
SUSTAINABILITY REPORT

2015



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1. SUSTAINABILITY AT NAKILAT

1.1 Managing Director's Message

Sustainability is at the heart of Nakilat's operations, given that our core business is to fundamentally transport clean energy to global markets. As our business portfolio expands over the years, it has become increasingly important that our commitment to sustainability remains unfaltering and that our approach towards sustainability ensures our competitiveness in the dynamic industry we operate in.

Nakilat's strong emphasis on safety, health and environment programs has resulted in the continuation of our excellent safety record and vessel reliability. Our 'Target Zero' initiative has proven to be highly effective in spreading safety and health awareness, enabling us to achieve Lost Time Injury Frequency (LTIF) and Total Recordable Case Frequency (TRCF) rates which are considerably lower than the shipping industry's average.

The company has also introduced a Risk Management function, highlighting our strong commitment and direction toward high quality governance and information security practices, which will in turn help mitigate and manage risks and potential opportunities related to the achievement of the company's objectives.

The past year has seen Nakilat making great strides in incorporating sustainable new technologies onboard its vessels. We successfully completed the world's first Main Engine Gas Injection (MEGI) conversion for a Q-Max LNG carrier to run on LNG as an alternative to fuel, and installed a Ballast Water Management System (BWMS) onboard one of our Q-Max LNG carriers. In addition to this, our LNG fleet was presented with the Green Award for their clean and safe operating systems. Our investments and efforts in this area goes to show the level of commitment in place towards operating in a safe and responsible manner.



The development of a sustainable Qatari workforce is also one of the key priorities at Nakilat, in line with Qatar's National Vision 2030. 78% of our National employees are occupying senior roles in the company and 70% of our National Develepees are females, demonstrating the healthy emphasis Nakilat places on succession-planning and empowering women in a traditionally male-dominant industry.

With its plethora of operational and social initiatives geared at sustainability, Nakilat is well on track to achieving its 5-year declared goals. We thank our board of directors, shareholders, employees and stakeholders for the continued support as we aim towards achieving many milestones towards the sustainable growth of our company.



1. SUSTAINABILITY AT NAKILAT

1.2 Our Approach to Sustainability

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

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

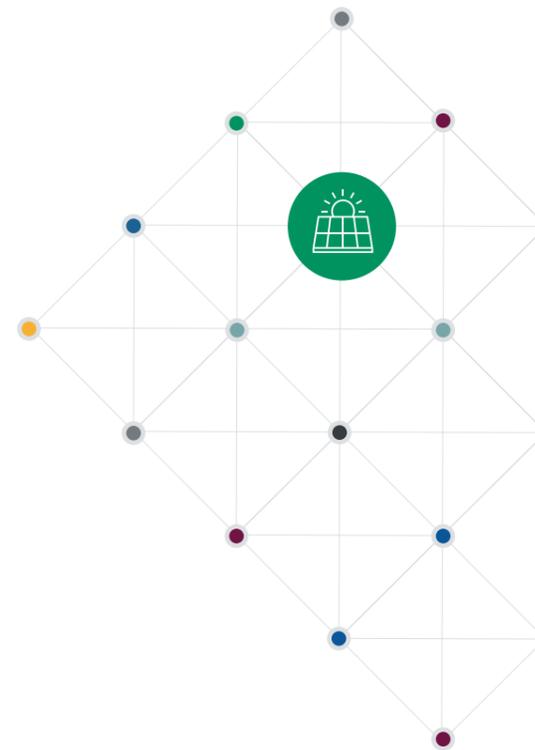
Reducing the company's environmental impact and ensuring health and safety of staff.

- **Supply Chain**

Working to make our suppliers 'greener'.

- **Economic Impacts**

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



1.4 Stakeholder Engagement

| Stakeholder Group | Description | Activities & Engagement |
|-------------------|--|--|
| Communities | Facilities in Doha and Ras Laffan | Interaction with government and local populations |
| Partners | Leading shipping and shipyard companies from around the world | Regular forums and meetings with partners. Close contact with partners is maintained through regular meetings and by our participation in key industry events |
| Customers | Charterers include Qatargas, RasGas, ExxonMobil, Shell, Gunvore and international companies | Close contact with charterers is maintained through regular quarterly meetings and a customer satisfaction survey twice per year. |
| Employees | +250 employees at Nakilat, +2,000 employees at JVs | Annual Employee Forums, regular surveys and questionnaires |
| Suppliers | 200 + suppliers (TBC by Supply) | An emphasis on procurement from the local market (TBC by Supply) |
| Investors | Nakilat is a joint stock company established by the State of Qatar to own, operate and manage LNG/LPG vessels and to provide shipping and marine-related services to a range of participants within the Qatari hydrocarbon sector. | Company tries protect the interests of investors by way of following the Corporate Governance and keeps them informed about its financial state of affairs through publishing Quarterly & Annual financial reports on the Qatar Exchange and in the leading Newspapers of Qatar. |

1.3 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 2015, which is the financial year of Nakilat.



1.5 Affiliations & Memberships

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

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



2.1 Corporate Overview

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

Nakilat's core business of shipping Qatari liquefied natural gas (LNG) to global markets is key to our company's strength. Our LNG fleet represents one of the world's newest and largest LNG fleets, 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 include 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.

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

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.

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 rate 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 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 varying capacities.
- A complete range of support facilities, such as steel shop, machine shop, cryogenic cleanroom, electrical shop, pipe shop, mechanical shop and a large warehouse.
- 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.

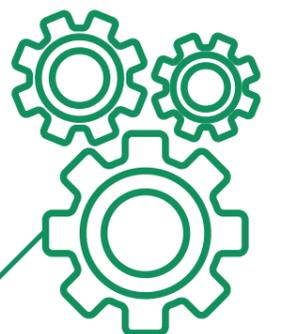


Facilities:

- 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-tonne crane
- Load-out and recovery barge with 10,500-tonne lifting capacity

2.2 Awards & Recognition

- **Nakilat** / LNG vessels awarded with the Green Award certificate
- **N-KOM** / Won the 'Shipyard/Ship repair Facility of the Year' award at TMS Middle East & Indian Sub-Continent Awards 2015
- **N-KOM** / Won the 'Ship Repair Innovation' award at Seatrade Middle East, Africa & Indian Sub-Continent Awards 2015
- **N-KOM** / Won an award at the Arabian Business Qatar Awards 2015
- **N-KOM** / Won the 'Most Improved HSE Standards & Culture Award' at Shell Shipping & Maritime Contractor Awards 2015
- **N-KOM** / Finalist for 'Environmental Responsibility' award at Seatrade Middle East, Africa & Indian Sub-Continent Awards 2015
- **NDSQ** / Re-certified by Lloyd's Register for ISO 9001, ISO 14001 and OHSAS 18001



2. COMPANY PROFILE

2.3 Milestones

- 2004
▼ **JUNE**
Nakilat established.
- 2005
▼ *Two LNG vessels delivered to Nakilat*
▼ **APRIL**
Floatation of Nakilat shares on Qatar Exchange.
▼ **MAY**
Nakilat Agency Company (NAC) Ltd. formed.
- 2006
▼ *Two LNG vessels delivered to Nakilat*
▼ **APRIL**
Nakilat awarded 25-year time charter by Qatargas 2 for six Q-Max vessels. Construction begins on the Shipyard in Ras Laffan.
▼ **SEPTEMBER**
Nakilat awarded 25-year time charter by Qatargas 3 for 10 large LNG carriers. Towage joint venture with Svitzer incorporated.
▼ **OCTOBER**
Nakilat-Svitzer joint venture awarded 22-year service contract by Qatar Petroleum for the Port of Ras Laffan.
▼ **NOVEMBER**
Nakilat awarded additional Q-Max vessel by RasGas 3 charterer. Nakilat formed a strategic alliance with Shell Trading and Shipping Company Limited (STASCO) for the management of 25 wholly-owned LNG carriers.
- 2007
▼ *Eight LNG vessels delivered to Nakilat*
▼ **FEBRUARY**
Nakilat awarded 25-year time charter by Qatargas 4 for eight large LNG carriers.
▼ **APRIL**
Steel cutting for first Q-Max.
▼ **NOVEMBER**
Delivery of first Q-Flex, Al Gattara.
▼ **DECEMBER**
First Q-Flex vessel at Ras Laffan carrying Qatargas cargo.
- 2008
▼ *21 LNG vessels delivered to Nakilat*
▼ **SEPTEMBER**
Delivery of first Q-Max, Mozah.
▼ **NOVEMBER**
Joint venture Nakilat-Keppel Offshore & Marine (N-KOM) incorporated.
- 2009
▼ *18 LNG vessels delivered to Nakilat*
▼ **MARCH**
All four LPG ships delivered.
- 2010
▼ *Three LNG vessels delivered to Nakilat*
▼ **JANUARY**
Joint venture Nakilat Damen Shipyards Qatar (NDSQ) created.
▼ **SEPTEMBER**
N-KOM received initial ISO 9001, ISO 14001 and OHSAS 18001 certification by DNV.
▼ **NOVEMBER**
Erhama Bin Jaber Al Jalahma Shipyard inaugurated. N-KOM and NDSQ begin operations.
- 2011
▼ **APRIL**
Nakilat receives ISO 9001:2008 and OHSAS 18001:2007 certification. N-KOM completes first LNG dry-docking project, Simaisma. Gulf Drilling International and N-KOM sign major contract.
▼ **MAY**
N-KOM receives first Qatargas vessel, Al Wakrah. NDSQ receives ISO 9001:2008 certification.
- 2012
▼ **JUNE**
Nakilat assumes management of its four LPG carriers.
▼ **AUGUST**
Nakilat closes US \$380 million Islamic financing.
▼ **SEPTEMBER**
NDSQ completes construction of its first vessel, a 140m load-out and recovery barge. First Qatari marine cadets sign with Nakilat.



- ▼ **NOVEMBER**
NDSQ launches first three mooring boats of a 19-vessel order.
N-KOM wins Shipyard of the Year award at Lloyd's List Awards Middle East and Indian Subcontinent and Seatrade Maritime Awards Middle East and Indian Subcontinent
▼ **DECEMBER**
Nakilat secures US \$200 million of financing for Gulf LPG.
- 2013
▼ **MARCH**
NDSQ signs contract to build two 71m fast luxury vessel.
Nakilat signs MoU with Algerian state energy company Sonatrach.
▼ **JUNE**
Nakilat Inc. arranges refinancing worth US \$917 million.
▼ **JULY**
Nakilat increases its ownership in Maran Nakilat Ltd. and expands the fleet by 4 new technology vessels.
▼ **OCTOBER**
NSW signs a contract variation with QP for the provision of additional marine services at Ras Laffan.
NDSQ and NSW sign a shipbuilding contract for seven new vessels with NSW to operate the vessels on delivery.
NDSQ certified ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.
▼ **NOVEMBER**
Eng. Abdullah Al Sulaiti is appointed as Managing Director of Nakilat.
N-KOM wins 'Ship Repair Shipyard' award for the second consecutive year at the Seatrade Middle East & Indian Subcontinent Awards 2013.
N-KOM re-certified for ISO 14001 and OHSAS 18001.
Nakilat arranges a US \$160 million bank financing transaction for N-KOM and NDSQ.
- 2014
▼ **JANUARY**
N-KOM signs a contract with MAN Diesel & Turbo to collaborate on the ME-GI project.
▼ **MARCH**
NDSQ signs two MoUs worth a total of QAR 3.1bn with Qatar Armed Forces.
▼ **APRIL**
A deal is completed to further expand the Maran-Nakilat joint venture by adding three LNG vessels.
▼ **JUNE**
N-KOM signs a MoU with HeLenGi Engineering for the conversion of Greek ferries.
▼ **JULY**
N-KOM is awarded two contracts worth US \$110 million by Gulf Drilling International (GDI).
N-KOM signs a contract worth US \$19 million with Qatar Primary Materials Company (QPMC).
Four LNG vessels are brought under the management of NSQL.
▼ **AUGUST**
NDSQ delivers the first two workboats to NSW.
▼ **OCTOBER**
Nakilat decides to bring commercial management of its jointly owned VLGC vessels in-house and focus on term charters.
N-KOM successfully completed its 300th vessel repair since its inception
▼ **NOVEMBER**
N-KOM wins the Safety & Security Award at The Maritime Standard (TMS) Middle East and Indian Subcontinent Awards 2014.
N-KOM signs a contract with DNV GL to co-operate on LNG and gas solutions projects.
N-KOM received certifications from American Petroleum Institute (API).
▼ **DECEMBER**
Nakilat Damen Shipyards Qatar (NDSQ) has signed an agreement with Qatar's New Port Project (NPP) to construct 11 workboats for use at the port.
- 2015
▼ **MARCH**
Nakilat Damen Shipyards Qatar (NDSQ) has delivered two new Qatari-built mooring tugs to towage operator Nakilat SvitzerWijsmuller (NSW). Nakilat received a certificate and a painting from the Ministry of Youth and Sports as a recognition for the commitment Nakilat exhibited towards the regulation and policies placed by the National Sport Day Committee during the event.
▼ **JUNE**
Nakilat has been given an excellent rating of AA3 by Moody's, one of the world's most renowned credit rating agencies.
▼ **JULY**
Nakilat has signed a Memorandum of Understanding (MoU) with government-owned financial institution Qatar Development Bank (QDB) agreeing to collaborate in areas including marine export credit insurance and financing.
NDSQ has launched two new locally built vessels. Al Ghaf, a pilot boat and Al Nafayed, a tug boat to the owners Nakilat NSW. A new 400m pier, one of the world largest floating docks was delivered and handed over to N-KOM for operation
▼ **AUGUST**
Nakilat has expanded its joint venture with Greek shipping company Maran Ventures Inc. to include two new LNG vessels
Commissioning of the World's First operational MEG1 vessel was completed. The occasion also marked the World's First conversion of an ME Type engine to a ME-GI type
▼ **SEPTEMBER**
N-KOM received an award at the Arabian Business Qatar Awards 2015.
N-KOM won the 'Most Improved HSE Standards & Culture Award' at Shell Shipping & Maritime Contractor Awards 2015
▼ **NOVEMBER**
N-KOM received the Shipyard/Ship repair Facility of the Year at The Maritime Standard (TMS) Middle East and Indian Subcontinent Awards 2015.
N-KOM received the 'Ship Repair Innovation' award at Seatrade Middle East, Africa & Indian Sub-Continent Awards 2015
Nakilat has become the first organization across Qatar to launch the globally renowned talent management SuccessFactors and integrate the Human Capital Management (HCM) suite in-house.
Nakilat hosted the biannual Dual Fuel (DF) Owners Forum and Membrane Owners Forum (MOF), which was held in Doha, Qatar.
▼ **DECEMBER**
N-KOM has signed a landmark agreement with the Angelicooussis Group of Companies to be the preferred shipyard for ship repairs in the Middle East.



2.4 Goals

Nakilat is a Qatari marine company providing the essential transportation link in the State of Qatar's LNG supply chain. Its LNG shipping fleet is the largest in the world, growing to 63 LNG vessels in 2015. In addition, via wholly-owned subsidiary Nakilat Shipping Qatar Limited (NSQL), Nakilat manages and operates four very large LPG carriers, which Nakilat jointly owns with Milaha. NSQL also manages and operated four LNG carriers.

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

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

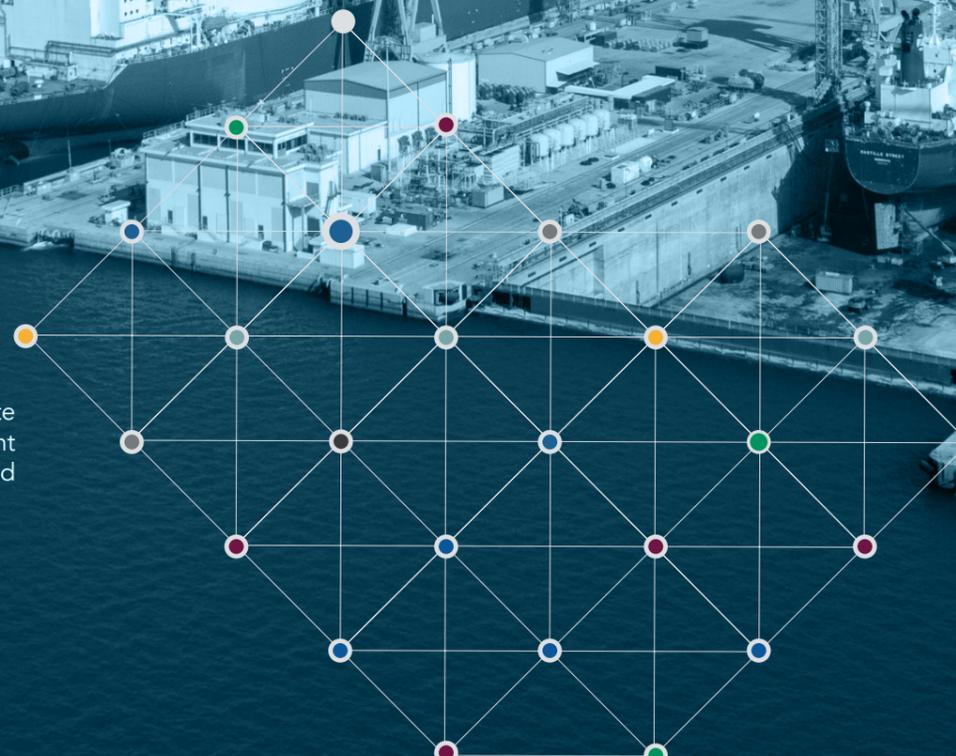


2.4.1 Company Direction Statement

Nakilat's annual Business Plan supports the delivery of Corporate Objectives and Milestones that will enable Nakilat to implement its Vision. The program of works outlined in the Plan is designed to maximize shareholders' value.

2.4.2 Nakilat's 5-Year Declared Future

1. Will be recognized as a strong global brand in LNG transportation.
2. All owned vessels would be technically operated, managed and crewed by Nakilat.
3. Nakilat will be an independent shipping company by enhancing its own infrastructure and processes.
4. Nakilat will be the provider of choice to their customers reflecting a high degree of customer satisfaction and trust.
5. Progress toward being efficient, safe and reliable transporter by all key measures, e.g. cost per ton mile, vessel operating costs (including repairs), safety and environmental statistics, and no off-hire claims.
6. Increased role in current JV/project vessels through acquisition of additional equity interest, support services and vessel management.
7. Take advantage of measured business growth opportunities, e.g. FSRU's, jack-up lift boats, LNG bunkering.
8. Staff Engagement, Talent Management, Personal Development and Qatarization.



3. GOVERNANCE, ETHICS AND COMPLIANCE

3.1 Corporate Governance

3.1.1 Vision Statement

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

3.1.2 Mission Statement

To maximize shareholder value by:

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

3.1.3 Corporate Objectives for 2015

The following Corporate Objectives for 2015 have been established, in order to realize the Company's Mission, Vision and 5-Year declared future:

1. Establish Corporate Branding and Marketing Campaigns
2. Implement and Execute LNGC Transition Plan
3. Operational Excellence and Enhancing Corporate Infrastructure
4. Capture Synergies
5. Capture Measured Business Growth Opportunities
6. Leverage Organizational Capability and Human Capital



3.1.4 Safety, Health, Environment and Quality Policy

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

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

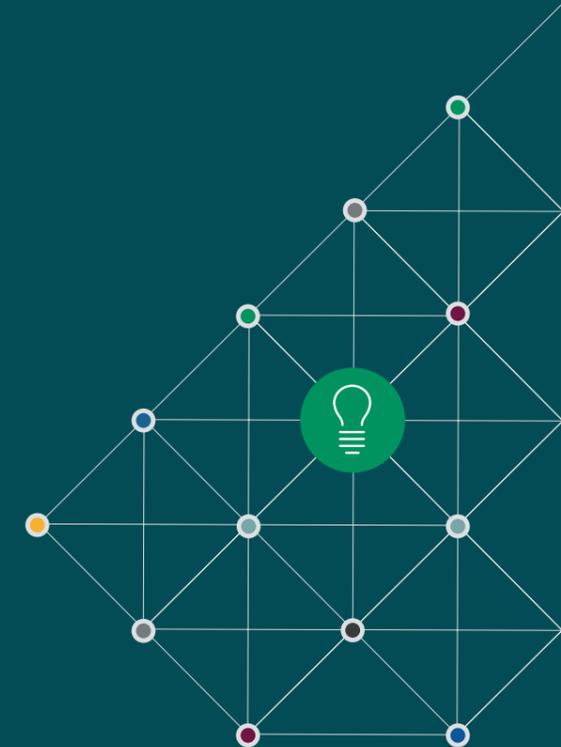
3.2 Ethics and Compliance

Nakilat's Code of Business Ethics Policy establishes clear rules of conduct in order to avoid conflicts of interest.

As a general rule, employees or their immediate families shall not have direct or indirect interest in any entity or business enterprise that has current or prospective dealings with the company.

All employees 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 31st 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 regard to conflicts of interest.



4. 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. In accordance with the organization's Business Plan as well as Strategic Goals & Objectives, the company embarked on setting, implementing and measuring goals at an organizational, departmental and individual level. Performance standards were rated on a 5-point scale then calibrated to ensure alignment to financial and strategic objectives, with employees getting an opportunity to raise any grievances at each stage to ensure a fair system.

4.2 Talent Development

Various learning interventions were administered as both internal and external offerings. 48% of the overall attendees were Nationals which contributed to the organization's Qatarization initiative.

| Training Type | Participant Number |
|-------------------|--------------------|
| External Training | 61 |
| Internal Training | 289 |

4.3 Organizational Development

Nakilat has conducted a job evaluation exercise using current job descriptions as part of its review of the current grading structure to ensure internal equity.

The findings of the job evaluation exercise that concluded in early 2015 was then implemented in July 2015.

In addition to that, Nakilat has conducted a market salary review to better identify its current position in the market, ensure external equity and competitiveness, and to be able to attract and retain the best caliber personnel to support achieving our set objectives. This review was concluded in 2015 and the necessary actions implemented accordingly.

In addition, our allowances and benefits were reviewed to ensure alignment with the industry and market, following which revisions were made to some allowances and benefits (i.e. education assistance, maternity leave, patient escort leave...etc.).

4.4 Employee Relations

One of the core deliverables of the Employee Relations department is to tend to various employee requests. Employee requests range from application of loans, post-confirmation benefits and allowances request to letter requests. The first step in enhancing the handling of requests was initiated in 2014 with the automation of the request process. After the automation was completed, the turnaround time for processing requests was drastically reduced from 10-15 working days to a minimum of 2 days for letter requests and a maximum of 5 working day for others, resulting in a 400% average increase in efficiency rates.

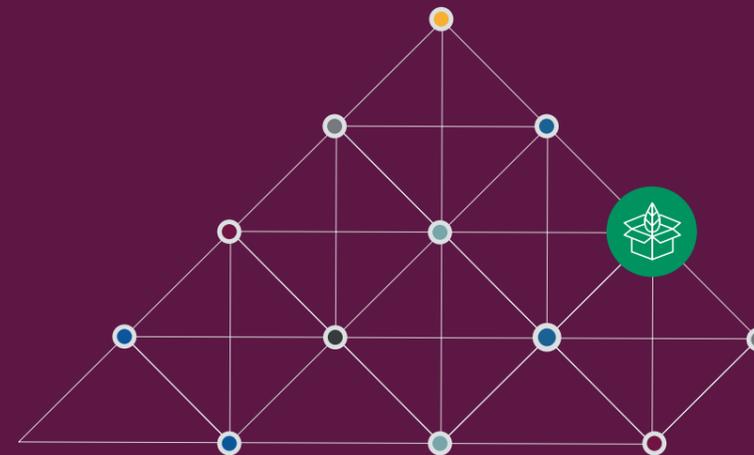
Analysis of exit interviews on a regular basis have provided invaluable insights into employee's perception and experience working at Nakilat.

The exit interview analysis reveals that within its overall remuneration package, which is incorporated in the allowance and benefits P&P, employees are compensated with adequate standards appropriate to the employee's status in the State of Qatar.



Nakilat is perceived as a safe and secure multicultural work environment, with both medical and life insurance covers provided for. Employees are also encouraged to relax and socialize outside their regular work place by enrolling themselves and their family in club memberships in Doha. This highlights how Nakilat finds ways to establish a work/life balance for its employees.

The primary reason for attrition has been identified to be for familial reasons, not organizational-based consideration such as salary or career growth opportunities.



4.5 Qatarization Initiative

By the end of 2015, Nakilat achieved its overall target of 33% Qatarization. This is attributed to the company's multi-dimensional approach and strategy towards Qatarization, embedded within the specified themes of supporting the Education sector, cultivating a supportive environment for Qatarization, and through Learning and Development initiatives.

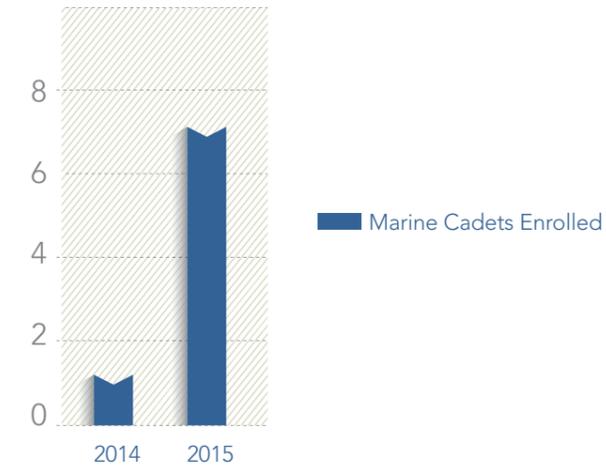
Key highlights of Nakilat's Qatarization initiative for 2015:

- 40% of Nakilat's senior roles filled by Nationals
- 78% of Nationals occupying senior roles
- 39% of Nakilat's National population are females
- 70% of Developpees are National females
- 70% of the Learning & Development budget invested in the Marine Cadet Sponsorship Program.
- Healthy and sustainable talent pipeline achieved for the short, medium, and long-term, with 59% of our Nationals in permanent roles.
- 100% of National promotions resulted from placing Qatari National females into complex technical roles that are generally difficult to fill.
- Strong engagement theme across all National Programs through the Annual National Forum, Marine Cadet Forum and Focus Groups.



4. EMPLOYEES

- Further investment in the National Development Program (NDP) through enhancements to the Program structure and content, extensive investment in formal training, and intensive support and engagement through frequent face-to-face meetings.
- Supporting the education sector through unique sponsorship programs, internships, externships, workplace experience programs, and academic research and projects.
- Both full time and part time opportunity were explored by Nakilat in 2015 to support the National graduate and post graduate students.
 - **Faleh Al Shahwani:** was sponsored in 2015, to produce outstanding results to the extent that he made the Dean's List at Qatar University under the full time opportunity
 - **Hanadi Helali:** successfully undertook her Associate in Arts qualification through Community College of Qatar during 2015
 - **Ali Al-Marri:** who has been granted approval to pursue further studies in Ports Management.
- Recognition and Reward programs and events for all Nationals, including Develepees and Marine Cadets.
- Supporting Learning and Development through Business English, technical and professional development programs, and talent mobility programs.
- Sponsorship of a Katara cultural event (Dhow voyage from Qatar to India)
- CSR activities linked to the pillars of QNV 2030:
 - National Sports Day event in Doha and Ras Laffan
 - Garangao event for Children
 - Ramadan event with the Elderly
 - World Environment Day
 - Safe Spring Camp in Al Khor
 - Beach Cleaning Campaign
- Promoting diversity and inclusion through the publication of a Qatarization Manual and Qatarization Brochure.
- In partnership with the Marketing Department at Qatar University, Nakilat Public Relations Department began a Program in 2015 supervising the Postgraduates research project of a Qatari National Marketing student.

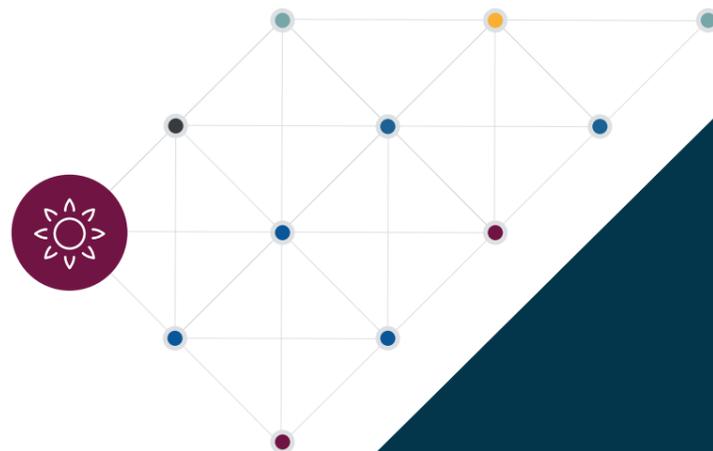


4.6 Marine Cadets Program

The most significant investment that Nakilat has made since 2012 is providing scholarships for our Marine Cadet Program (MCP). Nakilat sponsors this 3-4 years' program at the International Maritime College of Oman, which is intended to give high school graduates in-depth exposure to Maritime studies and sea-going life. Upon completion of the program, it is expected that Marine Cadets will take up careers aboard our vessels in either the Chief Engineer or Ship's Captain career streams.

The Annual Marine Cadet Forum was introduced in 2015 and hosted at the Nakilat Headquarters for a full day, to identify challenges and opportunities for improvements in our:

- Nakilat Cadetship Program
- Maritime College of Oman Program
- Sea-going Program



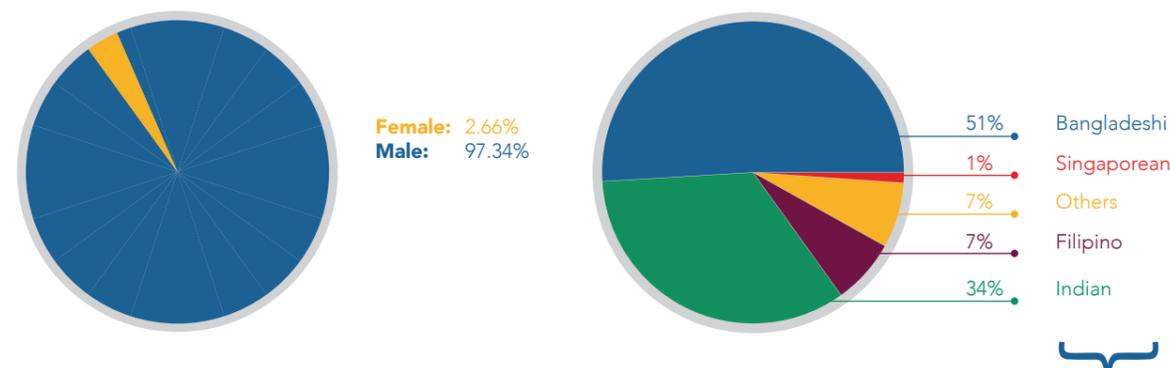
4. EMPLOYEES

4.7 Talent Pool Summary

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

| Category | Aspect | Indicator | Unit | 2015 |
|-----------|-----------------|-------------------------------|--------|------|
| Workforce | Diversification | Workforce size (full-time) | Number | 252 |
| | | Qatarization (full-time) | % | 33% |
| | | Female employment (full-time) | % | 20% |

NKOM DIVERSITY

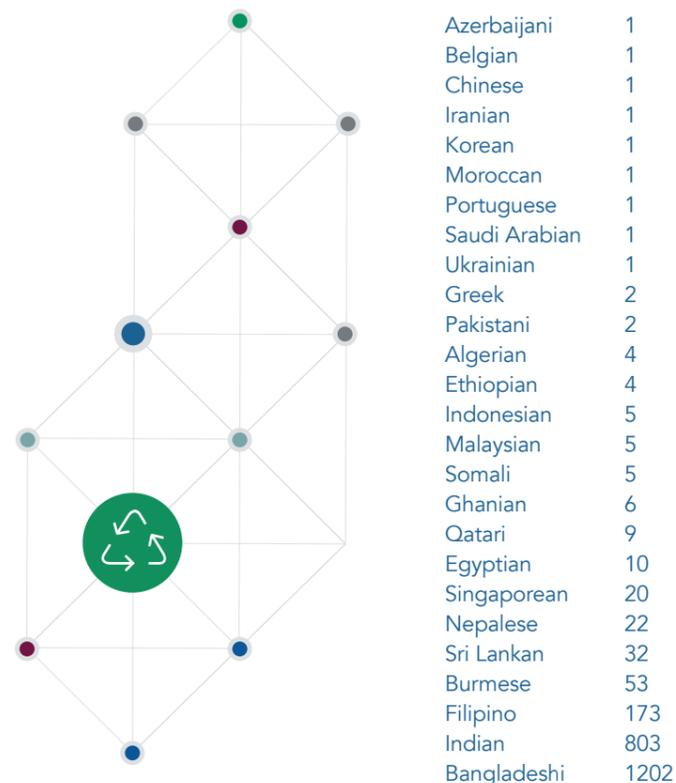


4.8 Work/Life Balance

Nakilat's employees receive an overall remuneration package in accordance with the Allowance and Benefits Policy & Procedure, according to 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 progress to date.

Example: Nakilat provides 100% educational assistance to a maximum of four children in any one year. Employees are also encouraged to relax and socialize outside their regular work place by enrolling themselves and their family in Club memberships in Doha.

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 JVs

NDSQ

There are 506 employees comprising of different nationalities, of which 16 are females. Presently, there are 5 Qataris in workforce and they are contributing immensely to the growth of the company.

The NDSQ HSSE Training Centre, operated by a professional and competent personnel, continues to equip employees and sub-contractors with relevant training on workplace procedures. They also employ a qualified instructor to teach employees on how to safely and properly operate heavy machineries & equipment as well as lifting and rigging operations. The Centre successfully trained about 850 workers and sub-contractors in 2015.

N-KOM

N-KOM conducted several employee engagement sessions in line with its Vision 2020 programme.

CEO and GMO Rallies were held on 18 and 19 February 2015 respectively. Around 800 employees including Managers, Engineers, Executives, Admin staff and Supervisors attended the event. At the rallies, the updated N-KOM Core Values, Vision 2020 Leadership Transformation efforts, Safety, Quality, Productivity and Sustainability progress and initiatives were disseminated. The N-KOM Pledge and Cheer were also launched at these events. Commendation letters and Certificates of Appreciation were also given to selected employees.

Senior Management Engagement sessions were also organized by HSSE as part of Safety Excellence (SE) 2020. The engagement sessions gave the Section Engineers, Supervisors and Workers the opportunity to engage with the CEO and Yard Manager on safety matters and other related concerns. These sessions were testament to Management's commitment and dedication in ensuring that staff safety and welfare are N-KOM's utmost priority.

N-KOM Vision 2020 Leadership Development programs:

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

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

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

KOM Technology & Engineering Development Program (KTEDP): Assistant Yard Manager, Mohamed Ahmed Abdelmonem represented N-KOM at KTEDP held in Singapore from 17-24 November 2015. KTEDP is KOM's flagship programme aimed at developing bright and aspiring engineers to be future engineering and technology leaders. KTEDP provided opportunities for engineers to learn and collaborate with industry leaders as well as experienced researchers from different fields and nationalities.

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



5. ENVIRONMENT, HEALTH AND SAFETY

5.1 Program Overview

Nakilat continued its efforts to uphold its Safety, Health and Environmental (SHE) performance in 2015 through establishment of a uniform reporting platform for all Nakilat companies and joint venture interests. We have set stringent SHE (Safety, Health & Environmental) targets for our activities to be reported, monitored and assessed against. Nakilat and its joint venture companies' SHE performance was favorable compared to the industry average in the industry group sectors.

Nakilat successfully underwent external audits to verify compliance to ISO 9001, OHSAS 18001 standards and ISM certification for its Fleet.

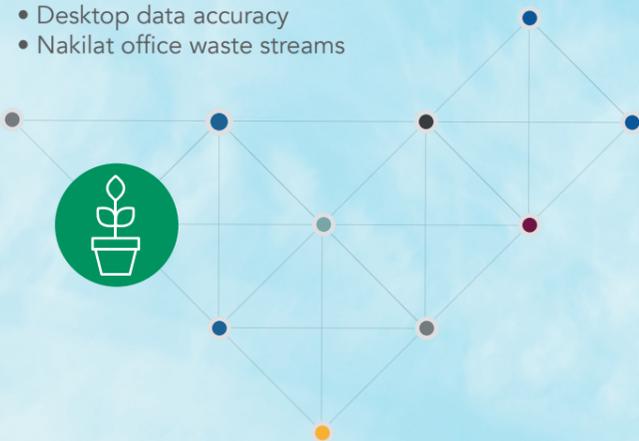
5.2 Environmental Performance

Environmental performance is an essential element of Nakilat's SHE Management System (SMS). 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

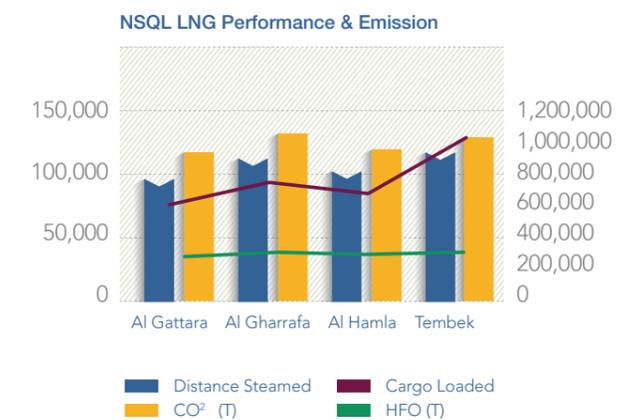
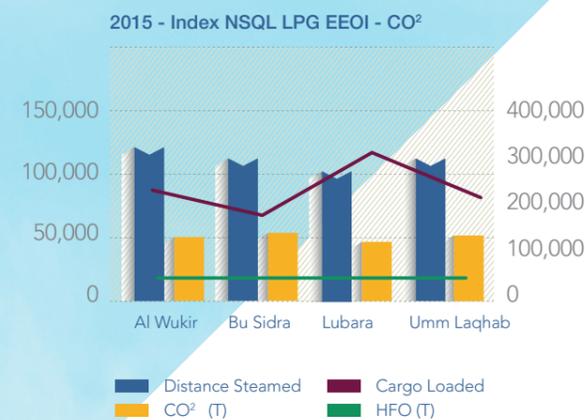
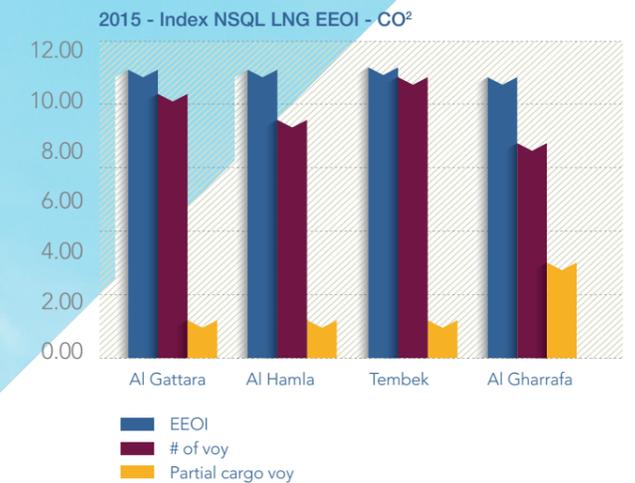
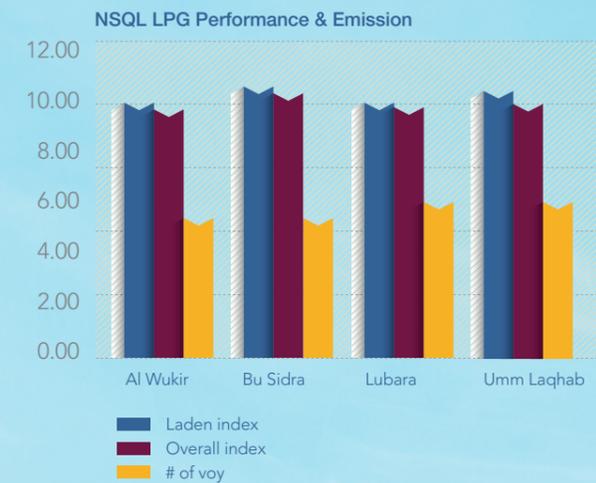


In order for environmental reporting to be of value, source data must be accurate and collected systematically, including appropriate data analysis procedures.

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

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

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

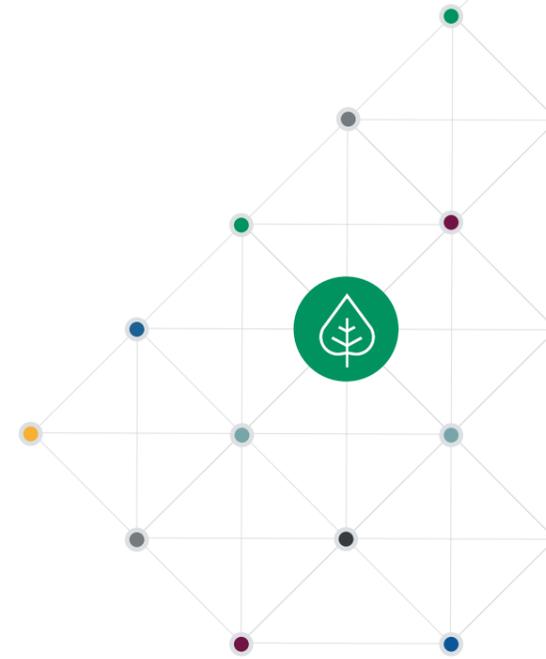


Highlights from JVs

Ambient Air Quality Monitoring

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

| Parameters | Min | Max | Average | Applicable Standards | |
|----------------------------|---------------|--------|---------|----------------------|--------------------------------|
| PM10(µg/m3) | 65.6 | 451.3 | 125.8 | 150 µg/m3 | |
| SO2 (µg/m3) | 6.3 | 19.8 | 11.10 | 365 µg/m3 | |
| NO2 (µg/m3) | 4.3 | 66.5 | 26.5 | 150 µg/m3 | |
| CO (µg/m3) | 83.3 | 1048.3 | 332.60 | 10000 µg/m3 | |
| VOC (µg/m3) | 0.9 | 9.9 | 4.4 | NA | |
| Aromatic Hydrocarbon (ppb) | Benzene | <0.72 | 0.84 | 0.21 | 0.24 PPM (240 ppb) (160 µg/m3) |
| | Toluene | <0.85 | 4.75 | 2.53 | |
| Hydrocarbon (ppb) | Ethyl benzene | <0.89 | 12.72 | 7.54 | |
| | Mp-xylene | 2.49 | 26.11 | 13.26 | |
| | o-xylene | 1.13 | 8.37 | 2.09 | |



N-KOM Residence Green Initiatives

- Scrap Satellite poles used as clothes hanger and scrap satellite dishes used as signage.
- Scrap fire extinguishers used as mount units for lighting along the ground.
- Cement that cannot be used for operations is used for laydown of concrete pathways at the residence.
- Expired paints that cannot be used for operations utilized for painting its Al Khor Residence, Ras Laffan Residence blocks, recreational rooms and mess hall.
- Scrap refrigerant gas cylinders painted as anime characters and placed at prominent locations in the residence to encourage humor and increase visual amenity.
- Damaged bunk beds and mop sticks used as garden barricade.
- Damaged water heater units painted and reused as vehicular reverse parking poles.
- Scrap benches and tires used as vehicular pathway control barriers.
- Scrap steel lockers were opened up and constructed into a shelter unit for air con storage and servicing such that they will be protected from direct sunlight or rain.

Marine water quality monitoring at N-KOM

N-KOM conducts water quality monitoring at 5 different locations along its shore. Water sample 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 cross 3.0 mg/l when compared with the MoE limit of 35 mg/l. Also, our pH value has always been within 6-9 as per the Qatar's Ministry of Environment (MOE) regulation.

NDSQ Electricity Consumption

NDSQ recorded a total of 27146 MWh of electricity consumed in the year 2015, which is an average reduction of 11% in electrical energy consumption compared to that in 2014. A graphical presentation of electrical energy consumption recorded in year 2014 & 2015 is provided in *Figure 1. next page.*

NDSQ had various measures in place to utilize the electrical power efficiently in order to optimize the electrical power consumption to ultimately reduce electricity consumption. For example, the HVAC system for the building which house office, plant and equipment are equipped with modern and automatic climate control system. The shipyard's Superyacht workshops (15,000 sqm) are facilities with fully-centralized air conditioning, equipped with most efficient environment-friendly heating, cooling & ventilation systems. The buildings have a centralized PLC-based BMS (Building Management System).

From the beginning of each project, NDSQ uses energy-saving lamps and LED lamps.

Electrical Consumption (MWH) 2015 & 2014



Figure 1



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

☑A campaign for switching off all the electrical appliances at the end of the working day, an initiative that has helped in saving electrical energy.

State-of-the-art technology is deployed, particularly energy saving systems (e.g. welding equipment with inverter technology with far lower idle current consumption which can almost be taken for granted in a high-tech company. The same also goes for frequency-controlled ventilation systems that bring further reductions in electricity consumption.)



5. ENVIRONMENT, HEALTH AND SAFETY

Health & Safety Performance

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

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

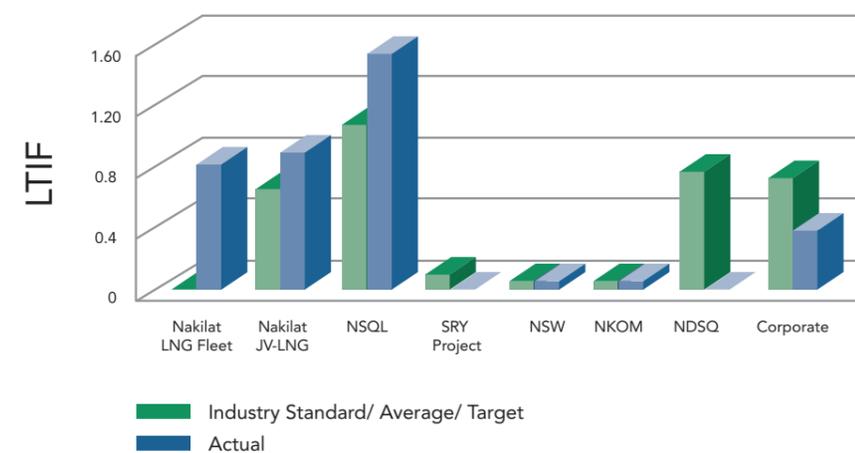
A separate 'Risk assessment' reporting tool allows us to identify and correct hazards before they result in injury or damage. At Nakilat, safety is our top priority. No fatalities have been recorded during the last seven years of continuous work; we remain committed to maintaining a record of zero fatalities thus our safety performance remains a work in progress. Though Nakilat's performance in terms of injuries shows improvement, we still intend to foster a stronger safety culture where both standards and systems are continuously improved and individuals take personal responsibility for creating a safe working environment by reporting unsafe acts and near misses.

Nakilat's continuous attention to SHE elements and quality systems can be seen from its successful undertaking of the world's first MEG1 retrofit of its Q-Max LNG carrier and also the installation of a Ballast Water Management System (BWMS) onboard its Q-Flex LNG carrier in 2015. These complex projects were undertaken in an effort to utilize the latest green technologies onboard our fleet and minimize the environmental impact of our shipping operations. As testament to our efforts in this area, Nakilat's LNG fleet has been presented with the Green Award, which certifies their clean and safe operating systems.

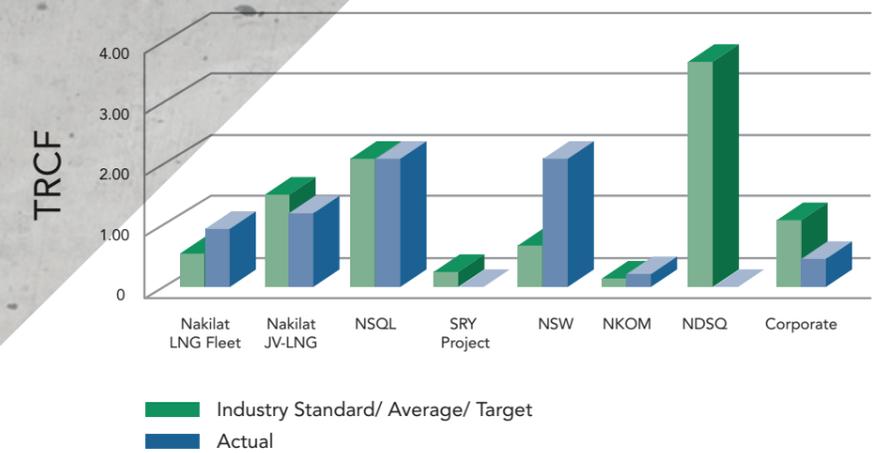
Nakilat's continued emphasis on safety, health and environment programs has resulted in the continuation of our remarkable safety record and vessel reliability. Nakilat's LNG fleet has achieved a Lost Time Injury Frequency (LTIF) of 0.36 and Total Recordable Case Frequency (TRCF) of 0.54, while the Nakilat-managed LPG and LNG fleet has achieved a LTIF of 0.00 and TRCF of 0.00

These figures are well below the industry average LTIF of 1.11 and TRCF of 2.25 and are among the best in the shipping industry.

LOST TIME INJURY FREQUENCY (LTIF)



TOTAL RECORDABLE CASE FREQUENCY (TRCF)



5. ENVIRONMENT, HEALTH AND SAFETY

Emergency Response Electronic Handbook:

Nakilat introduced an Emergency Response Electronic Handbook, a ready reference publication containing essential information to enable Nakilat Emergency Response Team members to manage incidents smoothly and efficiently. The electronic version of the handbook was circulated to all concerned staff to ensure it is readily available on their laptops and smartphones, and also available on Nakilat's intranet portal (SharePoint).

SHEQ Awareness:

A series of online monthly quizzes are being conducted to create awareness among employees on matters concerning Safety, Health and Environment. A visible change was noticed among staff as they became more enthusiastic and inquisitive towards SHE Elements after the quizzes were rolled out. A total of 7 Quizzes have been published and the results monitored to gauge our employee's level of awareness on SHEQ elements.

A Safety Culture Survey was also conducted during the employee forum, with more than 75% of the participants rating Nakilat's Safety standards as 'Good' (Scale: Good – Fair – Poor). A thorough analysis of the survey results was carried out to gauge employees' perception and identify areas for improvement to enhance the Health and Safety Culture of the organization. Actions are underway to implement corrective actions for improvement.

An electronic version of the SHEQ Essentials Handbook was released for all staff. The e-handbook was published on the SHEQ intranet portal and also made accessible through mobile devices for ease of reference as and when required.

Green Award Certification for Nakilat: Office audit was completed successfully and all NSQL LNG vessels have been certified with a Green Award status.

Nakilat Agency Company:

Nakilat Agency Company (NAC) has achieved the prestigious distinction of having completed 10 years of operations without any Lost Time Incident (LTI). Starting operation back in May 2005, NAC successfully stuck to its target of Zero LTI's consistently throughout its decade of operations.

The agency started as an exclusive agent for all ships calling at the Ras Laffan Port and has since started operations in Mesaieed Industrial City (MIC) operations as well. Within a short span of time, NAC has earned a reputation for being the most favored Agency among other agents operating in MIC. Nakilat Management extends its appreciation to all the dedicated crew agents and other employees of NAC for this achievement.



Highlights from JVs

N-KOM revamp of the Workforce Safety Council

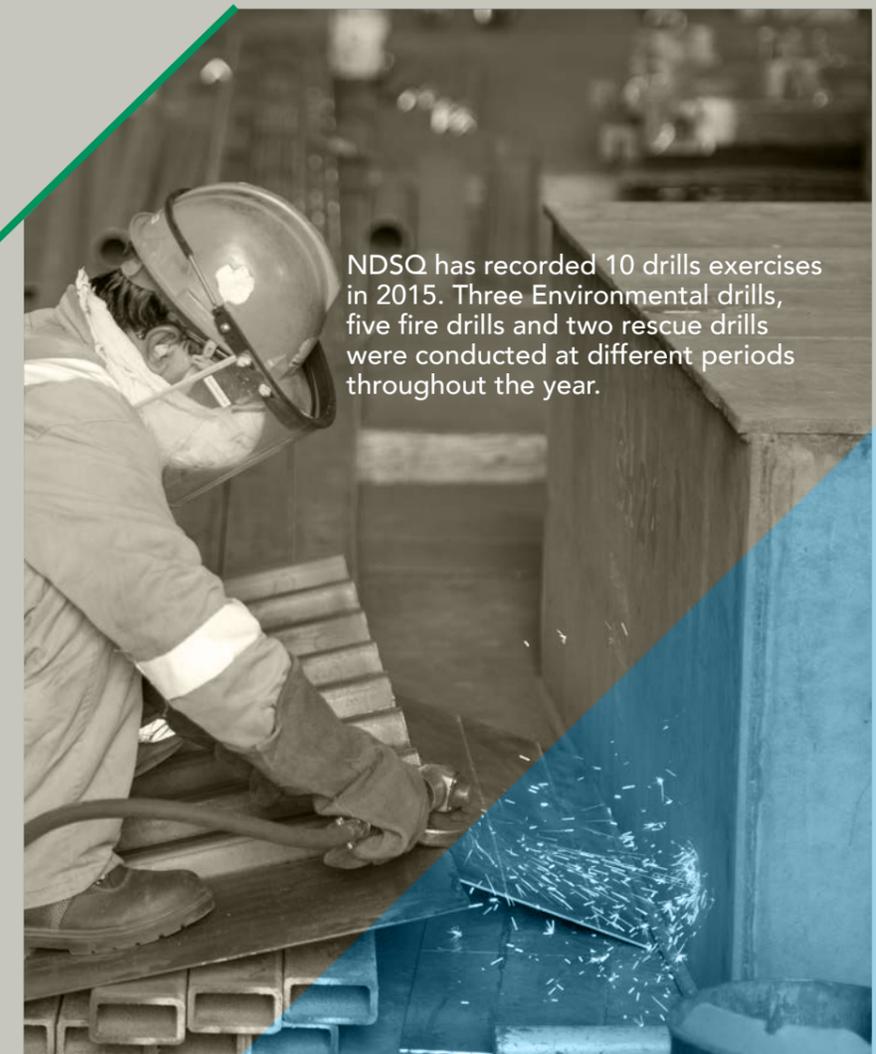
In alignment with N-KOM's Safety Excellence 2020 initiative, its Workforce Safety Council (WSC) was revamped in June 2015. This came as part of N-KOM's continuous effort to empower its people through positive reinforcement, engagement and inculcation of safety commitment. The principle behind WSC is "By the Workers, For the Workers". As such, the WSC comprised Group/Job Leaders and Workers from all Sections. This approach was taken as they were assessed to be more effective in engaging, intervening and understanding the needs of their co-workers.

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

Launched in late 2014, this program is part of N-KOM's Safety Excellence 2020 initiative to empower its workforce.

The 'Stop Work' Red Card' aims to empower Supervisors with the authority to stop work or not to perform tasks or activities that they feel may pose a risk to themselves, their co-workers or the environment. N-KOM believes that through this approach, hazards can be better identified and controlled before they actually impact a life or damage property. This program empowers and encourages personnel to exercise their judgement without the fear of retaliation and intimidation. The Good Work Green Card aims to positively reinforce the benefits of working safely through a proactive approach that comprises recognition, evaluation and control of unsafe work practices and hazardous conditions. It also seeks to enhance the safety-conscious culture amongst N-KOM employees through the implementation of a safety recognition program that encourages safe work practices among employees.

Emergency response drills are excellent ways to improve emergency planning and communication. NDSQ's routine drill exercises keeps their emergency plans relevant and our First Intervention Team (FIT) sharp and alert.



NDSQ has recorded 10 drills exercises in 2015. Three Environmental drills, five fire drills and two rescue drills were conducted at different periods throughout the year.

6. NAKILAT FLEET AND SUSTAINABILITY

6.1 Compliance with Statutory Requirements

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

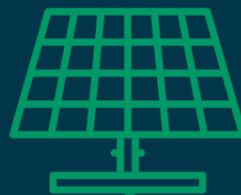
- Certificate of fitness for Liquefied Gas Carriers in compliance with International Code for the Construction and Equipment of Ships Carrying Liquefied Gases in Bulk.
- International Oil Pollution Prevention Certificate in compliance with MARPOL - International Convention for the Prevention of Pollution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

In addition to the above mandatory certification, Nakilat's vessels maintain a voluntary compliance certification with the Hong Kong International Convention for the Safe & Environmentally Sound Recycling of Ships. Compliance with this requirement 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.



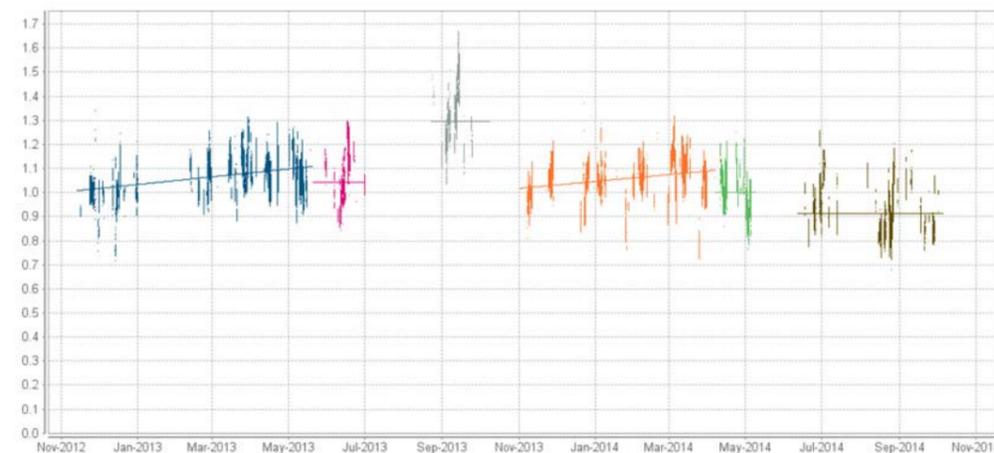
6.2.1 Hull Cleaning

Hull fouling during a vessel's service is a natural phenomenon that cannot be eliminated entirely. All LNG vessels were coated with the high performance coating systems (latest available technology) at the time of delivery, however, a gradual drop in hull performance was observed, causing increased fuel consumption for the same speed.

As 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.

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 to its baseline criteria.

The figure below (Figure 3.) shows an analysis of one vessel's performance where base line criteria is set at 1.0 versus its performance deterioration due to hull fouling while in service, and the improvement achieved after cleaning occurs.



It is difficult to independently determine the positive effects of hull cleaning, coating upgrade, super-polishing and coating removal of propellers. However, Figure 3. clearly shows that the hull resistance drops below the base line criteria of 1.0 when all the corrective measures are executed simultaneously.



6. NAKILAT FLEET AND SUSTAINABILITY

6.2.2 Hull Coating Upgrade

The hull coating system of 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.

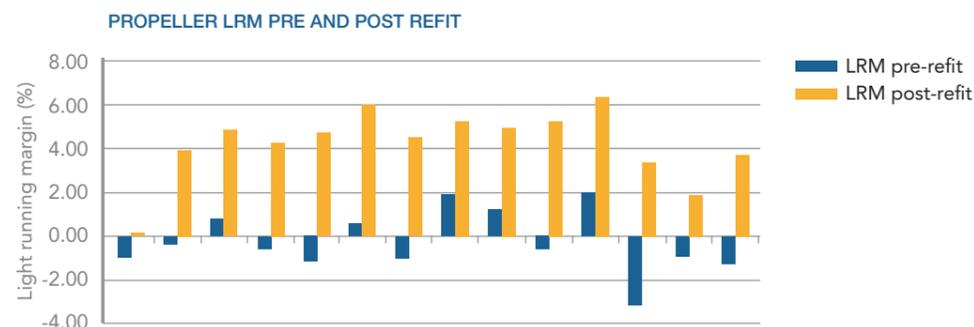
Through continuous Comparative Data Analysis, we see an approximate reduction of 3% in propulsive fuel consumption.

The graphical analysis below (Figure 4.) shows the fuel savings between two vessels (red & green) after their five-yearly dry docking, with the original coating versus the upgraded coating using a different system.

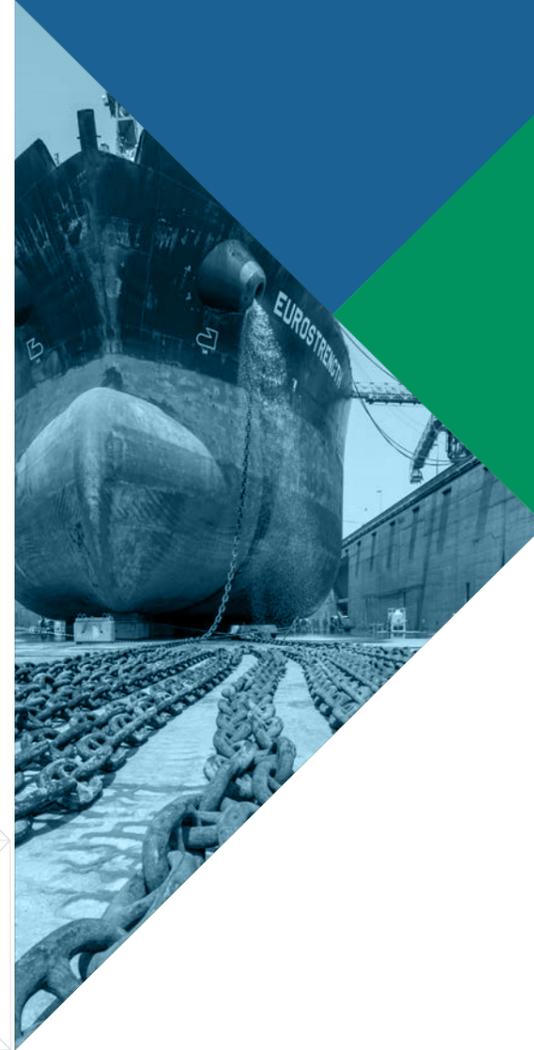


6.2.3 Propeller super-polish & Edge Modification

Our LNG fleet consists of twin-engine, twin-screw 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 has been carried out during their routine dry docking. On the recommendation of an independent study (conducted to determine the root cause of premature overloading of the engines in slight sea conditions - additional fuel consumption to achieve design rpm), propellers blade edges have been modified during recent routine dry docking to 'lighten' the propellers, a process also known as increasing LRM (Light Running Margin).



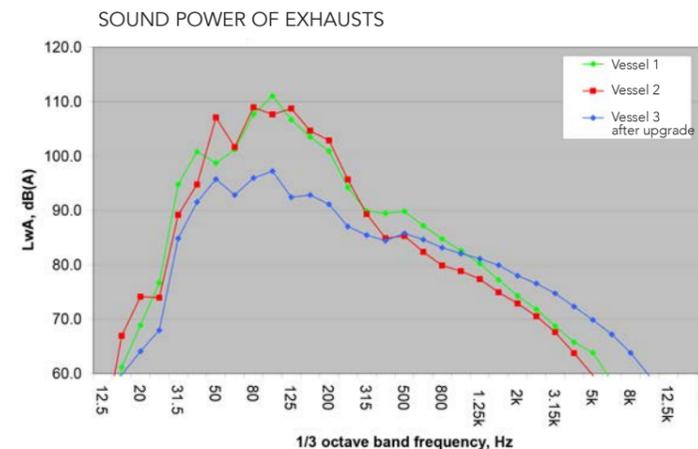
The figure above shows the comparison of LRMs across the fleet where propeller edge modification has been carried out.



6.3 Noise Reduction

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

As a result of an independent study by Lloyd's Register, silencers for all Diesel Generators have been upgraded to reduce the noise emission by 15db. Services of Lloyds Register ODS have been retained to ascertain the effectiveness of the new silencers.



6.4 Case Study

Pilot Conversion of Main Propulsion Engines on Q-Max LNG Carrier to reduce emissions

Nakilat has completed a major main engine gas injection (MEGI) retrofit for a Q-Max vessel to run on LNG as an alternative to heavy fuel oil in the main engines. The Q-Max will have the world's first low-speed marine diesel engine to be converted to use LNG as a fuel. The project was undertaken by N-KOM at the Erhama Bin Jaber Al Jalahma Shipyard, utilizing MAN Diesel and Turbo's ME-GI (M-Type Electronically Controlled – Gas Injection) systems as an innovative and flexible technology. Not only will this pilot ME-GI retrofit result in greatly reduced emissions but also it will allow this converted vessel to operate with maximum flexibility in a safe and sustainable manner. The vessel will be able to utilize forced LNG boil-off gas and HFO, depending on the requirements of the voyage.

The control of greenhouse gas and exhaust gas emissions have a high priority in today's shipping industry. In-step with the emissions regulations, the engine manufacturer, MAN Diesel and Turbo has made technical advancements to the low speed diesel engine to have flexibility to utilize Liquefied Natural Gas (LNG), a cleaner fuel as compared to heavy fuel oil, as an alternative fuel source employing the ME-GI concept.

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

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

Comparison of calculated sound power levels of exhausts for vessels before (Green & Red) and after silencer (Blue) upgrade. As 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 for diesel engine noise.

7. SUPPLY CHAIN

7.1 Supply Chain Management

Nakilat aims to be the world's leading owner and operator of vessels for the transportation of liquefied natural gas (LNG) and associated products and to be the provider of choice for ship repair and construction services.

Nakilat's business and operations generates employment, investment, revenues and opportunities for many local and international suppliers. We therefore believe that we have a positive role to play in helping to build the required skills and capabilities of mainly local businesses and in developing the local supply chain.

Our ability and success to be a safe and an accountable company depends in part on the capability and performance of our suppliers and contractors. Suppliers and contractors support us to carry out our operations and to deliver our commitments.

To support our sustainability objectives, it is important for us to diversify our suppliers' database while promoting the use of local vendors (where feasible).

In 2015, nearly 60% of third party expenditure was directly incurred within the local market whereas 40% of the goods and services were sourced from international suppliers.

Nakilat will continually strive 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 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.

7.2 Business Ethics

Our Code of Conduct applies to all our employees, Joint Venture partners, 3rd 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.

All our orders and invitation to tender includes a statement and/or provision stipulating that Nakilat intends to make its business dealings characterized by honesty and freedom from deception and fraud and that it finds unethical behavior unacceptable.

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

Nakilat aims to create an open environment whereby employees, third parties and any other person or entity we deal with, have the right to speak up whenever they believe that our code of conduct or any other legal requirement(s) could be or has been violated.

7.3 Green Procurement

Nakilat is currently implementing a program in its SAP system called SRM/TRM ("Supplier Relation Management / Treasury & Risk Management") which will introduce an automation to the operational procurement, bid invitation, supplier qualification, performance and evaluation, etc.

Whilst this program is meant to increase efficiency, it also allows for a direct contribution towards environmental protection through reduction in the usage of paper by both Nakilat Supply Chain Management (SCM) and its respective third party contractors.

Additionally, Nakilat is consistently reviewing areas where consortium procurement can be utilized to ensure optimization of processes and efficiencies realized through economies of scale. This is done by addressing areas of common procurement requirements across Nakilat and its JVs, and processing these through a unified Central Supply Chain process.

7.4 Contractor Performance Management

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

Our intention is to conduct regular performance review meetings with our strategic contractors. These performance review meetings ensure a two-way communication is maintained and serve as a forum where challenges and opportunities are proactively discussed and managed for mutual benefit and value-add.

For minor agreements, the performance is monitored via customer feedback obtained through satisfaction surveys.

In early 2015, Nakilat executed a contract for the implementation of Supplier Relation Management (SRM) within NAKILAT's existing SAP system. This project will enable the optimization of the procure-to-pay process and introduce automation to many of our business functions, among which is the "Supplier Performance Management".

7.5 What We Plan To Do Next

We shall continue to:

- Pursue and enhance cooperative relationships with our strategic contractors.
- Look for opportunities to support the local supply chain and build the skills of local businesses.
- Work with Qatar Development Bank (QDB) to establish areas where local SMEs are able to assist in developing the local manufacturing base.
- Encourage international marine Original Equipment Manufacturers (OEMs) to establish in the country to support the development of a marine hub in Ras Laffan
- Seek to identify and manage risks within the supply chain and address those in our policies and procedures.

During these challenging times and as we keep moving forward in our journey to achieve "win-win" solutions that will make our business more sustainable, we believe that Nakilat has also an important role to play and is a key contributor toward Qatar National Vision 2030 for sustainable development.



8. ECONOMIC IMPACT



Nakilat plays a key role in strengthening and consolidating Qatar's position in the supply chain of environmentally-friendly fuels like LNG & LPG, through its LNG & LPG vessels and 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 & RasGas. Also, Nakilat benefits from its strong 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. It declared and paid its shareholders cash dividends worth QAR 3.41 billion until and including 2015. This is equivalent to an average of QAR 568 million per year and thus, provide an attractive investment vehicle to its Qatari and international shareholders.

While Nakilat has increased its dividend and outpaced initial projections, it continues to retain a part of its annual profits to pursue its long term growth strategy. Nakilat carried a robust Retained Earning balance of QAR 1.4 billion at the end of the year 2015.

Nakilat's average consolidated revenue from all sources has been about QAR 3.4 billion per year over last 6 years. The company has generated a robust profit of QAR 4.9 billion cumulatively over last 6 years, which averages out to be QAR 812 million per year.

Nakilat is strongly committed to its social responsibilities to the State of Qatar and has appropriated QAR 121.69 million to the Social and Sports Fund up to 2015. We also provide a unique opportunity for young Qataris by sponsoring Nationals for our Marine Cadet Program. The company has spent around QAR 10.5 million on this initiative and sponsored 23 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, Safe Spring Camp, Career Fairs, Blood Drive, World Environment Day and Iftar at IHSAN Foundation. Nakilat was also one of the Sponsors of Al Attiyah Energy Awards and the United Nation's World Humanitarian Summit for Youth.

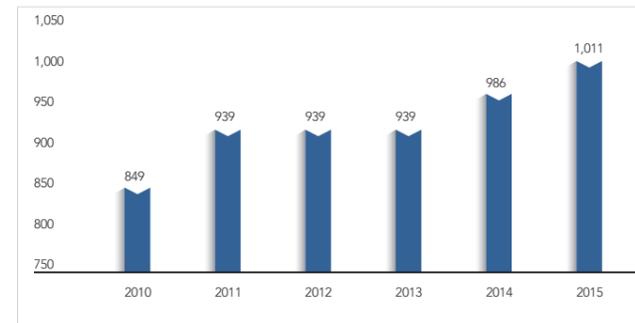
Given Nakilat's long-life, high quality assets, its financing is considered as a prime asset by local and international banks, and used as a benchmark in financing markets contributing to the State of Qatar's economy, particularly the financial sector.

From 2011 to 2014, Nakilat has primarily refinanced some of its debts with Qatari banks, thereby contributing to the growth of the banking sector in Qatar. It has also assisted its LNG joint ventures to refinance their debts by getting finance from Qatari banks. During 2015, Nakilat & its joint ventures have paid around QAR 275 million in interest to local banks, contributing to the growth of the banking sector in Qatar.

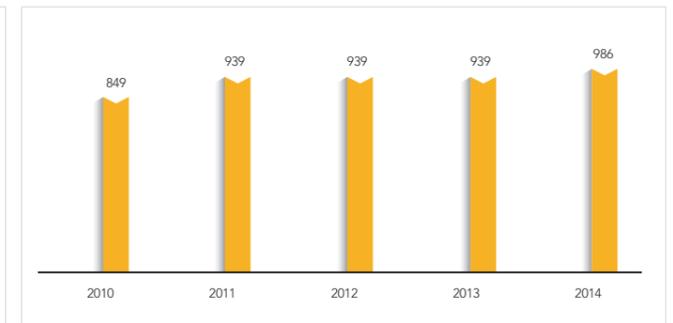
Nakilat Inc., a wholly owned subsidiary of QGTC, carries AA- ratings from Standard & Poor's and Aa3 Ratings from Moody's which are one notch below the State of Qatar. Nakilat Inc. also has an A+ Rating from Fitch at two notches below the State of Qatar.

The exhibit below shows how Nakilat and its joint ventures have contributed in 2015 towards the three pillars – Society, Environment and Economy - for the Sustainable Development of Qatar.

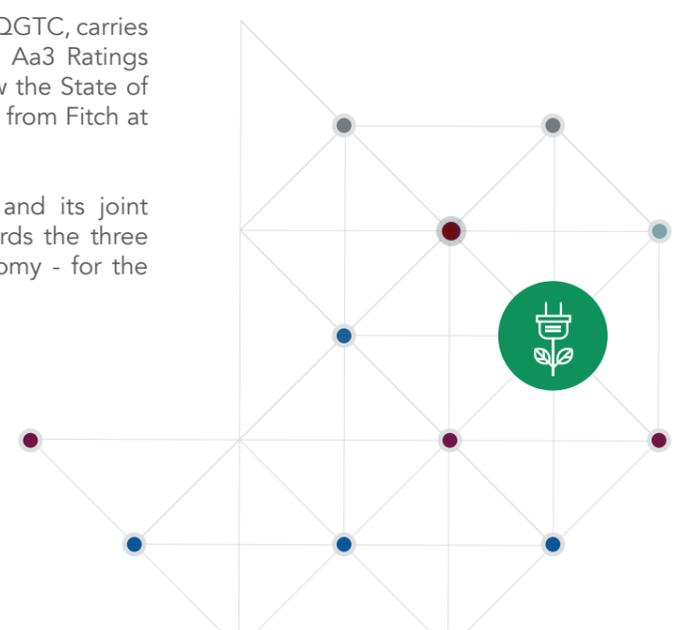
REVENUE IN MILLION USD



REVENUE IN MILLION USD



| Year 2015 | Nakilat Consolidated USD | Nakilat Consolidated QAR |
|--|--------------------------|--------------------------|
| 1. Payments to Local suppliers | 365,543,695 | 1,331,138,331 |
| 2. Various Taxes paid to Govt. | 1,176,557 | 4,284,467 |
| 3. Marine candidate | 1,521,904 | 5,542,059 |
| 4. Donations, Sponsorships and CSR initiatives | 152,095 | 553,858 |
| 5. Pension Fund contribution | 598,040 | 2,177,781 |
| 6. Social & Sports Activities Support Fund | 6,743,742 | 24,557,539 |
| 7. Interest paid to local banks | 75,411,383 | 274,612,813 |
| 8. Cash Dividends paid to investors/shareholders | 393,248,897 | 1,432,027,657 |
| Social Investment Spending (6+5+4+3) | 9,015,781 | 32,831,237 |
| Economic value distributed (8+7+2+1) | 835,380,532 | 3,042,063,268 |
| Economic value generated | | |
| 1. Revenues | 1,010,955,011 | 3,681,423,000 |
| 2. Net Income | 270,140,573 | 983,725,000 |



9. 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 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.



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