vessels operated by Shell International Trading and Shipping Company Limited (STASCo) to be transitioned in a phased manner and managed in-house by our wholly-owned subsidiary, Nakilat Shipping Qatar Limited (NSQL). Four LNG carriers were successfully transitioned to NSQL management in 2016, bringing the fleet size to 12 vessels by the end of the year.

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 Ras Laffan Industrial City. Nakilat also provides shipping agency services through Nakilat Agency Company (NAC) for all ports and terminals in Qatar, and warehousing for vessels in Qatari waters via Nakilat's Vessel Support Unit (VSU). Joint venture Nakilat- SvitserWijsmuller (NSW) offers towage and marine support services at the Port of Ras Laffan and off Qatar's Halul Island.

Two major credit rating agencies, Standard & Poor's and Moody's, reaffirmed the Nakilat Inc. senior debt as AA- and Aa3 and the Nakilat Inc. subordinated debt as A+ and A1 respectively. Both Standard & Poor's and Moody's rated Nakilat Inc. only one notch below the State of Qatar, which is rated as AA and Aa2. Nakilat Inc. continues to be rated by the agencies as highly as any non-governmental entity in the State of Qatar can be rated. Nakilat's excellent rating of Aa3 by Moody's, one of the world's most renowned credit rating agencies, reaffirms its solid position in the global market.

## NAKILAT-KEPPEL OFFSHORE AND MARINE (N-KOM)

Operating the shipyard's ship repair facilities is N-KOM, a joint venture between Nakilat and Keppel Offshore & Marine, a global leader in ship repair and conversion. N-KOM repairs and maintains very large LNG carriers in addition to a wide range of other large- and medium-sized vessels. N-KOM also carries out work on off- and on-shore structures, such as jack-up drilling rigs and land rigs.



### Facilities:

• Two dry docks (360m x 66m and 400m x 80m)
• Q-Max floating dock, measuring 405m x 66m (120,000-tonne lift capacity)
• Piers and quays totaling 3,150m in length, equipped with cranes of 100m outreach
• A complete range of support facilities, such as steel shop, machine shop, cryogenic cleanroom, electrical shop, pipe shop, mechanical shop and large warehouses
• Small-sized vessel repair facility including mobile boat hoists with 300- and 1,100-tonne lift capacity

## NAKILAT DAMEN SHIPYARDS QATAR (NDSQ)

Operating the shipyard's shipbuilding facilities is NDSQ, a joint venture between Nakilat and Damen Shipyards Group, a world-renowned shipbuilder. NDSQ focuses on the construction of steel, aluminum and fiber reinforced plastic (FRP) boats of up to 170m in length. Its production capability includes a wide range of commercial vessels, such as tugs, offshore supply boats and cargo vessels, naval vessels and superyachts. Refit of superyachts and naval vessels can also be undertaken by the company.



### Facilities:

• Two air conditioned superyacht halls of 180m in length
• Construction hall of 270m in length by 65m wide
• Assembly hall of 180m in length consisting of four bays
• Outfitting pier of 400m in length equipped with a 30 ton crane
• Load-out and recovery barge with 10,500-ton lifting capacity

## 3.2 2016 AWARDS & RECOGNITION

- **Top CEO Awards**  
"Top 50 CEO's in the Gulf"
- **Chief Information Officer (CIO) 100 Awards and Forum 2016**  
"CIO 100 Award"
- **Qatar Today Business Excellence Awards (QTBEA) 2016**  
"Business Excellence Awards"
- **Global Enterprise Connect (GEC) Awards 2016**  
"Top Project Execution of the Year"
- **Lloyd's List Middle East & Indian Subcontinent Awards 2016**  
"Ship Operator" and "Environment" Award



## 3.3 MILESTONES

2004

- Nakilat is established as the shipping arm of Qatar's liquefied natural gas (LNG) sector

2005

- The company's first 2 LNG vessels are delivered
- Floatation of Nakilat shares on Qatar Exchange
- Nakilat Agency Company (NAC) Ltd. is formed, with Nakilat owning 95% of the shares

2006

- Nakilat awarded 25-year time charter by Qatargas-2 for 6 Q-Max vessels
- Nakilat awarded 25-year time charter by Qatargas-3 for 10 large LNG carriers
- Construction begins on Erhama Bin Jaber Al Jalahma Shipyard in Ras Laffan Industrial City
- Nakilat-Svitzer joint venture awarded 22-year service contract by Qatar Petroleum for the Port of Ras Laffan
- Nakilat formed a strategic alliance with Shell Trading and Shipping Company Limited (STASCO) for the management of 25 wholly-owned LNG carriers

2007

- 8 LNG vessels are delivered to Nakilat
- Nakilat takes delivery of its first Q-Flex, Al Gattara
- The company is awarded 25-year time charter by Qatargas-4 for 8 large LNG carriers
- Steel cutting for first Q-Max
- First Q-Flex vessel at Ras Laffan carrying Qatargas cargo

2008

- 21 LNG vessels delivered to Nakilat
- Delivery of first Q-Max, Mozah
- Nakilat-Keppel Offshore & Marine (N-KOM) is established

2009

- 18 LNG vessels delivered
- All 4 LPG ships delivered

2010

- 3 LNG vessels delivered to Nakilat
- Joint venture Nakilat Damen Shipyards Qatar (NDSQ) created
- Erhama Bin Jaber Al Jalahma Shipyard inaugurated

2011

- Nakilat receives ISO 9001:2008 and OHSAS 18001:2007 certification
- N-KOM and NDSQ begin operations
- N-KOM receives first Qatargas vessel, Al Wakrah
- N-KOM completes first LNG dry-docking project, Simaisma
- Gulf Drilling International and N-KOM sign major contract
- NDSQ receives ISO 9001:2008 certification to Nakilat

2012

- Nakilat assumes management of its 4 LPG carriers
- NDSQ completes construction of its first vessel, a 140m Load-Out and Recovery Barge
- First Qatari marine cadets sign with Nakilat
- NDSQ launches first 3 mooring boats of a 19-vessel order

2013

- Nakilat increases its ownership in Maran Nakilat Co. Ltd
- NDSQ signs contract to build 2 fast luxury vessels
- 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
- N-KOM wins 'Ship Repair / Shipyard' award for the second consecutive year at the Seatrade Middle East & Indian Subcontinent Awards 2013

2014

- Nakilat decides to bring commercial management of its jointly owned LPG vessels in-house and focus on term charters
- A deal is completed to further expand the Maran-Nakilat joint venture
- N-KOM signs a contract with MAN Diesel & Turbo to collaborate on the ME-GI project
- N-KOM signs a MoU with HeLenGi Engineering for the conversion of Greek ferries
- N-KOM is awarded two contracts by Gulf Drilling International
- N-KOM signs a contract with Qatar Primary Materials Company
- 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
- NKOM wins Middle East and Indian Subcontinent Awards 2014
- NDSQ signs two MoUs with Qatar Armed Forces
- NDSQ delivers the first 2 workboats to NSW and 9 vessels to Q-Ship
- 4 LNG vessels are brought under the management of NSQL

2015

- Nakilat expanded its joint venture with Maran Ventures Inc. with 2 new LNG carriers
- Nakilat signed an MoU with QDB for financing and marine export credit insurance
- Nakilat launched the talent management suite SuccessFactors
- Nakilat won the prestigious CIO 100 Awards
- Nakilat successfully completed world's first MEGI (Main Engine Gas Injection) retrofit for a Q-Max LNG carrier
- Nakilat carried out a BWMS (Ballast Water Management System) installation onboard a Q-Max LNG carrier
- N-KOM completes the repair of its 100th LNG carrier
- N-KOM delivers 2 floating jetties constructed for Qatar Primary Materials Company
- N-KOM won 3 regional awards and an award for improved Safety Culture
- N-KOM signed a fleet agreement with the Angelicoussis Group to be the preferred yard for ship repairs
- NDSQ delivered 4 vessels to NSW and 1 yacht support vessel
- NDSQ wins contract to build 11 support vessels for the New Port
- NAC reached the highest number of ad-hoc vessel calls attended, recording a 3% marginal increase to 3,007 vessels from 2,917 vessels in the year 2014
- NSW extended offshore Halul contract for 5 vessels

2016

- Nakilat signed a fleet transition agreement with STASCO for the management takeover of its wholly-owned LNG vessels
- The company achieved a net profit of QR 955 million
- Nakilat Managing Director was honoured as one of the top 50 CEO's in the Gulf at the Top CEO Awards
- Nakilat won the Business Excellence Awards at the Qatar Today Business Excellence Awards (QTBEA)
- Nakilat won the 'CIO 100' Award at the 2nd annual CIO 100 Awards and Forum 2016 and the 'Top Project Execution of the Year' award at GEC Awards 2016
- Nakilat transitioned 4 wholly-owned vessels from STASCO to NSQL management
- Nakilat signed an MoU with the Qatar Emiri Naval Forces to establish and operate a national naval center for the training of navy officers
- Nakilat won the 'Ship Operator' and 'Environment' awards at the Lloyd's List Middle East & Indian Subcontinent Awards 2016
- Nakilat achieved regional recognition for its Nationalisation initiatives at the MENA HR Excellence Awards 2016
- Nakilat received a token of appreciation from Qatar University in recognition of its partnership in the student internship programme
- N-KOM delivered a newbuild lift boat to Gulf Drilling International
- N-KOM signed strategic MoU's with McDermott International, Samos Steamship and Goltens for expansion and provision of marine and offshore services
- NDSQ signed an MoU to build a dive-support vessel for Qatar Emiri Naval Forces
- NDSQ successfully delivered 8 vessels for the new Hamad Port and a support vessel for the State of Qatar
- NAC extended its services to vessels calling at Doha and Hamad Port



# EMPLOYEES

## 4.1 TALENT MANAGEMENT

Nakilat's talent management process was defined and successfully implemented through the Performance Management system for all employees across the company.

The system was automated with the implementation of Success Factors, an SAP based platform. This involved extensive change management initiatives which required multiple learning interventions such as instructor led programs, online programs, on job trainings and many more. 2016 witnessed a successful completion of the Performance Cycle, which was implemented from end-to-end via Success Factors.

Talent Management was further extended to Talent Identification, Succession Planning and Career Progression, as well as an Employee Development initiative.

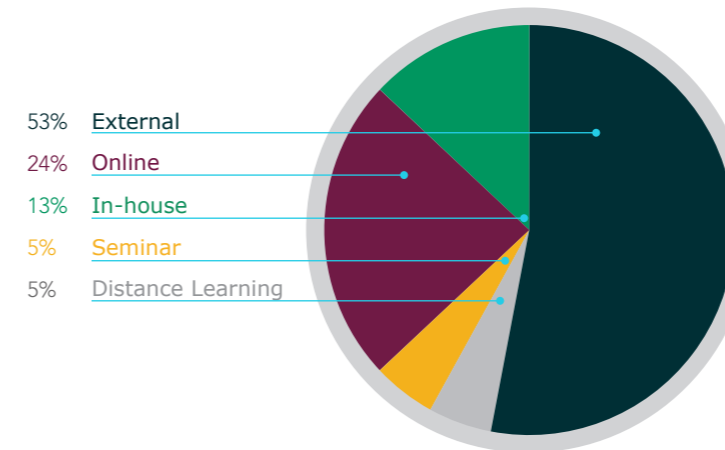
The project plan, which will be carried out throughout 2017 involves various phases such as:

- Recommending - widely validated psychometric assessment tools/instruments that are suitable to assess the behavioral and technical competencies contained in Nakilat's newly designed Competency Framework
- Developing - assessment methods and tools/instruments (such as work simulations, in-basket exercises, role plays etc.) where psychometrics would not be appropriate for assessment purposes which would be applied in the context of recruitment & selection, as well as talent identification, promotions, and personal & career development
- Assessment of Nationals using the developed and/or selected assessment methods & tools/instruments.
- Training and certification of in-house HR personnel in the appropriate use of the assessment tools/instruments in alignment to the Nakilat Governance Policy
- Setting up of an in-house Assessment center to ensure continuity and increase self-sustainability of the process within Nakilat



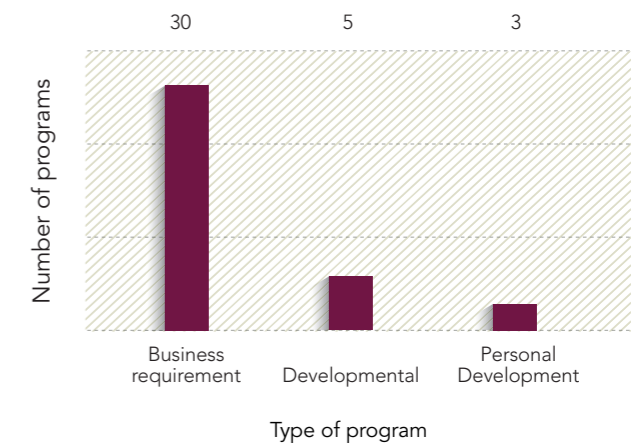
## 4.2 TALENT DEVELOPMENT

Abundance of learning interventions were administered as internal, external and online offerings in 2016. With the launch of Success Factors, the SAP based Learning Management System (LMS) module that was implemented, allowed for further expansion of Nakilat's learning interventions into the online domain.



### OVERVIEW OF TRAINING IN 2016

Total Number of Program	38
Total Attendees	2029
Training to Qatari Nationals	85%



### LEADERSHIP DEVELOPMENT

One of the key implementations in 2016 was the roll-out of Leadership Development, through which an "inside-out" approach was introduced to participants to strengthen leadership skills. The approach taught Nakilat leaders that leadership development begins with self-awareness, personal effectiveness, and personal mastery.

The first phase of leadership development was the Personal Effectiveness session, which garnered participation of 178 employees throughout the year. During this session, participants learnt to understand and manage themselves more effectively. Once participants develop advanced skills in personal effectiveness, they are in a better position to influence others towards achieving the desired objectives.

Employees without reporting responsibility were also included as part of the Personal Effectiveness target audience to create a shared understanding and common foundation that enables more effective Leadership Development.





The second phase of Leadership Development focused on Performance Coaching, which is defined as a series of guided conversations for enabling “coachee” to discover and implement personal solutions to challenging issues or areas of performance. These solutions, because they are intrinsic to the “coachee”, are more likely to succeed than solutions imposed externally by someone telling the “coachee” what to do and/or how to do them.

**Both Programs followed the “70-20-10” learning principle:**

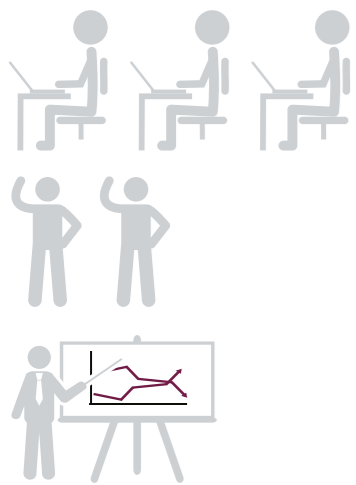
- The 2 workshops represent 10% of the learning
- 70% will be learnt through on-the-job skills practice & application
- 20% through coaching from the training provider

**Knowledge Sharing**

Nakilat’s knowledge sharing initiative is another key highlight of Nakilat’s Talent Development, where Subject Matter Experts from various departments lead and champion- knowledge sharing sessions to add value to one another.

**Among the core objectives of Knowledge Sharing sessions are:**

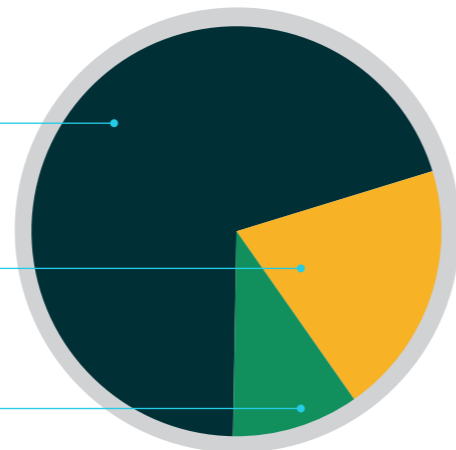
- Increase awareness of various internal processes and departmental requirements
- Promote interdepartmental and cross-functional sharing of knowledge across the organization
- Drive continuous improvement and enhance efficiency through increased knowledge and understanding
- Create an informal learning opportunity for employees in alignment to their personal and professional development plan



**70%** On-the-Job Experience

**20%** Informal Learning

**10%** On-the-Job Experience



**4.3 QATARIZATION INITIATIVE**

Nakilat achieved an outstanding Qatarization rate of 37.6% for the year 2016. This achievement is a testament to Nakilat’s strategic multi-dimensional approach in attracting, developing and retaining Qatari nationals into the maritime industry.

**Key highlights of Nakilat’s Qatarization initiative for 2016 include:**

- Placement of 75% of Nationals in permanent roles, indicating a healthy and sustainable talent pipeline achieved for the short, medium and long-term
- 67% of Nationals occupying senior roles
- 38.3% of Nationals employed at Nakilat comprise of females, which makes Nakilat having the highest ratio female representation of Female Nationals in both Oil & Gas and Maritime Sectors
- 3<sup>rd</sup> place for 2016 HR Excellence Awards in the MENA region for Nationalization Programs and Initiatives
- Highest number of National Developpees recruited and placed in their target roles. A total of 7 new National Developpees were recruited and 5 National Developpees graduated and were placed in their target roles. Currently, 9 National Developpees are going through the National Development Program
- Internship Program opportunities for talented Nationals and Non-Nationals
  - o Selected interns joined Nakilat from different institutions including Qatar University, CMUQ, College \ workplace experience through their host Divisions in IT, Supply, Commercial & Planning, Fleet Management, Legal, Human Resources and Public Relations
  - o A total of 8 interns were identified in 2016, with 60% of them being females
  - o In addition to having exposure within these specific disciplines, Nakilat team structured the internship Program to ensure that interns gain broad business experience across other functions and learnt through the delivery of tangible work outputs. They also received constructive feedback throughout their time with Nakilat, both formally and informally
- **Supporting Qatar’s Education sector through unique sponsorship programs:**
  - o Both full time and part time opportunities were explored by Nakilat in 2016, providing opportunities for National undergraduate and post-graduate students
  - o One of our employees was sponsored to complete an Office Administration program with College of the North Atlantic Qatar (CNAQ)
- Strong engagements across all National Programs through various platforms such as the Annual National Forum, Marine Cadet Forum and Focus Groups, to promote diversity and inclusion, as well as recognize promising Nationals





### 4.3.1 Marine Cadets Program

The most significant investment that Nakilat has made since 2011 is providing scholarships for those enrolled in our Marine Cadet Program (MCP). Nakilat has been investing in this four-year sponsorship program at the International Maritime College of Oman (IMCO), which is intended to give high school graduates in-depth exposure to Maritime studies and sea-going life. Upon completion, it is expected that Marine Cadets will take up careers aboard our vessels in either the Chief Engineer or Ship's Captain career streams.

- Two cadets are expected to complete their graduation project about 'Auto tracking of personnel onboard' in 2017. Upon the approval of their project and the completion of their outstanding sea time, they will be awarded with Officer of the Watch (OOW) Certificate of Competence and will then be able to join our vessels as Third Officers.
- 12 cadets (both Marine Engineers and Deck Officers) will have completed their sea time and graduation projects by the end of this year and subsequently appointed as Third Officers or Fourth Engineers on Nakilat's Vessels.
- **Topics of graduation projects included:**
  - a) Modern safety measures for roll-on/off vessels and self-inflating and hydraulic Pontoons
  - b) Mobile display unit for Radar and Electronic Chart Display and Information System (ECDIS)
  - c) Proposals for improvement of gas cooling system on LNG carriers

### 4.4 EMPLOYEE RELATION AND RECRUITMENT

The Employee Relations team extends services to all employees in Nakilat and its Joint-Ventures. Employee requests range from application of loans, post-confirmation benefits and allowances request to letter requests. With a keen focus on improving service to employees, all requests have been automated to reduce processing time and improve efficiency. Personal files of employees are recorded and updated through a well-maintained e-filing system.

The Employee Relations team manages all HR Systems such as SAP and Success Factors. Through deployment of such effective in-house resources, the company has successfully filled up vacancies with the right talent.

### 4.5 REWARD & ORGANIZATIONAL DEVELOPMENT

Nakilat reviewed and updated its full set of Job Descriptions to ensure alignment with the recent changes introduced in Nakilat's strategy and hence its organizational structure.

A comprehensive Technical Competency Framework was developed to cater for several HR initiatives, such as recruitment, performance management, learning and development, career and succession planning. Furthermore, the company is also currently working on developing Nakilat Behavioral and Leadership Competency Framework to promote soft skills as a complement to technical skill training.

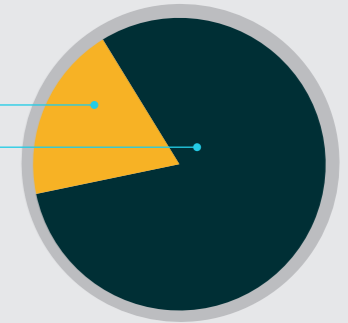
In addition to the above, Nakilat launched several initiatives and projects during 2016, which are still in progress and planned to be finalized within 2017, such as:

- Nakilat Employee Engagement Survey
- Nakilat HR Policies and Procedures
- Nakilat Employee Handbook

### NAKILAT GENDER DIVERSITY:

80.5% Male | 223 FTE  
19.5% Female | 54 FTE

\*FTE: Full - Time Employees

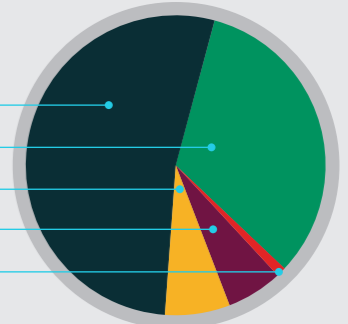


### N-KOM DIVERSITY

In 2016, 22 nationalities were employed at N-KOM. The company is committed to creating an equal opportunity and professionally challenging work environment for its diverse workforce.

### Nationality Breakdown

53% Bangladeshi  
33% Indian  
7% Others  
6% Filipino  
1% Singaporean

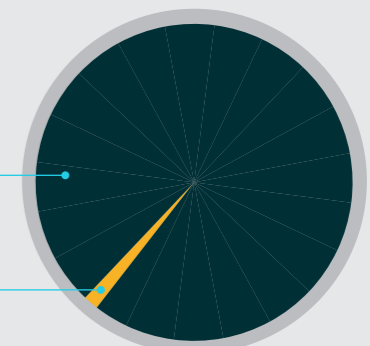


### Others

Nationality	No. of employees	Nationality	No. of employees
Azerbaijani	1	Somali	4
Belgian	1	Ghanian	3
Portuguese	1	Qatari	8
KSA	1	Egyptian	9
Ukrainian	1	Singaporean	9
Greek	2	Nepalese	9
Pakistani	1	Sri Lankan	21
Algerian	3	Burmese	33
Ethiopian	2	Filipino	101
Indonesian	3	Indian	519
Malaysian	3	Bangladeshi	846
<b>Total</b>		<b>1,582</b>	

### Gender Diversity

Male 97.66%  
Female 2.34%





**4.6 WORK LIFE BALANCE AND EMPLOYEE ENGAGEMENT**

Nakilat's employees receive an overall remuneration package in accordance with the Allowance and Benefits Policy & Procedure, in accordance with their status in the State of Qatar. At the time of joining, the Human Resources team prepares an induction session for the employee to help them familiarize with the environment, culture, job, benefits and allowances, as well as the overall organization structure and company's progress to date.

For example, Nakilat provides full educational assistance to a maximum of four children in any one year. Employees are also encouraged to have a healthy lifestyle and socialize outside their regular work place, by enrolling themselves and their families in Club memberships in Doha.

Nakilat and its JVs regularly organizes social gatherings with employees and their family members, such as activities during Qatar National Sports Day and competitive sports in various games such as basketball, football, cricket and more.

Nakilat ensures the safety and welfare of its employees through raising awareness by encouraging their participation in Safety Awareness quizzes, which are mandatory for all. Employees also enjoy full medical coverage, group life insurance and workman compensation.



**HIGHLIGHTS FROM OUR JVs**

**Sports Activities**

**N-KOM**

In conjunction with the annual Qatar Sports Day, Nakilat-Keppelite Recreation Committee (NKRC) organized the 5th N-KOM Sports Day. Employees participated in group exercises, a mass run and various sports activities at N-KOM Residence.

NKRC also arranged a variety of sports tournaments such as basketball, football, cricket and a trial session for sepak takraw.

**NDSQ**

NDSQ held a number of sporting activities events to encourage a healthy lifestyle amongst their employees in conjunction with the Qatar National Sports Day.

**Community Events**

N-KOM employees participated in various community events such as Entertainment and Talent Evening Show, Eid festivities and celebrations, Qatar National Day activities, Gulf Cooperation Council (GCC) Traffic Week celebration, photography competitions and various socio-cultural events in Doha, LGV (Laffan Global Village) and Al Khor.

**Employee Engagements**

N-KOM Management displayed their commitment to safety and sustainability during the CEO and GMO (General Manager -Operations) rallies held twice in 2016. About 800 employees across all levels were involved in the sessions, themed "One Family, One Vision" and "Thinking, Learning, Performing." During these events, recognitions and commendation letters were presented to selected employees whom demonstrated exceptional performance in the areas of Safety, Quality, Productivity and Sustainability areas.

Another CEO Rally and Mass Tool Box Talk was conducted later in the year, with the theme "Stop Unsafe Work", to empower employees with the right mindset and tools to ensure safety of everyone at work.



# ENVIRONMENT, HEALTH & SAFETY

## 5.1 PROGRAM OVERVIEW

Nakilat continued its efforts to uphold its Safety, Health and Environmental and Quality (SHEQ) performance in 2016 through establishment of a uniform reporting platform for all Nakilat companies and joint venture interests. The company set stringent SHEQ targets for its activities to be reported, monitored and assessed against. Nakilat and its joint venture companies' SHEQ performance was favorable compared to the industry average in the industry group sectors.

Nakilat successfully underwent external audits to verify compliance to ISO 9001 for Quality Management, OHSAS 18001 for Occupational Health and Safety, ISO 14001 for Environmental Management, as well as obtained Institute for Supply Management (ISM) certification for the fleet. All ISO and OHSAS certifications are awarded by Lloyd's Register Quality Assurance (LRQA).

## 5.2 ENVIRONMENTAL PERFORMANCE

Environmental performance is an essential element of Nakilat's SHEQ Management System. It provides the mechanism for us to ensure 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 the company's environmental performance to Nakilat's Senior Management, including key information towards our 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 has 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



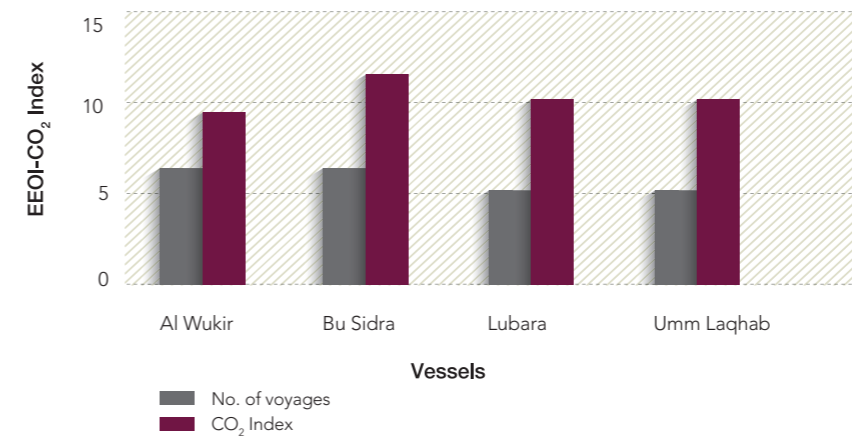
For environmental reporting to be of value, source data must be accurate and collected systematically, including appropriate data analysis procedures.

The environmental performance data collected, together with health and safety performance data was used to compile the annual SHEQ Status Report.

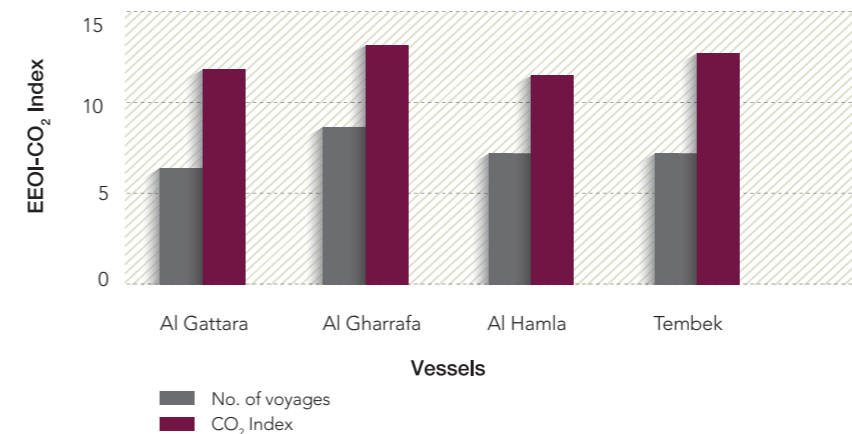
**In addition to the formal reporting of environmental performance for review/benchmarking purposes, it is widely recognized that reporting on environmental performance has significant benefits which include:**

- 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

NSQL LPG EEOI-CO<sub>2</sub> Index – 2016



NSQL LNG EEOI-CO<sub>2</sub> Index – 2016



**HIGHLIGHTS FROM OUR JVS**

**Ambient Air Quality Monitoring**

In order to ensure that emissions to the ambient air are within the statutory limits, N-KOM monitors several ambient air quality parameters. N-KOM's Aromatic Hydrocarbon production levels are well below the prescribed limits. N-KOM tracks and ensures that its operations produce minimal pollutants as shown below.

Parameters		Min	Max	Average	Applicable Standards
PM10(µg/m3)		61	125.4	92.2	150 µg/m3(A)
PM2.5(µg/m3)		16.4	39.5	27.1	35 µg/m3(D)
SO2 (µg/m3)		7	13.3	9.6	365 µg/m3(A)
NOX (µg/m3)		9.75	28.67	16.07	150 µg/m3(A)
CO (µg/m3)		135.79	265.46	214.21	10000 µg/m3(B)
VOC (µg/m3)		0	42	6.13	NA
Aromatic Hydrocarbon (ppb)	Benzene	-	-	0.70	0.24 PPM (240 ppb) (160 µg/m3)
	Toluene	-	-	<0.40	
	Ethyl benzene	-	-	<0.47	
	Mp-xylene	-	-	0.55	
	o-xylene	-	-	<0.47	

**NDSQ Electricity Consumption**

NDSQ had various measures in place to utilize the electrical power efficiently and to optimize the electrical power consumption. For example, the HVAC system for the building which house office, plant and equipment are equipped with most modern and automatic climate control system. The shipyard's Superyacht buildings (15,000 m²) is a fully centralized air conditioned facility equipped with most efficient environment friendly heating, cooling & ventilation system. The building has centralized programmable logic controller (PLC) based Building Management System (BMS).

**In addition to the above, NDSQ adopted several methods such as:**

- A campaign to switch off all electrical appliances at the end of working day to help save electrical consumption
- State-of-the-art technology is deployed, particularly for energy saving systems (e.g. welding equipment with inverter technology with far lower current consumption than the conventional machines)
- The major prime movers "electrical driven" with higher power consumption ratings are driven by Variable Frequency Converters (VFD) and equipped with most modern electrical starters to facilitate energy saving
- Utilization of energy-saving lamps and light-emitting diode (LED) lamps



**Marine water quality monitoring at N-KOM**

N-KOM conducts water quality monitoring at 5 different locations along its shoreline. Water samples from each location are tested for parameters such as Total Suspended Solids (TSS) and pH value. On average, N-KOM's TSS value does not exceed 3.0 mg/l when compared with the Ministry of Municipality and Environment (MME) limit of 35 mg/l. Also, the water samples' pH value has always been within pH 6-9, in compliance with Qatar's MME regulation.



### 5.3 HEALTH & SAFETY PERFORMANCE



Nakilat places safety and health of employees at the top of its agenda, as it is paramount to the success of the organization. Nakilat has been increasing safety and health awareness focus on high risk areas, as well as enhancing safety measures at sites and areas of work with high rates of injury. Safety related initiatives were conducted to advocate “zero accidents” mentality amongst the employees.



Nakilat adopts a standard internal online reporting tool to document and thoroughly investigate injuries and illnesses from end to end. The tool helps us analyze root causes and take corrective actions to prevent recurrence.

Nakilat’s distinct attention to SHE elements and quality systems is further exemplified by the seamless ship management transfer of four Q-Max LNG vessels under Nakilat Shipping Qatar Limited (NSQL), a wholly-owned subsidiary of Nakilat in 2016.

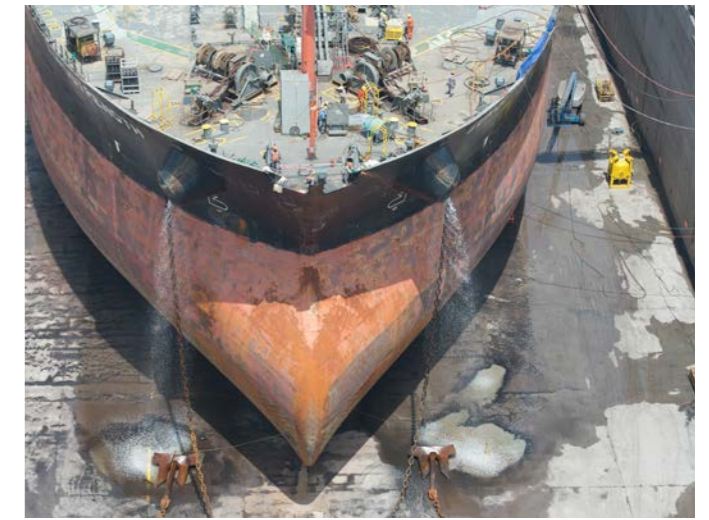
To qualify for managing the world’s largest and complex Q-Max LNG vessels, Nakilat had to undergo a rigorous and stringent audit process, which was completed successfully, permitting the vessel transition to Nakilat’s in-house management. The smooth transition reflected the company’s detailed and in depth change management plan, executed flawlessly and guided by a strong corporate safety culture.

NSQL’s LPG vessels continue to operate at the highest SHE standards. The quality of the vessel operations attracted the attention of industry leading corporations such as Shell and ExxonMobil. In October 2014, ExxonMobil conducted a Tanker Management and Self-Assessment (TMSA) review of NSQL, subsequently making these vessels eligible for ExxonMobil service. It was one of the most significant milestones in Nakilat’s continued operations as a reliable energy transporter and ship manager.

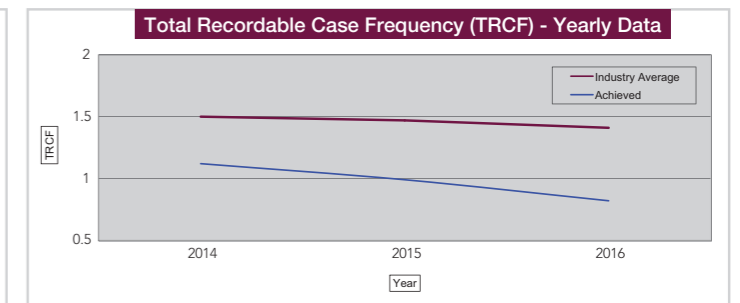
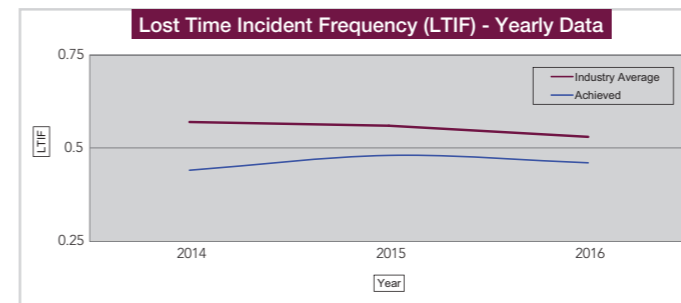


Nakilat successfully underwent external audits to verify compliance with ISO 9001, OHSAS 18001 standards and ISM certification for the Fleet. Nakilat also completed the certification audit and obtained ISO 14001 certification for Nakilat Corporate Office and NSQL.

Nakilat’s remarkable safety record and vessel reliability is a testament of the company’s steadfast commitment on safety, health and environment. Nakilat’s LNG fleet achieved a Lost Time Injury Frequency (LTIF) of 0.14 and Total Recordable Case Frequency (TRCF) of 0.14, while the Nakilat-managed LPG and LNG fleet has achieved LTIF of 0.46 and TRCF of 0.92. These figures are below the set target average LTIF of 0.50 and TRCF of 1.00, and are among the best in the shipping industry.



#### Nakilat Safety Performance (From Jan 2014 to Dec 2016)



#### INCIDENT & INJURY FREE (IIF) PROGRAM

To further strengthen our commitment to Safety, Health, Environment & Quality (SHEQ), Nakilat implemented an Incident and Injury Free (IIF) program throughout the organization including its local joint venture companies.

The purpose of Nakilat’s IIF program is to challenge the perception that incidents and injuries are simply a “part of the job.” IIF Program includes working with leadership teams and employees at all levels to change people’s mindsets, processes, culture and organizations. The intention of this program is to bring about transformation which results in a performance consistent with an authentic commitment to work without any injuries or incidents.

IIF combines conventional techniques used to improve safety in processes, practices and individual behaviors with an exploration into how people think, feel and relate themselves with safety. Strong belief in IIF approach leads to a safer, healthier and more productive workforce with stronger relationships among the employees in the organization. This inevitably enhances Nakilat’s corporate safety culture.

A two-day IIF Engagement workshop was conducted for identified employees, designed to establish a solid foundation whereby creating an incident and injury free environment is entrenched in the minds of each individual.



**GREEN AWARD SURVEYS FOR NSQL VESSELS:**

In 2016, Nakilat LNG carriers Al Hamal, Al Gattara and Al Gharaffa completed their second annual survey of the Green award without non-compliances.

The Green Award certifies ships that are extra clean and extra safe. The Green Award Certification procedure is carried out by the Bureau Green Award, the executive body of the independent non-profit Green Award Foundation. The procedure involved an assessment that focuses on crew, operational, environmental and managerial elements. Nakilat embarked on the journey of achieving Green Award Certification for its vessels since 2015.

**SIGNIFICANT MILESTONES**

- Nakilat Agency Company (NAC) continued its outstanding safety track record and remained Lost Time Injury (LTI) free for 11 years. NAC successfully completed 1 Million LTI Free Man-hours, with zero LTI since its inception. NAC, which has now extended its services to all ports and terminals in Qatar, is recognized by local authorities for its high safety standards, reliability and effectiveness
- NDSQ clocked 10 Million Safe Man-Hours in 2016, and has been LTI free since its inception in 2011
- NSW recorded more than 3.5 Million Safe Man-Hours since the last LTI on 15<sup>th</sup> May 2014

**HIGHLIGHTS FROM OUR JVs**

**N-KOM**

On 29<sup>th</sup> September 2016, the N-KOM Safety Training Centre was inaugurated by Nakilat Managing Director (MD). The training center aims to provide a conducive avenue for employees to better visualize, learn and be exposed to the inherent hazards in the shipyard environment and how to prevent or mitigate them. Custom-made models and exhibits at the training center were created using scrap materials and in-house resources, to create a realistic atmosphere for employees to better visualize and identify hazards and implement relevant interventions.

At the same event, N-KOM also launched the ‘Stop–Eliminate–Start’ program. The program was designed to instill safety ownership and empower employees with the authority and responsibility to stop work, eliminate hazards before starting work and refrain any personnel (staff, sub-contractors or service engineers) from performing tasks or activities that would pose undue risks to themselves, their co-workers or the environment.

N-KOM shared these safety values with its various sub-contractors to emphasize the utmost priority to safety and health of everyone, as well as ensure their compliance to the safety procedures when working at the shipyard.



**NDSQ**

NDSQ coordinated programs and services to promote good health habits and a healthy lifestyle amongst employees, as well as to address health issues. NDSQ employees are offered health screenings which include basic tests, such as blood pressure measurement, full cholesterol profiling, and optional comprehensive screenings before they are recruited. In addition, employees are required to be certified fit through regular health assessments by the company’s occupational nurse before they can take on strenuous work.

NDSQ also arranged health awareness programs on health risks of smoking and published various health alerts.

Emergency response drills are an effective way to improve emergency planning and communication. Emergency drills and exercises ensure that responsible team members are familiarized with emergency plans and protocols, keeping our First Intervention Team (FIT) very sharp and alert.

**NDSQ recorded 9 emergency drills and exercises in 2016, comprising of:**

- 1 Environmental drill
- 4 Evacuation drills
- 1 Fire, Explosion & Gas Leak – Fire Fighting drill
- 2 Medical Rescue drill
- 1 Security Threat drill



# NAKILAT FLEET & SUSTAINABILITY



## 6.1 COMPLIANCE WITH STATUTORY REQUIREMENTS

Nakilat's fleet of vessels fully comply with all mandatory international & national regulations with regards 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 certifications, the vessels maintain voluntary compliance certification with Hong Kong International Convention for the Safe & Environmentally Sound Recycling of Ships. Compliance with these requirements means that a record of all potentially hazardous materials onboard is maintained throughout the operational life of the vessels.

## 6.2 EMISSION CONTROL MEASURES

Nakilat's commitment to improve its speed and fuel consumption performance of the vessels is paramount, and we persistently strive to identify and implement enhancement measures wherever possible.

A number of voluntary improvement measures have been identified and successfully implemented on all the vessels.

Besides the emission compliance, Nakilat together with its charterers had voluntarily embarked on a very challenging journey of converting one of the Q-Max LNG vessels, to burn gas on ship's main engines instead of the conventional heavy fuel oil. The onboard two stroke slow speed diesel engines, MAN 7S60ME, received a major conversion to latest MAN ME-GI type of engine at N-KOM shipyard in 2015.

Since commissioning of the new system, both engines have been given the opportunity to burn clean gas with a significant reduction in emissions at open sea and totaling about 1,800 running hours on each engine. With this successful implementation, Nakilat can proudly claim to be the pioneer in introducing and operating with the dual fuel burning on the large slow speed diesel engines.

## 6.2.1 Hull Cleaning

Hull fouling whilst a vessel is in service is a natural phenomenon that cannot be eliminated entirely. All LNG vessels were coated with the friendliest and 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 verified from the voyage performance analysis over the last five years, even the slightest fouling has shown to cause at least 10% drop in speed, leading to increased fuel consumption (increased emissions) to achieve the same speed.

To overcome the later drop in existing coating performance, Nakilat rolled out an upgrade of hull paint scheme for the entire fleet, with higher performance coating during fleet planned dry docking.

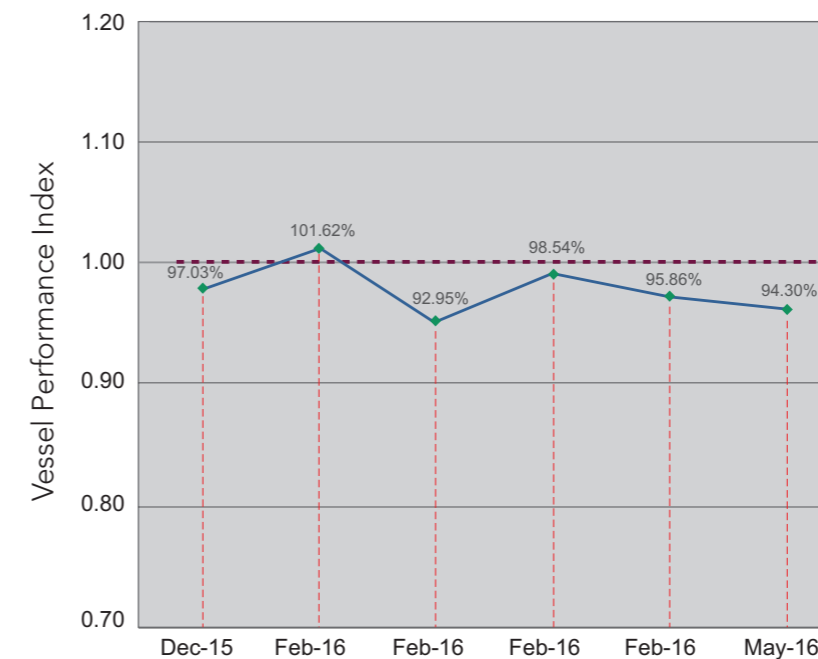
An integrated hull performance monitoring regime was established, whereby the existing onboard performance monitoring equipment was upgraded to record and forward data to shore in a timely manner at established intervals with selected performance parameters. Subsequently, a dedicated group of shore analysts produced the necessary performance monitoring reports primarily focusing on emissions related performance.

Guided by the performance reports, the vessels' hull scrubbing can be decided and documented. 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 thus far indicates that each "hull cleaning combined with a propeller polish" returns the vessel's performance close to its baseline criteria.

In addition to the established hull performance monitoring process, Nakilat together with Ras Laffan Industrial City (RLIC) Qatar Petroleum (QP) and the Ministry of Environment (MoE) have been working on assessing the viability to introduce an innovative means of hull cleaning within the Qatari territorial waters and port facilities. The remotely operated vehicle (ROV) system comprises of high-pressure water jet and vacuum, associated with an on-barge separation system to segregate the fouling. This system has proven to be a very effective environment friendly system, rejecting only clean sea water overboard.

The environment permit has been recently obtained and introduction of such technology will be taking place with N-KOM at Ras Laffan anchorage area.

**Vessel Performance Index for Vessel Tembek (over 6 months)**



The figure shows an analysis of a vessel's performance where the base line criteria (limit) is set at 1.0.

The graph illustrates performance deterioration due to hull fouling while the vessel is in service and the improvement achieved after hull cleaning occurred.

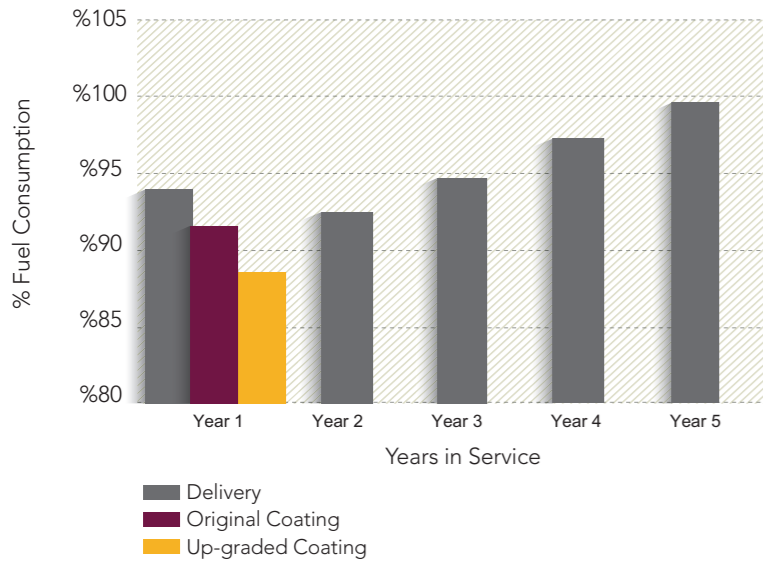
Months & Year of Hull Being Cleaned

--- Limit	100%	100%	100%	100%	100%	100%
◆ Vessel Performance	97.03%	101.62%	92.95%	98.54%	95.86%	94.30%
◆ Hull Cleaned on	Dec-15	Feb-16	Feb-16	Feb-16	Feb-16	May-16

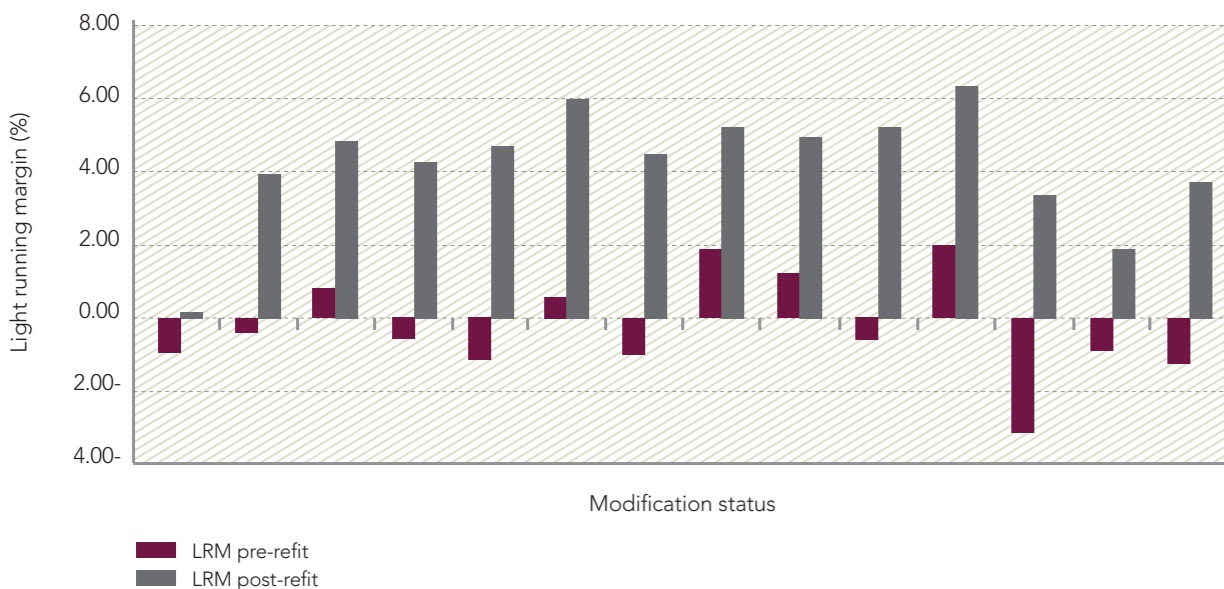
### 6.2.2 Hull Coating Upgrade

The hull coating system on our LNG fleet was upgraded to a more advanced coating system during their scheduled dry dockings, to further minimize the performance deterioration rate. Performance of the new coating system has shown very encouraging results, with very little or no hull fouling on vessels which have been in service for more than two years. Through continuous comparative data analysis, an approximate 1.5% speed loss can be observed with the confirmed reduction in propulsive fuel consumption. The graphical analysis below demonstrates the fuel savings between two vessels (maroon & yellow) after their five-yearly dry docking, with the original coating versus the upgraded coating 2 different systems.

**Nakilat Propulsion Fuel Consumption**



**Propeller LRM PRE and Post Refit**



### 6.2.3 Propeller super-polish & Edge Modification

Our LNG fleet consists of twin-engine, twin-propeller vessels. These vessels were delivered with coated propellers, which faced the same fouling phenomenon as that of the hull while they were in operation. After due diligence and consultation with the original makers, a decision was made to remove the propeller coating and super-polish the surfaces. For some vessels, this was accomplished while the vessel was in service, by utilizing underwater diving companies and for other vessels, this

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), propeller blade edges have been modified during recent routine dry docking to 'lighten' the propellers, a process also known as increasing LRM (Light Running Margin).

The figure below shows the comparison of LRMs across the fleet where propeller edge modification has been carried out during their routine dry docking.

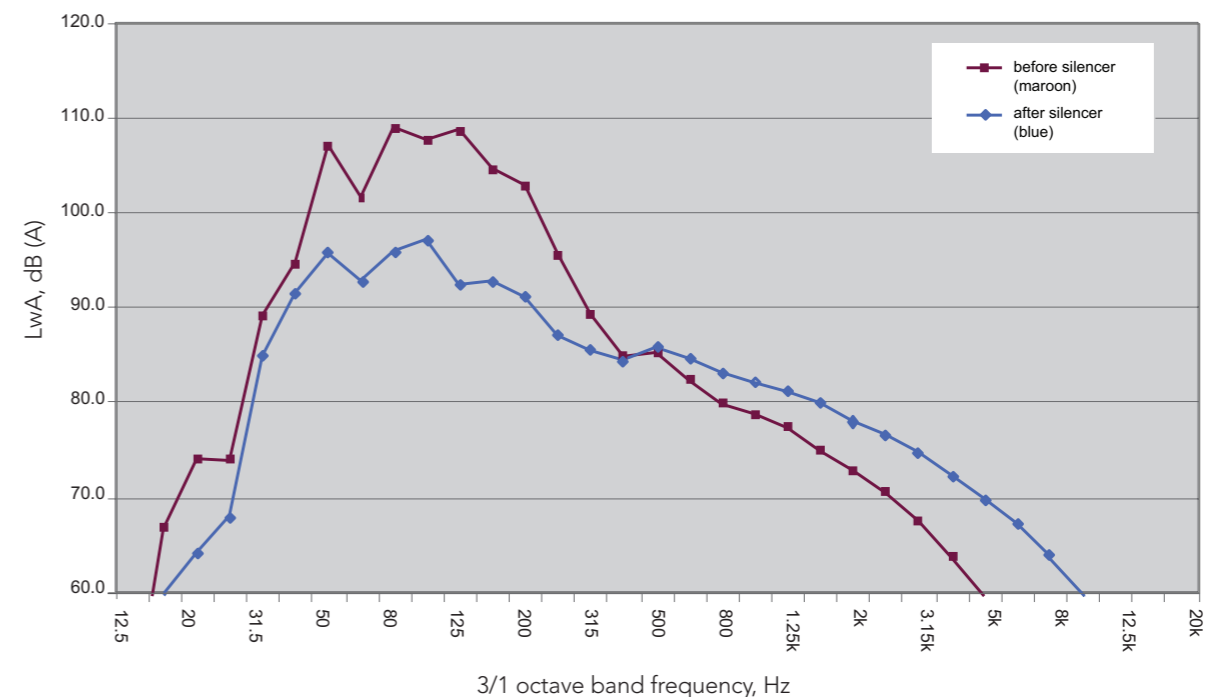


### 6.3 NOISE REDUCTION

Although the vessels were delivered in compliance with the relevant code for 'noise levels on board ships', there were some concerns raised by the local communities with regard to low frequency noise levels from Generator Engines while the vessels were alongside discharging cargo.

As a result of an independent study by Lloyd's Register, silencers for all diesel generators have been upgraded to bring 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**



**Note:** The frequency range above 300 Hz is less relevant in regard to diesel engine noise.



# SUPPLY CHAIN



## 7.1 INTRODUCTION

Nakilat's business and operations generate employment, investment, revenues and opportunities for both local and international suppliers. Therefore, Nakilat believes 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 to sustain the operations. As competition grows in addition to the challenging economic downturn, it is even more critical to diversify our suppliers' database and promote the use of local vendors, where feasible. Our ability and success to be a safe and an accountable company depends partly 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.

## 7.2 ENGAGING WITH SUPPLIERS

Nakilat continuously strives to broaden our local suppliers' database and aim toward encouraging strategic international suppliers to be established in the State of Qatar. We have been working closely with Qatar Development Bank (QDB) to establish areas where local small and medium entrepreneurs (SMEs) are able to assist in achieving our aim to support the local supply base and increase our National sustainability to secure a local manufacturer base.

Nakilat participated in the Government Procurement & Contracting Conference and Exhibition known as "Moushtarayat", and was awarded with the Moushtarayat Award for our immense support to the development of local SMEs for the year 2016. Nakilat leveraged on this platform to attract local businesses and expose them to the vast opportunities within the shipping and maritime industry. As a result of these efforts, 51 new local suppliers have been added to our supplier database in 2016.

As Nakilat assumed ship management of 4 LNG vessels from STASCo, and with more vessels planned to be transitioned to Nakilat in-house management in the future, we strongly believe this will create greater opportunities and directly contribute in developing the local supply chain.

Identifying the right suppliers is key, therefore Nakilat engages suppliers to ensure alignment with our values and stringent safety procedures. The company also monitors their performance throughout the duration, as we realize that the ability to be a safe, reliable and accountable gas carrier transport company is dependent on the capability and performance of our suppliers and contractors.

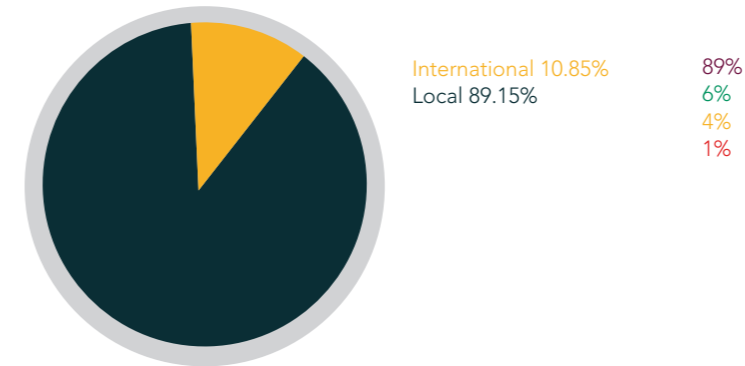
As a prominent shipping company with the world's largest and most complex LNG carriers, which carries approximately 15% of worldwide LNG fleet capacity, we remain committed to support and develop local businesses especially in the maritime industry.



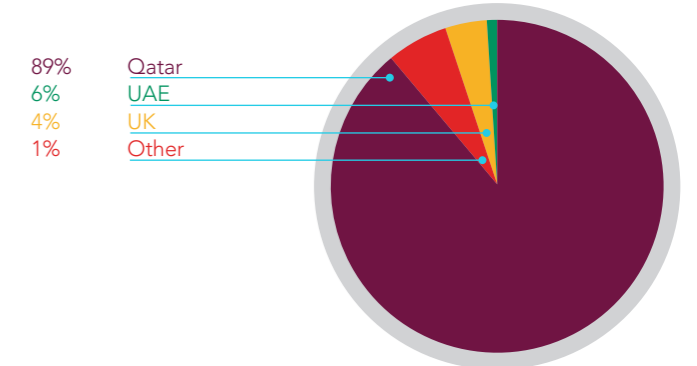
In 2016, 89% of our corporate requirements were fulfilled by local companies whereas 11% of our purchases were placed with international vendors.

## Percentage of Grand Total of Purchase Order (PO) Document in USD placed in 2016 for Nakilat

% Grand Total PO Local/International in 2016



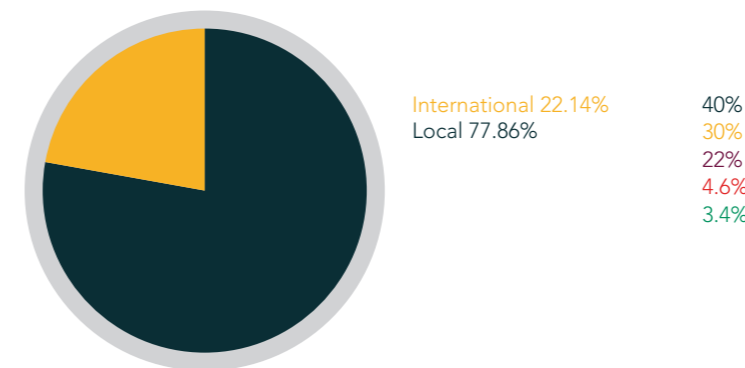
% Grand Total PO by country in 2016



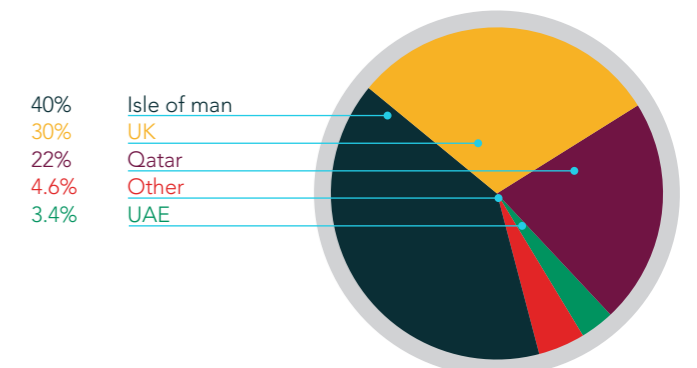
When combined with our Marine spend, 78% of our purchases were conducted overseas against 22% which were locally awarded. This is predominantly due to the geographical nature of the marine activities as Nakilat has a global shipping network to over 25 countries.

## Percentage of Grand Total of Purchase Order (PO) Document in USD placed in 2016 for NSQL

% Grand Total PO Local/International in 2016



% Grand Total PO by country in 2016



## 7.3 COMPLIANCE WITH BUSINESS ETHICS & CODE OF CONDUCT

We are conscious that our Company's business targets can only be achieved through dealings that are characterized by honesty and freedom from deception and fraud. Therefore, we define our commitment to high ethical standards in our "Business Ethics and Conduct Policy and Procedure" as we believe that the Nakilat Supply Chain can make a significant impact in promoting anti-corruption policies and behaviors.

Our Code of Conduct applies to all our employees, Joint Venture partners, third parties and any other person or entity dealing with Nakilat. Our suppliers must comply with the legal requirements and perform consistently within the rules and principles of the Nakilat Code of Conduct when they conduct work on our behalf.

# ECONOMIC IMPACT

Nakilat plays a key role in strengthening Qatar's position in the supply chain of the clean energy such as LNG & LPG, through its extensive fleet and operations at Erhama bin Jaber Al Jalahma Shipyard.

Nakilat benefits from a very steady and stable stream of revenue due to the long-term charters with Qatargas & RasGas, as well as its strategic and strong partnerships with its joint venture partners who are leaders in the global shipping industry.

Nakilat is a steady and stable investment for its Qatari and international shareholders, producing steady dividends for its shareholders. The company declared and paid its shareholders cash dividends worth QAR 3.96 billion until and including 2016. This is equivalent to an average of QAR 566 million per year and thus, provide an attractive investment vehicle to its Qatari and international shareholders.

While Nakilat has maintained a healthy dividend distribution and outpaced initial projections, it continues to retain a part of its annual profits to pursue its long-term growth strategy. Nakilat carried a robust Retained Earning balance of QAR 1.6 billion at the end of the year 2016.

Nakilat's average consolidated revenue from all sources has been at around QAR 3.5 billion per year over last 7 years. Nakilat has generated a robust profit of QAR 5.8 billion cumulatively over last 7 years which averages to QAR 833 million per year.

Nakilat is strongly committed to its social responsibilities to the State of Qatar and has appropriated QAR 145.55 million to the Social and Sports Fund up to 2016. We also provide a unique opportunity for young Qataris by sponsoring Nationals for our Marine Cadet Program. The company has spent around QAR 16.8 million on this initiative and has sponsored 26 Marine Cadets since 2012.

Nakilat recognizes the importance of being an active organization with regards to Corporate Social Responsibility and has participated and organized several activities such as the National Sports Day, Beach Clean-up, Health Awareness, Career Fairs, 'Guide Me' campaign in collaboration with the local authorities, Traffic Safety Awareness session, and Day of the Seafarer for vessel crew members.



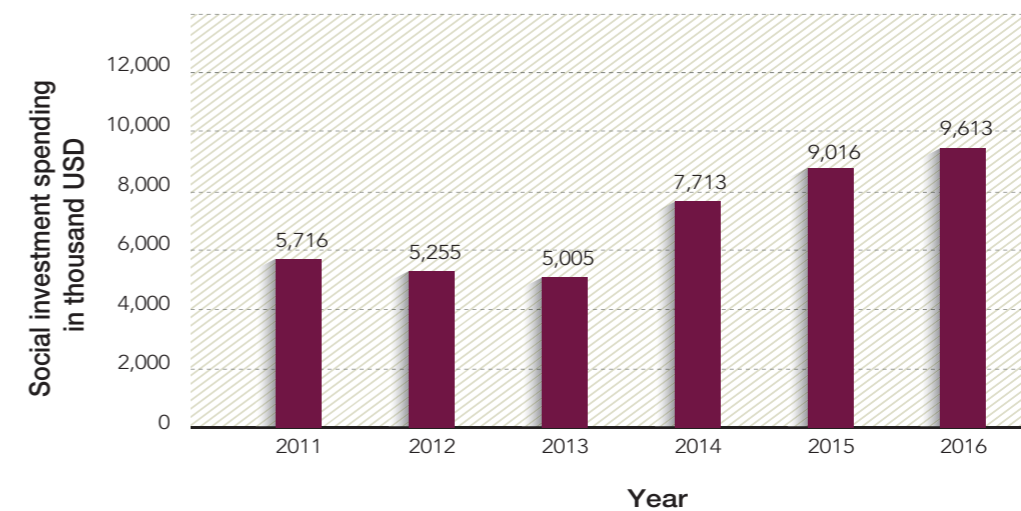
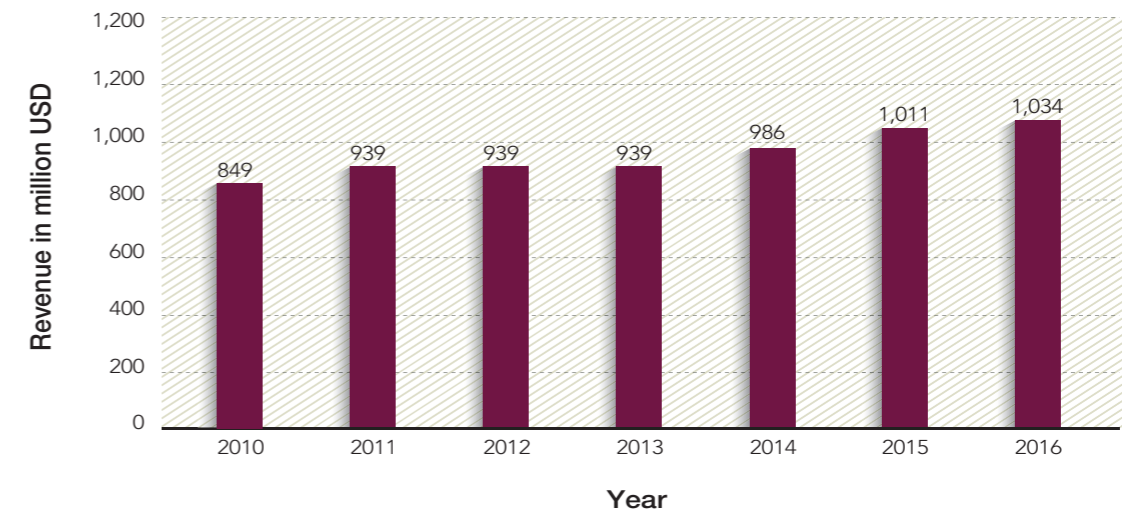
Given Nakilat's long life high quality assets, its financings are considered as a prime asset by local and international banks and help benchmarks in financing markets contributing to State of Qatar's economy, particularly the financial sector.

Since 2012, Nakilat has refinanced its debts only with Qatari banks contributing to the growth of banking sector in Qatar. It has also assisted its LNG Joint Ventures to refinance their debts by getting finance from Qatari Banks. During 2016, Nakilat and its joint ventures have paid around QAR 320 million in interest to local banks, contributing to the growth of the banking sector in Qatar.

Nakilat Inc., a wholly owned subsidiary of Nakilat, carries A+ ratings from Standard and Poor's and A1 Ratings from Moody's which are one notch below State of Qatar. Nakilat Inc. also has an A+ Rating from Fitch at two notches below the State of Qatar.

The exhibit below shows how Nakilat together with its joint ventures have contributed in 2016 towards the three pillars – Society, Environment and Economy for the Sustainable Development of Qatar.

No.	Year 2016	Nakilat Consolidated USD	Nakilat Consolidated QAR
1.	Payments to Local suppliers	347,493,621	1,265,408,446
2.	Various Payments to Govt. authorities	1,485,252	5,408,591
3.	Marine cadets	1,728,662	6,294,973
4.	Donations, Sponsorships and CSR initiatives	276,258	1,006,000
5.	Pension Fund contribution	1,056,932	3,848,850
6.	Social & Sports Activities Support Fund	6,550,676	23,854,482
7.	Interest paid to local banks	87,847,157	319,898,058
8.	Cash Dividends paid to Qatari investors/shareholders	322,943,214	1,176,007,401
<b>Social Investment Spending (3+4+5+6)</b>		<b>9,612,528</b>	<b>35,004,305</b>
<b>Economic value distributed (1+2+7+8)</b>		<b>759,769,244</b>	<b>2,766,722,496</b>
<b>Economic value generated</b>			
1.	Revenues	1,033,798,431	3,764,608,000
2.	Net Income	262,361,700	955,398,000



# SUSTAINABILITY REPORTING



## 9.1 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 (GRI) 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.

## 9.2 GRI INDEX

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

## 9.3 AUDITOR VERIFICATION STATEMENT

On the basis of our review, it has not come 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 utilized were inappropriate.

