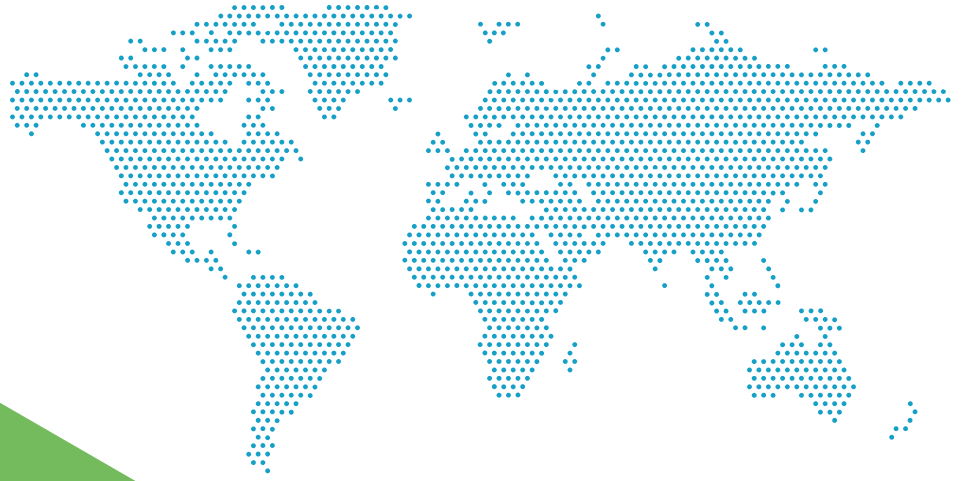


# Sustainability Report



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## CEO Message

Eng. Abdullah Al-Sulaiti  
Chief Executive Officer

We are pleased to present the Nakilat Sustainability Report for the year 2017. This report is our eighth submission to the annual Sustainable Development Industry Reporting Initiative overseen by His Excellency the Minister of Energy and Industry, Dr. Mohammed bin Saleh Al Sada.

Nakilat strives to meet the growing energy transportation needs in a responsible manner, by balancing the economic, environmental and social needs aspects of sustainability, steered by excellence in safety and health, solid governance and ethical business practices.

### Stimulating growth

In August 2017, Nakilat wrapped up the first phase of its fleet management transition of 10 LNG carriers from Shell to its ship management arm, Nakilat Shipping Qatar Limited (NSQL). With this successful fleet expansion, Nakilat created more business opportunities for marine vendors and suppliers in Qatar, hence contributing towards the development of the local maritime industry.

Realizing the huge opportunity in the Floating Storage and Regasification Unit (FSRU) niche market, Nakilat signed a Memorandum of Understanding (MoU) with leading owner and operator of FSRUs, Höegh LNG, in July 2017. The strategic alliance aims to explore collaboration in FSRU projects as part of Nakilat's diversification strategy, allowing us to expand our international outreach to remote and developing markets.

### Elevating safety culture

Nakilat has successfully established a strong Safety, Health, Environment & Quality (SHEQ) culture, which is crucial in propelling the company to greater heights. We continue to push the limits to endeavour better SHEQ standards and seek ways to enhance our safety performance through setting stringent targets and high standards. Our proactive approach in ensuring the organization's health and safety systems meet or even surpass industry leading standards has led to the achievement of an outstanding safety record, which is among the best in the shipping industry.

Our comprehensive incident and injury free (IIF) campaign rolled out to all employees across the organization further reinforces our safety culture. We increased leadership visibility, empowerment of employees and strengthened awareness and commitment amongst our third-party contractors and service providers through various activities and campaigns. Nakilat also coordinated numerous initiatives to raise safety awareness and engage employees. Prestigious occupational health and safety recognitions by the British Safety Council and Lloyd's Register Quality Assurance bore testament to our collective efforts at making sure each employee goes home safely every day.

### Sustaining human capital & innovation

Our human capital strategy aims to create a sustainable workforce at Nakilat. To complement our recruitment of high caliber Nationals and expatriates, we also provide an abundance of learning and development opportunities to promote both professional and personal growth. Nakilat was awarded the 'Qatarization Award for supporting Qatarization' at the Energy and Industry Sector's 2017 Annual Qatarization Review Meeting for our success in grooming and retaining National talents. As of 2017, we achieved among the highest Qatarization rate among the oil and gas industry at 41.7%.

As a responsible company, Nakilat aims to enrich the lives of local communities and preserve our natural environment in collaboration with local authorities or NGOs. Our robust corporate social responsibility (CSR) framework aligns with Qatar National Vision 2030 in promoting the development of a just and caring society.

### Progressing forward

In pursuit of our vision to be a global leader and provider of choice for energy transportation and maritime service, we shall continue our endeavors to operate in a safe and responsible manner. We thank our board of directors, shareholders, employees and stakeholders for the continued support as Nakilat navigates forward with determination and focus on sustainable growth.

# 1. Sustainability at Nakilat

## 1.1 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.

## 1.2 GRI Index

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

## 1.3 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.

## 1.4 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 to support the country's energy strategy. Our activities at the 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 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, and includes:

### 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

### Safety, Health and Environment

Reducing the company's environmental impact and ensuring health and safety of employees

### Supply Chain

Working to make our suppliers 'greener'

### Economic Impacts

Using our financial resources responsibly to ensure continued success and increase shareholder value

## 1.5 Reporting Scope and Period

This report is limited to Nakilat and its Joint Ventures' (N-KOM & NDSQ) operations and initiatives, unless otherwise indicated. The period covered by this report is from January to December 2017 which is the financial year for Nakilat.







## 1.6 Affiliations & Memberships

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

- Qatar Petroleum SQ
- British Safety Council
- Ministry of Defense
- Hamad Medical Corporation



## 1.7 Stakeholder engagement

Stakeholder Group	Description	Activities & Engagement
 <p><b>Communities</b></p>	<p>Facilities in Doha and Ras Laffan</p>	<p>Interaction with government and local populations</p>
 <p><b>Partners</b></p>	<p>Leading shipping and shipyard companies from around the world</p>	<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>
 <p><b>Customers</b></p>	<p>Charterers include Qatargas, ExxonMobil, Shell and international companies</p>	<p>Close contact with charterers is maintained through regular quarterly meetings and a customer satisfaction survey twice a year.</p>
 <p><b>Employees</b></p>	<p>200+ employees at Nakilat, 1,500+ employees at JVs</p>	<p>Annual Employee Forums, regular surveys and questionnaires</p>
 <p><b>Suppliers</b></p>	<p>More than 200 suppliers</p>	<p>Emphasis on procurement from the local market</p>
 <p><b>Investors</b></p>	<p>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.</p>	<p>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 &amp; Annual financial reports on the Qatar Exchange and in leading local newspapers.</p>

## 2. Company profile

### 2.1 Corporate Overview

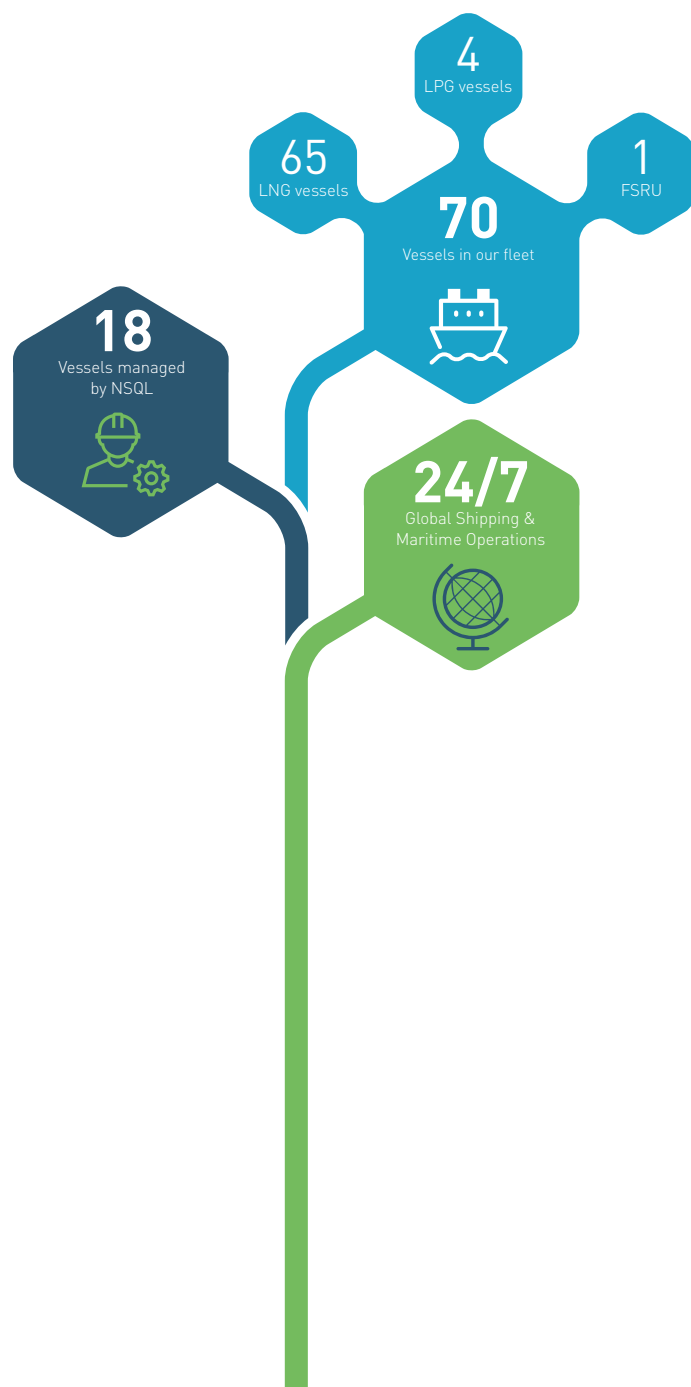
Established in 2004, Nakilat is a Qatari-owned shipping and maritime company providing the critical transportation link in the State of Qatar's LNG supply chain. The company's LNG shipping fleet is one of the largest in the world.

Nakilat stands proud with a fleet of 70 vessels – world's largest LNG fleet comprising of 65 LNG carriers, as well as 4 large LPG carriers and 1 Floating Storage Regasification Unit (FSRU). To date, its in-house ship management arm Nakilat Shipping Qatar Limited (NSQL) manages and operates 18 vessels, comprising of 14 LNG (6 Q-Max, 8 Q-Flex) and 4 Very Large Gas Carriers (VLGC).

Nakilat's business portfolio extends beyond shipping to also include a comprehensive range of maritime services, complementing Nakilat's vision to be a global leader and provider of choice for energy transportation and maritime services.

In addition to its core shipping activities, Nakilat operates the ship repair and construction facilities at Erhama Bin Jaber Al Jalahma Shipyard in Ras Laffan Industrial City via two strategic joint ventures: Nakilat-Keppel Offshore & Marine (N-KOM) and Nakilat Damen Shipyards Qatar (NDSQ). It also provides shipping agency services through Nakilat Agency Company (NAC) for all Qatari Ports, as well as towage and other marine support services through its joint venture Nakilat SvitzerWijismuller (NSW) for vessels at the Port of Ras Laffan and around Qatar's Halul Island.

Nakilat's diverse involvement across the maritime supply chain makes it a well-rounded maritime organization in Qatar.





**Nakilat-Keppel Offshore & Marine (N-KOM)**

Established in 2008, N-KOM is owned 79% by Nakilat, 20% by KS Investments Ltd (a wholly-owned subsidiary of Keppel Offshore & Marine) and 1% by Qatar Petroleum. The extensive facility spans 50.8 hectares, offering the repair, conversion and maintenance of marine and offshore vessels. This includes fabrication of offshore and onshore structures such as jack-up drilling rigs, lift-boats, land rigs and related components. N-KOM is accredited by the American Petroleum Institute (API) for ISO 9001; API OHSAS 18001; API ISO 14001; API Spec Q1 and holds the American Society of Mechanical Engineers (ASME) Certification Audit for Pressure Vessels Certification; ASME Stamps U, U2, S and PP; National Board R Stamp.

**Nakilat Damen Shipyards Qatar (NDSQ)**

Established in 2010, NDSQ is owned 70% by Nakilat and 30% by Damen Shipyards Group of the Netherlands. Spanning 18 hectares, the shipbuilding facility is well equipped for 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. NDSQ can also undertake the refit of superyachts and naval vessels. The facility is accredited by Lloyd's Register for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

**Nakilat Svitserwijsmuller (NSW)**

NSW is a joint venture company established in 2006, owned 70% by Nakilat and 30% by Svitser Middle East Ltd., part of international towage operator Svitser which is wholly-owned by Danish shipping group A. P. Moller (Maersk). NSW operates a fleet of 26 vessels, which includes 25 NSW-owned vessels. The fleet comprises of tug boats, pilot boats, line boats, crew boats and other harbor craft, based in the Port of Ras Laffan as well as operating in the offshore fields off Halul Island. NSW offers a range of services including towing, escorting, berthing, pilot support, line handling services afloat and ashore, emergency response and marine maintenance support.

**Nakilat Agency Company (NAC)**

Nakilat Agency Company Ltd. (NAC) is a leading shipping agency and logistics service provider supporting the oil and gas industry in Qatar. Since its establishment in 2005, NAC has expanded its services to provide a full range of shipping agency and related services attending to vessel agency requirements, logistics support, customs formalities, husbandry services, bunker coordination, provision of spare and supplies, crew movements, medical assistance as well as providing support to vessels at the Erhama Bin Jaber Al Jalahma Shipyard. Jointly owned by Nakilat (95%) and Qatar Petroleum (5%), the agency offers its services to all types of vessels calling at local ports and terminals, as well as offshore locations in Qatar.



## 2. Company profile



### 2.2 Corporate Milestones

#### 2004 - 2007

Nakilat established as shipping arm of Qatar's LNG sector in 2004

Nakilat's shares are listed on the Qatar Stock Exchange in 2005

Nakilat takes delivery of its first LNG carrier in 2005

NAC is established in 2005

NSW is established in 2006, and awarded a 22-year service contract

Nakilat formed strategic alliance with STASCO in 2006 for management of its 25 wholly-owned LNG carriers

Nakilat awarded a 25-year time charter contract by Qatargas for 24 LNG carriers for management of its 25 wholly-owned LNG carriers

#### 2008 - 2011

42 LNG carriers and 4 LPG carriers are delivered to Nakilat

Nakilat takes delivery of first Q-Max LNG carrier, Mozah

N-KOM is established in 2008

NDSQ is established in 2010

Inauguration of Erhama Bin Jaber Al Jalahma Shipyard

N-KOM completes first LNG dry-docking project in 2011

### 2.3 Achievement Highlights 2017

Nakilat won the CIO 100 award for the second consecutive year at the CIO 100 Awards.

Nakilat successfully completed the first phase of the fleet management transition.

Nakilat successfully transitioned six LNG carriers (Onaiza, Al Ghashamiya, Al Sheehaniya, Al Dafna, Mesaimeer, and Al Mafyar) to in-house management.

Nakilat signed an alliance agreement with Höegh LNG to explore collaboration opportunities for FSRU business.

Nakilat achieved the ISO27001 certification by Lloyd's Register of Quality Assurance (LRQA) for its Information Security System.

Nakilat Shipping Qatar Limited (NSQL) celebrated its 5<sup>th</sup> anniversary.



2012 - 2014

NSQL assumes management for four LPG carriers in 2012

First Qatari marine cadets signed on with Nakilat

N-KOM wins two regional awards for 'Shipyard of the Year' in 2012 and one in 2013

N-KOM wins Safety & Security regional award in 2014

NDSQ delivers first three vessels constructed at the facility in 2012

2015 - 2016

Nakilat expands joint venture with Maran Ventures Inc. with two new LNG carriers in 2015

Nakilat completes world's first MEGI conversion for a Q-Max LNG carrier in 2015

N-KOM undertakes BWMS installation onboard a Q-Max LNG carrier in 2015

N-KOM completes construction of first liftboat in Qatar in 2016

NDSQ delivers 8 vessels for Hamad Port in 2016

NAC extends services to vessels calling at Doha and Hamad Port in 2016

Nakilat wins 7 awards in 2016 for excellence in ship operations, Qatarization, business and IT  
Nakilat and Shell sign fleet transition agreement in 2016

Nakilat won the British Safety Council's International Safety Award.

Nakilat was presented with the Moushtarayat National Award for the company's successful partnerships and contribution to local SMEs (Small Medium Enterprises).

Nakilat was awarded the 'Qatarization Award for supporting Qatarization' at the Energy and Industry Sector's Annual Qatarization Review Meeting 2017.

Nakilat received the Silver award in the 'Cloud/HANA Innovation' category at the 2016 SAP MENA Quality Awards.

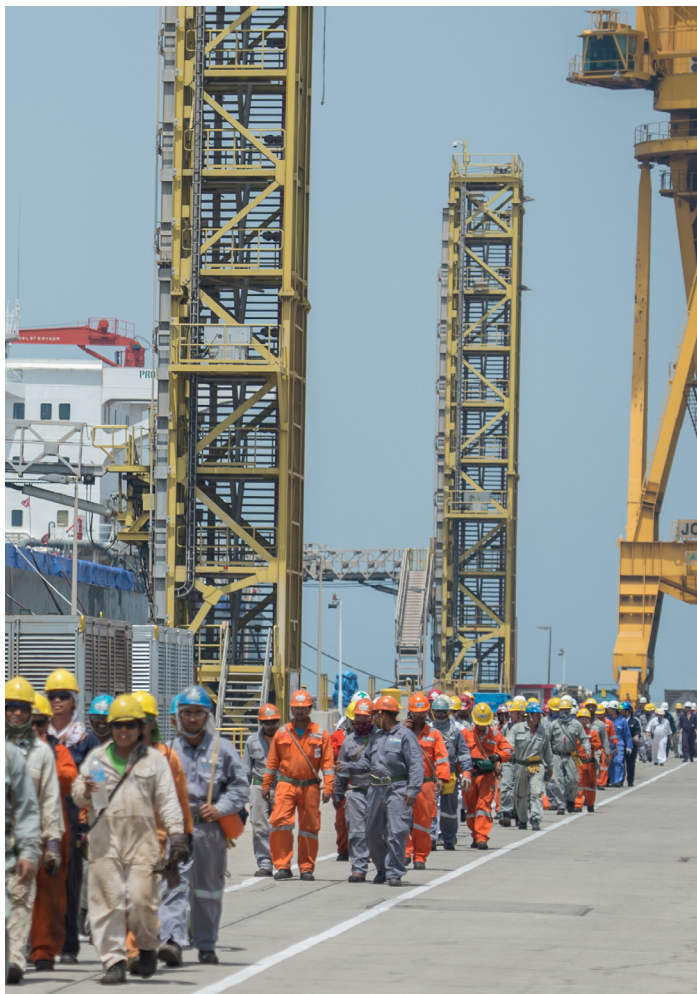
Nakilat was awarded as one of the top performing companies in Qatar by Forbes Middle East.

## 2. Company profile

### 2.4 Strategic Goals

Nakilat began rolling out its five-year formulated Strategic Goals in 2017 to start the implementation plan to achieve its corporate objectives. With a fresh perspective driven by its Vision, Mission and Values, Nakilat strives to achieve these strategic goals.

Complemented by its safety, health, environment and quality excellence, Nakilat continues to add value to the business by improving efficiency and pursuing growth opportunities. The company remains committed toward capturing synergies among the Nakilat family and its partners to maximize returns. Our key financial stakeholders include the Qatari public, Qatari companies that founded Nakilat and government entities with significant interest in the company's performance.



#### 1 - Achieve World Class Performance in Safety & Reliability

Nakilat is committed to ensuring safety and health of all our employees, subcontractors, customers, and community wherever we operate. We continuously strive to improve our processes, demonstrate leadership and promote comprehensive safety while showcasing operational excellence in providing shipping and maritime services in a safe, reliable and efficient manner. Nakilat aspires to sustain excellent track record of safety performance with stringent targets, beyond the parameters identified for industry benchmarking.

#### 2 - Strengthen our LNG Shipping Market Position

Nakilat's vessels make up about 12% of the worldwide LNG fleet capacity, which translates into more than 9 million cubic meters of LNG transportation. We aim to maintain our market share while maximizing business value, focusing on the long-term future of LNG shipping with measured and balanced growth strategy. Nakilat continues to forge relationships with reputable partners and evaluate sustainable business opportunities within our own operations, subsidiaries and joint ventures.

#### 3 - Diversified Energy Transportation Solutions

Nakilat envisions to become a fully-fledged shipping and maritime company, offering a holistic spectrum of services. The company further explores into building expertise to deliver diversified energy transportation solutions, such as floating storage and regasification units (FSRUs), allowing us to further expand our role in the international shipping industry. We already have a unique advantage of being in the most significant LNG hub, hence we constantly evaluate opportunities of further diversifying our business to strengthen our international portfolio and support business growth.

#### 4 - Become a Preferred Business Partner

Nakilat is committed to continuous improvement in a concerted effort to become a preferred business partner. The Company will continue focusing on operational efficiency by leveraging the resources and utilizing the best of its workforce, technology and business processes in order to more effectively respond to continually changing market forces.

#### 5 - Optimize Joint Venture Returns

Greater efficiency, scale, financial benefits, and growth are often driven by leveraging synergies. Nakilat will continue identifying those opportunities (e.g. Economies of Scale, Shared Services, etc.) within its own operation, subsidiaries and joint ventures.





## 2.5 Corporate Objectives 2017

### Industry Leading Safety Performance:

- Drive strong safety culture to create an incident and injury free (IIF) environment
- Empower employees to lead and take responsibility
- Compliance to high international standards

### Financial Perspective:

- Revenue growth targeting Return on Assets (ROA) and Return on Equity (ROE) Improvement
- Become industry leader in cost efficiency
- Optimize financing structures
- Leverage our financial strengths
- Capitalize on existing joint ventures (JV)

### Customer Perspective:

- Grow portfolio
- Deliver systematic LNG shipping solutions / leveraging on shipyard
- Prequalifying with oil majors for long-term LNG charters
- Provide a safe, efficient and reliable service

### Process Perspective:

- Secure Profitable Business Opportunities
- Identify Business Opportunities with JVs
- Enhance Shipping Safety Performance
- NSQL to be Top Performer Compared to JVs in Reliability
- Review & Track JV Companies' (non-shipping) Performance
- Build Organization to Adopt a Customer Value Creation Culture
- Monitor Adjacent Market Sectors
- Streamline Internal Processes (responsiveness & problem solutions)

### Learning and Growth Perspective:

- Recruit & retain high caliber nationals and expatriates
- Build in-house know-how for FSRUs
- Encourage & recognize knowledge sharing and utilization of all platforms
- Strive to establish and develop strong shipping expertise
- Cross-fertilize & align between non-shipping JV companies

# 3. Governance, Ethics and Compliance

## 3.1 Corporate Governance

### Vision: To be a global leader and provider of choice for energy transportation and maritime services

Nakilat's Vision statement defines the Company's purpose. Its Vision aims at a future where Nakilat takes on a leading role in energy transportation, backed by superior safety performance, cutting-edge technology, and human capital development. We will continue to push the frontier of LNG transportation and develop new shipping solutions for its customers. Nakilat will be a part of a strong, high-performing economy, and will continue to partner with top shipping companies to drive breakthrough results.

### Mission



Nakilat's foundation is built on its values, which guides its actions and nurtures a culture towards pursuing excellence

#### Safety ("Incident and Injury Free"):

We place the highest priority on the health and safety of our workforce, as well as protection of the environment and our assets wherever the company operates. Nakilat's robust international safety standards and attention to safety reflects the company's strong focus towards achieving business excellence.

#### Passion (strong commitment towards continuous improvement):

We are committed to excellence in everything we do, and we strive to continually improve. We are passionate about achieving results that exceed expectations. To achieve the highest standards in safe energy transportation, Nakilat is committed to nurturing an organizational culture in which individuals make full use of their time, talent, and opportunities to pursue excellence.

#### Integrity (honesty with sound moral principles):

Being honest and upright, with sound moral principles in our operational and business dealings. We accept responsibility and hold ourselves accountable for our work and actions.

#### Respect (value the diversity and perspective of others):

Nakilat values its diverse workforce, and encourages respect and support for each other. We strive and commit towards establishing an environment of trust, built upon honesty, ethical behaviour and respect.

#### Encouragement (be motivated and motivate people around you):

We strive to stimulate a positive working environment based on effective teamwork, recognizing the uniqueness of everyone in the workforce. We believe that each team member brings about unique experiences, various perspectives and diverse talents in support of the company's goals.

## 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.

### 3.2 Ethics and Compliance

Nakilat's Code of Business Ethics Policy establishes clear rules of conduct to avoid conflicts of interest. As a 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 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 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 for ensuring the application and compliance with the Ethics Policy, and for reporting and investigating any case of violation with regards to conflicts of interest.



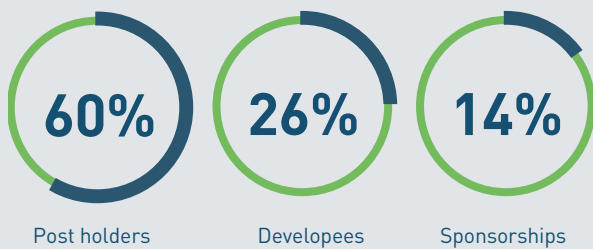
# 4. Human Capital



### 4.1 Talent Management:

Nakilat's National Talent Strategy is focused on developing a pool of talent that can be mobilized to fill key senior positions in the short, medium and long term. This has been achieved through having 60% Post-holders, 26% Graduate Developpees and 14% higher education Sponsorships, enabling us to realize sustainable Qatarization up to 2022 and beyond.

#### Talent Pipeline



### 4.2 Talent Development:

An abundance of learning and development programs, both done in-house and externally, have been offered throughout 2017. With the launch of SuccessFactors, the SAP-based Learning Management System (LMS) module, Nakilat is able to expand its learning programs online to allow more accessibility.

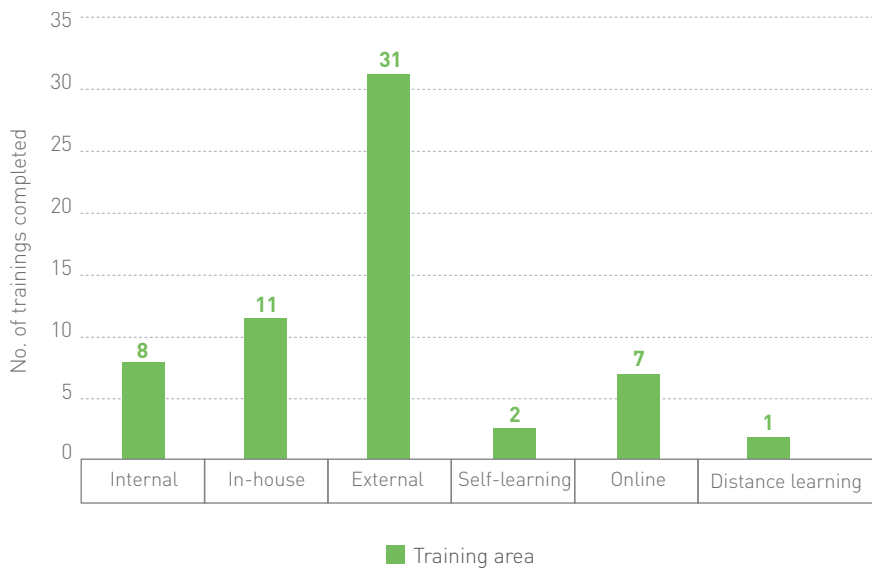
In 2017, Nakilat made significant investment in enhancing training and development opportunities offered to employees. On time, relevant and experiential learning were the keys to the learning deliveries, aligned with the art and science of adult learning or andragogy framework.

Based on the Competency-based Learning Needs Analysis, Nakilat prioritized the following main Learning and Development initiatives for Qatari Nationals:

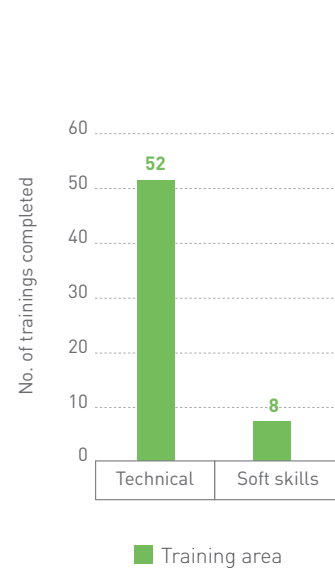
- Business English and Report-writing Programs, which included assessment of English proficiency
- Technical and Professional development programs in various fields and specializations, such as Risk Management, Maritime Insurance, Supply Chain Management, IT Infrastructure and Applications, Human Resources and Talent Management among others
- A major initiative to enhance workplace communication to other employees included the rolling out of Taalam Al Arabia, a basic Arabic language course.
- PARADIGM, an internal knowledge sharing initiative grew exponentially in 2017, in which employees or subject matter experts share their expertise, experiences and knowledge with other employees in the company. PARADIGM sessions gained popularity internally, and was also extended to our JVs and in certain fields, to the external business community as well.



Method of training delivery (2017)



Type of trainings conducted (2017)



### 4.3 Qatarization Initiative:

Nakilat achieved an outstanding Qatarization rate of 41.7% for the year 2017, an increase of 5% from the previous year. This achievement is a testament to Nakilat's strategic multi-dimensional approach in attracting, developing and retaining Qatari nationals into the maritime industry.

We continued to invest in human capital, attracting, retaining and developing our workforce with an emphasis on National Development through varying programs at different levels:

#### Educational Sponsorship in Marine Cadets Program (MCP)

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.

### Key highlights:

- Nakilat started with four Marine Cadets in 2012. In 2017, 22 students were enrolled into this program and 10 Marine Cadets successfully completed the academic requirements of their program.
- Two cadets completed their graduation project about 'Auto tracking of personnel onboard' in 2017. Their projects have been successfully approved and outstanding sea time completed. They will be awarded with the '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) completed their sea time and Graduation projects in December 2017 and have subsequently been appointed as Third Officers or Fourth Engineers on Nakilat's Vessels.

The diverse topics of their graduation projects reflected an encouraging sense of continuous improvement and enthusiasm, which include:

- Proposals for improvement of gas cooling system on LNG carriers
- Introduction of solar power as a supplementary power source in lifeboats
- Modern safety measures for roll-on/off vessels - self inflating and hydraulic Pontoons
- Mobile display unit for Radar and Electronic Chart Display and Information System (ECDIS)

## 4. Human Capital

These are some examples of how our Cadets have contributed to the building of new knowledge within the Energy and Maritime sectors. The key enhancement made to the MCP for 2017 was to offer the academic training at a UK-based Maritime Academy.

### Internships and Externships

In 2017, opportunities were provided for talented Nationals to join our internship Program, which is also known as *Al Mostaqbal*. These interns have joined Nakilat from different local institutions including Qatar University and Carnegie Mellon University of Qatar (CMUQ). They were equipped to work and support the live environment with their project outcomes being currently used by the HR and Financial services division till date.



### The main highlights in 2017 were:

1

Nakilat CEO engagement session with HEC Paris' EMBA students.

2

Strategy presentation by Nakilat's Senior Shipping Analyst to MBA students from the University of Calgary. The students were completing their coursework and research dissertation requirements towards an MBA specializing in Energy.

3

Extending support to Carnegie Mellon University Qatar with students' research projects, which involved providing extensive walk-throughs across our leading edge technology platforms, supervising and supporting students towards the completion of their projects. Their projects delivered tangible benefits to the company, enabling us to extract real-time reports from both internal and external data sources for business through our Power BI tool.

4

Launch of a fully equipped Career Assessment and Development Center facility, adopting globally accredited psychometric assessments and customized assessment development programs and initiatives. A total of 60 National at all levels completed the assessments and the results were incorporated into short, medium and long-term career development plans that support our Talent Identification and Succession Planning strategy. The assessments were designed to measure the capacity and capability of the incumbent to ascertain the most customized and candidate centric career path.





#### 4.4 Employee Relations and Recruitment

The Employee Relations team extends services to all employees in Nakilat and its Joint-Ventures. Employee requests may 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 talents.

#### 4.5 Reward & Organizational Development

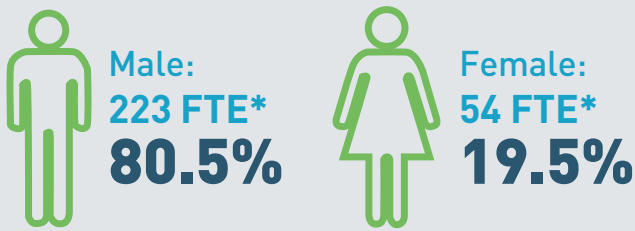
In 2017, Nakilat developed a comprehensive Behavioral and Leadership Competency Framework to cater to several HR initiatives (i.e. recruitment, performance management, learning and development, career and succession planning, etc.).

Nakilat also conducted an Employee Engagement survey and communicated the results to its management and employees. The team is currently working on setting action plans to handle its employees' identified concerns.

# 4. Human Capital



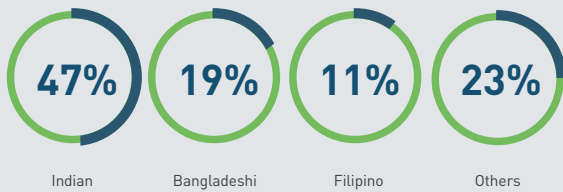
## Nakilat Gender Diversity



\*FTE is Full-Time Employee. An FTE is the hours worked by one employee on a full-time basis. The concept is used to convert the hours worked by several part-time employees into the hours worked by full-time employees.

## NDSQ Diversity

In 2017, NDSQ's employee profile comprised of 15 nationalities. NDSQ is an equal opportunity employer which strives to create a conducive and diverse workplace for all its employees.

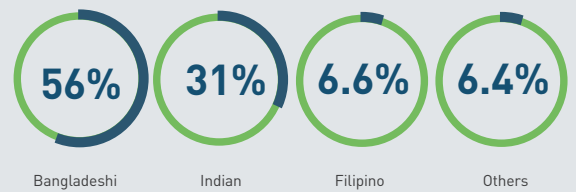


### Nationality for others

- Dutch
- Egyptian
- Eritrean
- Greek
- Iranian
- Nepalese
- Pakistani
- Polish
- Qatari
- Romanian
- Sri Lankan
- Ukrainian

## N-KOM Diversity

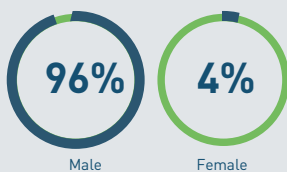
In 2017, N-KOM's employee profile comprised of 23 nationalities. N-KOM also remains committed to creating an equal opportunity and professionally conducive work environment for their employees.



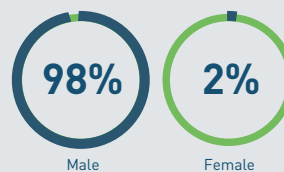
### Nationality for others

- Azerbaijani
- Algerian
- Belgian
- Burmese
- Ethiopian
- Egyptian
- Ghanian
- Greek
- Indonesian
- Malaysian
- Nepalese
- Pakistani
- Qatari
- Somali
- Sri Lankan
- Singaporean
- Portuguese
- Ukrainian

## Manpower by gender



## Manpower by gender







#### 4.6 Work Life Balance and Employee Engagement

Nakilat employees received an overall remuneration package in accordance with the Allowance and Benefits Policy & Procedure, and in accordance with their status in the State of Qatar. At the time of joining, Human Resource (HR) Team prepares an induction session for each 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 instance, Nakilat provides full educational assistance to a maximum of four children per employee 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 any gym or health clubs in Doha. Employees also benefit from full medical coverage, group life insurance and workman compensation.

Nakilat and its JVs regularly organize social gatherings to engage with employees and their family members. Outdoor and sporting activities were coordinated during Qatar National Sports Day in Doha and Ras Laffan.

*Employee Day* is a regular occasion for Nakilat senior management team to engage with employees, taking the opportunity to convey key messages about business highlights, safety related matters as well as rewarding identified individuals. At the shipyard in Ras Laffan, respective CEOs conduct similar engagements with their employees.



## 5. Environment, Health & Safety

### 5.1 Program Overview

Nakilat continued its efforts to uphold its Safety, Health and Environmental and Quality (SHEQ) performance in 2017 through the establishment of a uniform reporting platform for all Nakilat companies and joint ventures.

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.

The company 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. Nakilat also obtained the Institute for Supply Management (ISM) certification for its fleet. All ISO and OHSAS certifications have been awarded by Lloyd's Register Quality Assurance (LRQA).

Nakilat was announced as one of the winners of the British Safety Council's International Safety Awards 2017. This annual award recognizes worldwide organizations that have successfully demonstrated dedication in ensuring employees and workplaces are kept healthy and safe.

### 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 our SHEQ Manual and SMS, where applicable.

#### **The following primary activities were monitored for reporting purposes:**

- 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



## Highlights from JVs

Parameters		Observed Concentration (µg/ m <sup>3</sup> )			Applicable Standards
		Minimum*	Maximum*	Average*	
PM <sub>10</sub>		32.42	118.89	61.92	150 µg/m <sup>3</sup> (A)
PM <sub>2.5</sub>		13.60	47.71	24.53	35 µg/m <sup>3</sup> (D)
SO <sub>2</sub>		16.78	44.15	21.94	365 µg/m <sup>3</sup> (A)
NO <sub>x</sub>		20.38	47.52	31.96	150 µg/m <sup>3</sup> (A)
CO (E)		199.99	535.06	336.90	10,000 µg/m <sup>3</sup> (B)
VOC		4.38	11.15	7.57	Not Available
Aromatic Hydrocarbon µg/m <sup>3</sup>	Benzene	-	-	0.37	0.24 ppm (160 µg/m <sup>3</sup> ) (C)
	Toluene	-	-	0.42	
	Ethyl Benzene	-	-	5.34	
	mp - Xylene	-	-	17.43	
	o - Xylene	-	-	6.76	

\*- Values of minimum, maximum and average arrived at from daily mean values reported for the study period and included at Appendix 1  
 (A) – 99.7 % of all daily measurements taken during the period of one calendar year, (B) – 99.8 % of all eight (8) hour measurements taken during the period of one calendar, (C) – RLIC Standards for non-methane hydrocarbons, (D) – USEPA Standards for PM2.5, (E) – CO Study period statistical data based on -8hourly average concentration

### 1/ N-KOM 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 above:

### 2/ Marine Water Quality Monitoring at N-KOM

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

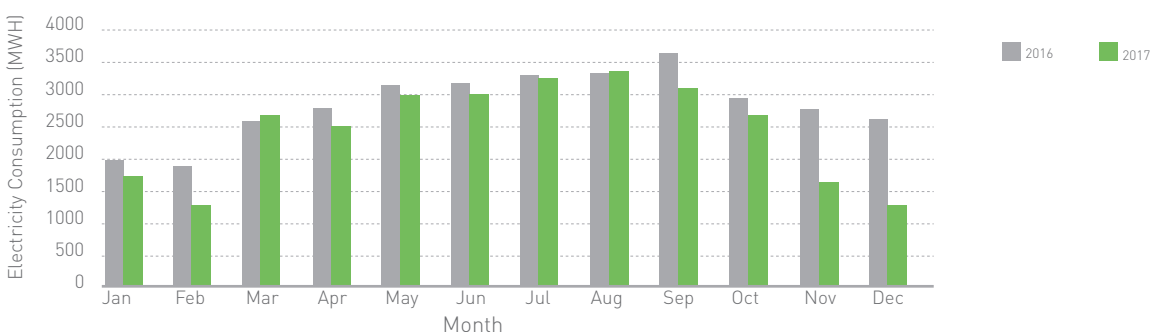
### 3/ NDSQ Electricity Consumption

Electricity consumption in the year 2017 was approximately 10% lesser than in 2016. Various measures were put in place to enhance and optimize power utilization so as to reduce electricity consumption. For example, the HVAC system for the building which houses office, plant and equipment is equipped with the most modern and automatic climate control system. The shipyard's Superyacht building (15,000 m<sup>2</sup>) is a fully centralized air-conditioned facility equipped with efficient and environmentally-friendly heating, cooling and ventilation systems. The building has centralized programmable logic controller (PLC) based BMS (Building Management System).

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

- A campaign to switch off all the electrical appliances at the end of each work day
- State-of-the-art technology deployed for energy saving systems, e.g. welding equipment with inverter technology utilizing lower electricity than the conventional machines
- Major prime movers "electrical driven" with higher power consumption ratings are driven by Variable Frequency Converters (VFD) and equipped with modern electrical starters
- Utilization of energy-saving lamps and LED lamps throughout the facility

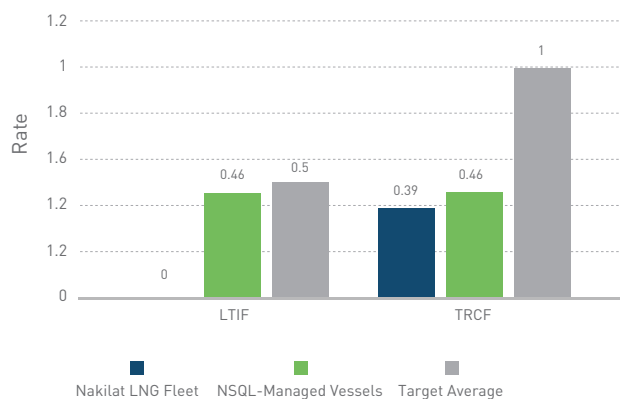
### Electricity Consumption (MWH) 2016 & 2017





# 5. Environment, Health & Safety

Fleet Safety Performance



### 5.3 Health & Safety Performance

One of Nakilat’s key priorities is the safety and health of its employees, as it is paramount to the success of the organization. We have been progressively increasing awareness for high-risk health issues as well as enhancing safety measures at worksites. Several safety-related initiatives were conducted to advocate a “zero accidents” mentality amongst employees.

The company 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 six Q-Max LNG vessels under Nakilat Shipping Qatar Limited (NSQL), a wholly-owned subsidiary of Nakilat in 2017.

To qualify for managing the world’s largest LNG vessels, Nakilat had to undergo a rigorous and stringent audit process, which was completed successfully, thus 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.

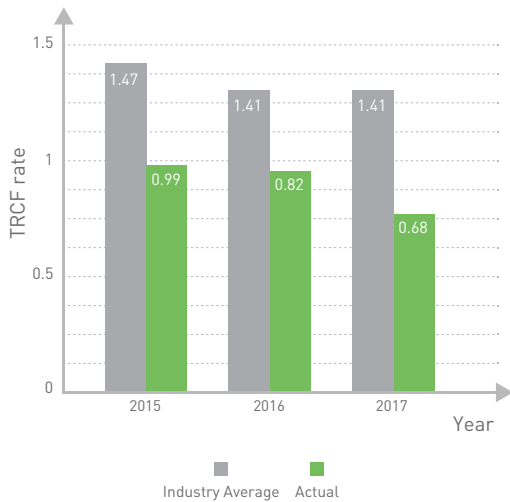
Nakilat’s remarkable safety record and vessel reliability is a testament of the company’s steadfast commitment on safety, health and environment. The Lost Time Injury Frequency (LTIF) and Total Recordable Case Frequency (TRCF) rates for the overall Nakilat LNG fleet and NSQL-managed vessels respectively, are below the set target average hence among the best in the shipping industry worldwide.



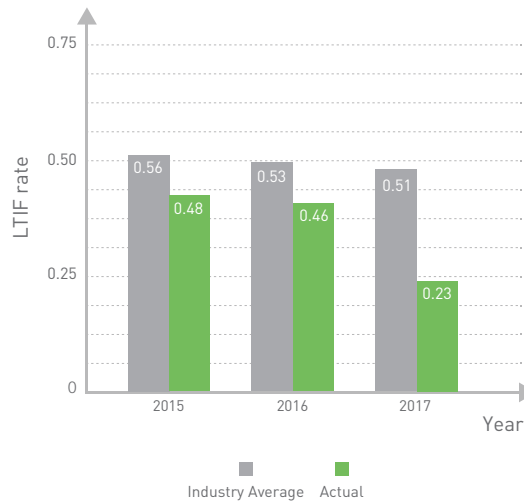


## Nakilat Group Safety Performance

Total Recordable Case Frequency (TRCF) – Yearly Data



Lost Time Incident Frequency (LTIF) – Yearly Data



### Incident & Injury Free (IIF) Program

Throughout 2017, Nakilat continued its journey towards being 'Incident and Injury Free'(IIF) with the aim of building a stronger safety culture amongst employees.

As part of the program, a selected group of 16 employees from various Nakilat departments and Joint Ventures underwent an orientation workshop for three days organized by an external specialist. This team was tasked to further champion the cause of the management's vision of building a strong safety culture by implementing IIF throughout the organization.

The 16 individuals were nominated as 'IIF Champions' and went on to deliver similar orientation sessions to the workforce from Nakilat and JVs. The orientation sessions were effectively designed to motivate Nakilat employees as a community towards incorporating IIF as a core way of working within the Nakilat Group, thereby, developing an environment where people and assets can be protected.

The orientation sessions were scheduled and organized throughout 2017 for the entire workforce in small batches. IIF coordinators were also nominated, who were tasked to keep the management updated on the progress of these sessions at periodic intervals.

The purpose of Nakilat's IIF program is to challenge the perception that incidents and injuries are simply a "part of the job." The 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. A strong commitment to 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.



# 5. Environment, Health & Safety

## SHEQ Campaigns

### Safety awareness online quizzes

On a regular basis, mandatory online quizzes are sent to employees to ensure vigilance with regards to the essential safety matters that everyone should be aware of. Employees are provided with the SHEQ Handbook to familiarize with basic SHEQ guidelines and regulations, and their knowledge is tested during these quizzes.



### Safety at home & office

Nakilat, in coordination with Qatar Red Crescent (QRC), organized a Basic First Aid Awareness session for its employees to raise awareness about basic fire prevention knowledge and techniques that can save lives at home or in the office. Professional paramedics from QRC interacted with employees on several topics, such as dealing with obstructive airways, blood loss, minor wounds and burn injuries, symptoms of heart attack and stroke and immediate actions to be taken.

### Environmental initiative

Nakilat along with its JVs, N-KOM & NDSQ, participated in the seasonal Turtle Beach Clean-up co-organized with Qatar Petroleum's Industrial Cities Directorate / Ras Laffan's HSE department authorities, preparing the beach ahead of the turtle nesting season. Employees actively participated in the program and contributed to this sustainable cause towards creating a conducive breeding environment for the turtles.

### Blood donation drive

Nakilat conducted a blood Donation Drive in coordination with Hamad Medical Corporation, at its headquarter office in Shoumoukh Towers Doha. Employees of Nakilat and other companies in Shoumoukh Towers voluntarily donated blood, which is valuable in saving the lives of those in need.

### Health & wellness activities

To create awareness among its employees regarding the importance of health and wellness, Nakilat coordinated numerous activities which included an interactive session with a guest speaker of from the Ministry of Public Health (MoPH) on heart diseases, basic health check for employees, organized outdoor and sporting events, and more.

### Seasonal flu vaccination drive

Flu shots were administered to all employees at Nakilat headquarters and the shipyard in coordination with the Ministry of Public Health (MoPH), in order to significantly reduce the chances of getting the flu and thereby preventing it from spreading.

Furthermore, employees were made aware of some myths and facts associated with Flu Vaccinations as part of the drive, to remove any inhibitions with regards to taking the flu shots.



## Emergency Preparedness

### Trainings

Both human and system elements are vital to ensure the effectiveness of emergency preparedness. Employees participated in two evacuation drills during the year, in coordination with Shoumoukh Towers Facilities Management (STFM) team.

These exercises ensured all relevant parties to perform the necessary actions required to get everyone to safety. At the same time, all emergency response equipment fitted in the offices were also tested as part of the drill. Shortcomings observed were notified to STFM and further actions were assessed for rectification.

### Evacuation drills & testing

Both human and system elements are vital to ensure the effectiveness of emergency preparedness.

Employees participated in evacuation drills during the year, a regular effort in coordination Shoumoukh Tower Facilities Management (STFM) team, to exercise actions required by all parties during an emergency.

At the same time, all emergency response equipment fitted in the offices were also tested as part of the drill, and shortcomings observed notified to STFM and further actions were assessed for rectification.

## Green Award Surveys for NSQL Vessels

In 2017, Nakilat LNG carriers completed the annual survey of the Green award without any non-compliances. The Green Award certifies ships that are in top notch condition, promoting the highest quality, safety and environmental standards that go beyond mandatory regulations. 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 involves an assessment that focuses on crew, operational, environmental and managerial elements.

## Significant Milestones

NDSQ maintained its LTI Free record in 2017 as well and exceeded 12 Million Safe Man-Hours towards the end of 2017. NDSQ has been Lost Time Incident (LTI) free since its inception in 2011.

N-KOM demonstrated good safety performance, recording 7.5 Million Safe Man Hours by the end of 2017.

## Highlights from JVs

Shipyards safety training at N-KOM safety training centre Shipyards Safety Training was conducted for N-KOM employees and sub-contractors to enhance their competency in identifying hazards associated with shipyard activities, and to empower employees to intervene and stop unsafe work.

In addition, the training sought to enhance the competency of employees on safe work practices, familiarize and adopt control measures while performing tasks and provide an overview of lessons learnt from previous incidents.

Training methodology included class room training, interactive discussions, case studies, safety video, other instructional media and demonstrations using the models in the Safety Training Centre.

## Emergency response drills (NDSQ)

Emergency response drills are essential to improve emergency planning and communications. NDSQ's periodic drill exercises keeps their emergency plans relevant and their First Intervention Team (FIT) sharp and alert.

## 6. Nakilat Fleet & Sustainability

### 6.1 Compliance with Statutory Requirements

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



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 these requirements means that a record of all potentially hazardous materials onboard is maintained throughout the operational life of the ships.



## 6.2 Emission Control Measures

Nakilat is committed to improve the speed and fuel consumption performance of our vessels. We strive to implement enhancement measures wherever possible. Several voluntary improvement measures have been identified and successfully implemented on all the vessels.

Besides the emission compliance, Nakilat and its charterers had voluntarily embarked on a very challenging journey of converting one of the Q-Max LNG carriers, to burn gas in ship's main engines instead of the conventional heavy fuel oil. The conversion of onboard two stroke slow speed diesel engines, MAN 7S60ME to the latest MAN MEGI (M-Type Electronically-controlled Gas Injection) type of engine took place 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 totalizing about 3000 running hours on each engine. With this successful implementation, Nakilat can proudly claim being among the pioneers in introducing and operating the dual fuel burning to/on the large slow speed diesel engines.

Nakilat also trialed one of the latest state of the art vessel performance monitoring system on two different LNG vessels, aiming to reduce the fuel consumption by using the optimal vessel trim while sailing and take benefit of the weather forecast to enhance the voyage routing by adjusting the vessel speed. From the trials, it is proven that about 1% fuel saving can easily be achieved (reduced emissions).

### 6.2.1 Hull Cleaning

Hull fouling in service is a natural phenomenon that cannot be eliminated entirely. All LNG vessels were coated with environmental friendly and highest-performance coating systems from the 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. To overcome this challenge, Nakilat decided to roll out an upgrade hull paint scheme to the entire fleet with higher performance coating.

An integrated hull performance monitoring regime was recently enhanced. First, through upgrading the existing onboard performance monitoring equipment, to record and forward high frequency data to shore - at established intervals and selected performance parameters. Then, a dedicated group of shore analysts in receipt of the data at agreed intervals, will produce monthly or per voyage performance monitoring reports, primarily focusing on emissions related performance.

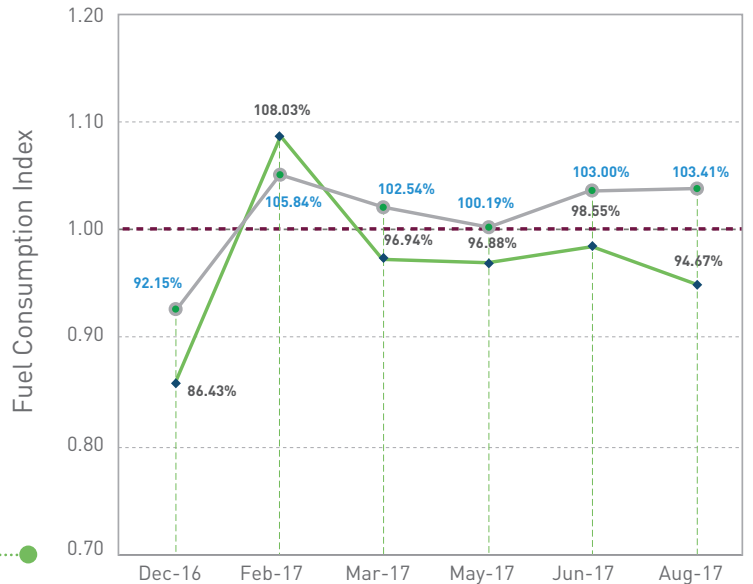
Guided by the performance reporting, the decision to perform hull scrubbing can be made. Nevertheless, an average hull cleaning interval has been established and triggered, as soon as the vessel performance deteriorated to a predetermined set point. Performance data collected so far indicates, that each combination of "hull cleaning and propeller polish" returns the vessel's performance closer to its baseline criteria.



# 6. Nakilat Fleet & Sustainability

The figure shows an 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.

Fuel Consumption Index for Vessel Mozah (over 6 months)



Overall Voyage Performance Propulsion Performance

Note:

Hull cleaning	Feb, 2017
Last under water inspection	Mar, 2017
Propeller polish	Mar, 2017

It is difficult to separately determine the positive effects of hull cleaning, coating upgrade, super-polishing and coating removal of propellers. Nevertheless the figure above clearly shows the improvement of overall voyage performance well below the base line criteria of 1.0, when appropriate corrective measures were carried out.

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 worked 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 a high-pressure water jet and vacuum, associated with an on-barge separation system to collect the fouling without adverse impact to the environment. This environment permit was granted and the system was successfully introduced within the Ras Laffan Port limits on trial basis. The trial was carried out on a number of vessels and the system proved to be very environmentally-friendly, rejecting only clean sea water overboard. Moving forward, the focus will be to permanently establish the RoV system within RLIC vicinity.





### 6.2.2 Hull Coating Upgrade

Since Nakilat's LNG fleet completed their initial special survey in March 2015, the upgrade in hull coating to a more advanced coating system has proven its effectiveness by minimizing the performance deterioration rate.

The latter coating upgrade proved to be effective over the subsequent 5-year cycle following the initial special survey as a number of vessels have not shown any significant drop in vessel performance (not being cleaned to date), and thus saving on downtime and preserving the environment.

With such performance records, Nakilat decided to re-coat its entire wholly-owned LNG fleet with the same proven coating despite the availability of alternative hull coatings in a similar price range. Performance of the new coating system has proven results with very little or no hull fouling on vessels in service for more than five years.

Comparative Data Analysis is continuously carried out and it can be safely claimed that existing coating will not have more than 2% speed loss over the five-year cycle, with the confirmed reduction that has been realized in propulsive fuel consumption.



# 6. Nakilat Fleet & Sustainability

## 6.2.3 Propeller super-polish & Edge Modification

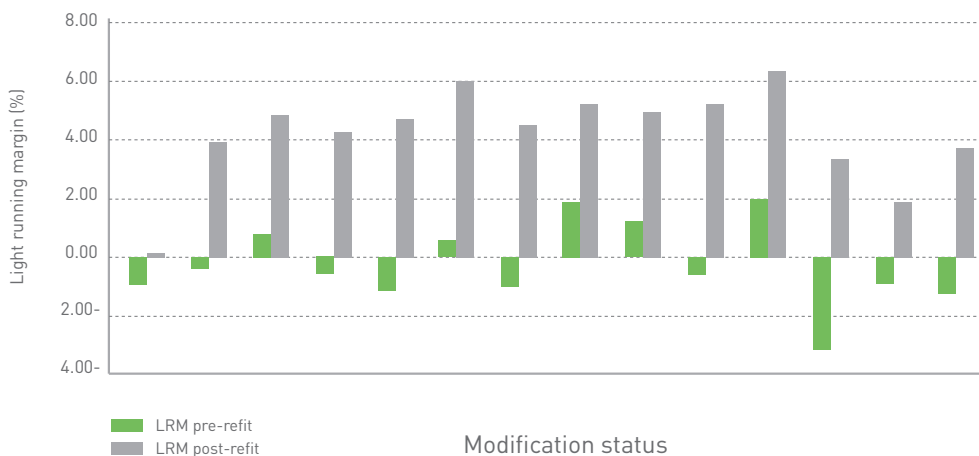
Our LNG fleet consists of twin-engine, twin-propeller vessels. These vessels were delivered with coated propellers, which faced the same fouling phenomenon similar to the hull whilst in operations. An independent study was conducted to determine the root cause of premature overloading of the engines in slight sea conditions, as additional fuel consumption had been observed to achieve the vessels' design revolutions per minute (rpm). After due diligence and consultation with the original makers, a decision was made to remove the propeller coating and super-polish the surfaces to further improve vessel performance.

Upon recommendation, vessels underwent propellers blade edges modification to 'lighten' the propellers, a process also known as increasing LRM (Light Running Margin). Adequate LRM indicates better propeller performance. These refits ensure that our vessels operate more efficiently with lower fuel consumption to achieve the design speed. For some vessels, this was accomplished while the vessel was in service through utilization of certified underwater diving companies. Meanwhile for other vessels, this has been carried out during their routine dry docking.

The figure below shows the comparison of LRMs across the fleet where propeller edge modification has been carried out.



Propeller LRM pre and post Refit



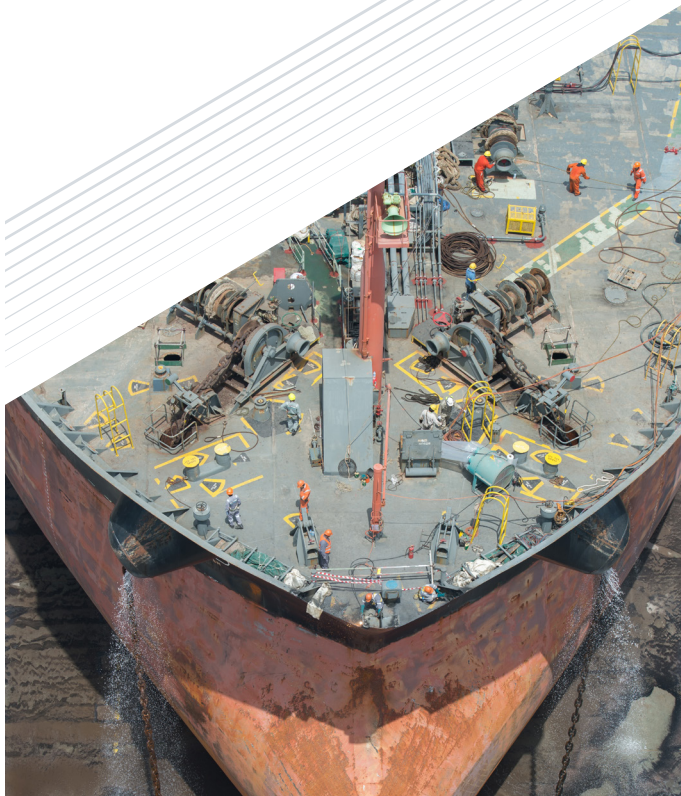


### 6.3 Noise Reduction

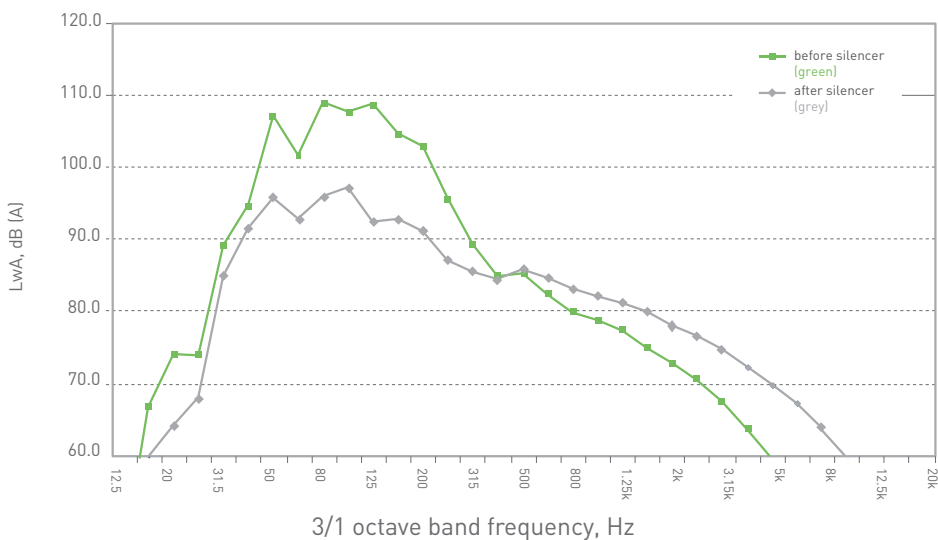
Although the vessels were delivered in compliance with the relevant Code for 'noise levels on board ships', there were some concerns raised by the local communities with regard to low frequency noise levels from Generator Engines while the vessels were alongside discharging cargo.

As a result of an independent study by Lloyd's Register, silencers for all Diesel Generators have been upgraded to bring the noise emission down by 15 decibels (dB). Services of Lloyds Register ODS have been retained to confirm the effectiveness of the new silencers.

The figure below depicts a graph for LNG carrier Shagra after upgrading. This is a comparison of calculated sound power levels of exhausts for vessels before (green) and after silencer (grey) upgrade. As it can be seen sound power levels have been reduced significantly in the frequency range from 40 to 200 Hz with improvements up to 15 dB at 125 Hz. The frequency range above 300 Hz is less relevant in regard to diesel engine noise.



Comparison of Sound Power of Exhausts before vs after silencer upgrade



## 7. Supply Chain

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### 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 significant role to play in helping to build the required skills and capabilities of local businesses especially, and in developing the local supply chain to sustain business operations. As competition grows amidst 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 Achievements and Initiatives

Nakilat's enhanced alignment with STASCO on operational expenditure (OPEX) in contracts and procurement portfolio has generated cost savings and commercial and operational effectiveness as well as efficiency. This has been achieved by focusing on the key service and supply contracts and dealing directly with the component manufacturers instead of the package suppliers, without compromising the safety, quality and availability.

## Nakilat extends our support to integrate with our JV companies through the JV Interface Supply Chain Process:

### Phase 1:

#### Focusing on Materials, Inventory & Logistics

- This synergy model will avoid work duplication across Nakilat Group, optimize man hours and help us to get volume-based discounts from vendors / suppliers.

### Phase 2:

#### Targeted synergy for Purchasing, Contract and Warehouse Activities.

- Streamlined and aligned processes and procedures as well as enhanced utilization of SAP and common systems across the Nakilat Group has enabled us to enhance efficiency in the short-term, and will bring more benefits in the long term from standardization, leveraging demand and stronger brand presence locally and internationally.
- Cross Nakilat JVs initiatives on optimizing and aligning the Fleet operations' contracts and various spend categories have resulted in immediate savings.

- Optimized QGTC and NSQL processes to maximize value and efficiencies in the Supply Chain by eliminating the barriers in the procurement cycle and ensured timely settlement of invoices to foster good relationships with Suppliers and maintain the company's reputation and reliability in the market place. Enhanced purchasing performance monitoring through our newly established reports and KPIs to track status of outstanding PRs and POs to secure in time delivery.
- Optimization of Supplier Performance Management practices by modifying our policies and procedures to include more stringent criteria for the selection of suppliers, registration and performance evaluation, whilst developing a strategic supplier base to reduce operational risks, meet company's future expectations and industry's challenges for improved safety, health and environmental efficiency, exceptional quality, competency and value for money
- A central Logistics and Materials Integrity team was formalized for Nakilat Group Companies in the shipyard and NSQL operations. This has been progressing effectively for the shipyard and refit operations, including for joint venture and third party vessels.

## 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.

## 8. Economic Impact



Nakilat plays a key role in strengthening and consolidating Qatar's position in the Supply Chain of the environment-friendly fuels such as LNG & LPG, through its LNG & LPG vessels and its operations at the 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. Also, Nakilat benefits from its strong Joint Venture partners, who are among 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 declared and paid its shareholders cash dividends worth QAR 4.52 billion until and including 2017. This is equivalent to an average of QAR 564 million per year and thus, provides an attractive investment vehicle to its Qatari and international shareholders.

While Nakilat has consistently paid dividends 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 1.8 billion at the end of the year 2017.

Nakilat's average consolidated revenue from all sources has been at around QAR 3.5 billion per year over last 8 years. Nakilat has generated a robust profit of QAR 6.7 billion over last 8 years which averages to QAR 837 million per year.

Nakilat is strongly committed to its social responsibilities to the State of Qatar and has appropriated QAR 166.7 million to the Social and Sports Fund up to 2017.

Nakilat invests in developing potential Qatari nationals through its unique Marine Cadet Program, sponsoring high school graduates interested to embark in marine career path. Nakilat spent nearly QAR 5 million for this initiative and has sponsored 26 Marine Cadets since 2012. Out of these 26 cadets, 4 have been absorbed by Nakilat in its manpower.

Nakilat and its joint ventures are committed to Qatar National Vision 2030, which outlines the development of a sustainable future for the State of Qatar. Our robust corporate social responsibility (CSR) framework aims to enrich the lives of local communities and preserve our natural environment in collaboration with local authorities or NGOs, with highlighted programs such as blood donation drives, distribution of personal care and hygiene packages to construction site workers, grant wishes for children battling life-threatening diseases during a "Make-A-Wish" initiative, outing with orphans and visually impaired community, seasonal beach clean-up, as well as a variety of health and wellness campaigns.

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.

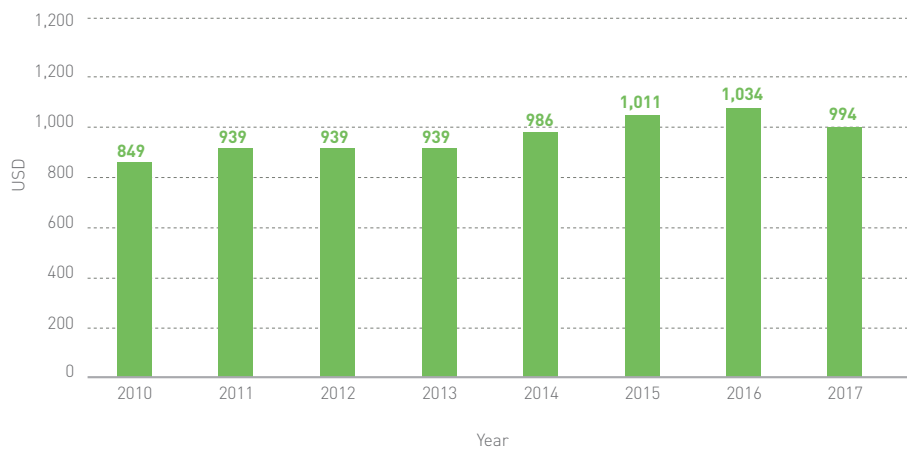
Nakilat has financed some of its debts with Qatari banks contributing to the growth of banking sector in Qatar. It has also assisted its LNG Joint Ventures to refinance their debts by getting finance from Qatari Banks. During 2017 Nakilat and its joint ventures have paid to local banks around QAR 451 million as interest. Thereby contributing to the growth of the banking sector in Qatar.

Nakilat Inc., a wholly owned subsidiary of QGTC, 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.

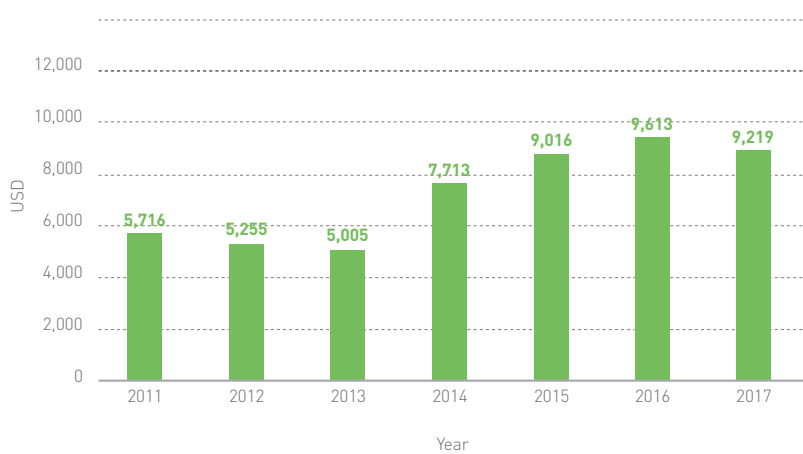
The exhibit on the next page shows how Nakilat together with its Joint Ventures have contributed in 2017 towards the three pillars – Society, Environment and Economy for the Sustainable Development of Qatar.

Year 2017	USD	QAR
1. Payments to Local suppliers	355,665,744	1,295,167,476
2. Various Payments to Govt. authorities	1,959,806	7,136,692
3. Marine Cadets	1,346,936	4,904,908
4. Donations, Sponsorships and CSR initiatives	356,401	1,279,846
5. Pension Fund contribution	971,411	3,537,422
6. Social & Sports Activities Support Fund	6,550,676	23,854,482
7. Interest paid to local banks	123,516,914	449,790,547
8. Cash Dividends paid to Qatari investors/shareholders	284,023,066	1,034,278,516
<b>Social Investment Spending (3+4+5+6)</b>	9,219,057	33,594,658
<b>Economic value distributed (1+2+7+8)</b>	765,165,530	2,786,373,231
<b>Economic value generated</b>		
1. Revenues	993,624,658	3,618,314,000
2. Net Income	232,699,442	847,382,000

Revenue in million USD



Social investment spending in thousand USD



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