



# Corporate *Responsibility* 2012

[www.j-lauritzen.com](http://www.j-lauritzen.com)



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## ABOUT THIS REPORT

This report has been prepared in accordance with the Danish Financial Statements Act (Sec. 99a) and the UN Global Compact's annual requirements for communication on progress. The scope of our reporting is determined by our commitment to the UN Global Compact and an assessment of materiality. The main aim of this report is to give our internal and external stakeholders an overview of our corporate responsibility policies, actions and performance.



PRINTED BY:  
KLS GRAFISK HUS A/S, DENMARKS MOST GREEN GRAPHIC HOUSE

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## ABOUT J.LAURITZEN



J. Lauritzen A/S (JL) was founded in 1884 and is owned by the Lauritzen Foundation. We have grown and developed our operations considerably during the last decade and thus remain one of Denmark's leading shipping companies.

Part of our strategy is to spread risks across the different business areas. Today we have four business units with different growth drivers and cycles and each specifically positioned to their respective markets. We operate a modern, diversified fleet of bulk carriers, gas carriers, product tankers and dynamically positioned support vessels for the offshore industry that are all engaged in operations worldwide.

JL is headquartered in Copenhagen with overseas offices in China, Japan, Philippines, Singapore, Spain and USA.

### THE LAURITZEN FOUNDATION

The Lauritzen Foundation is a commercial foundation with the objective to support Danish shipping, entrepreneurship and humanitarian work.

The Lauritzen Foundation was created in 1945 in conjunction with the 50th anniversary of the steamship company "Vesterhavet", founded by Ditlev Lauritzen in 1895. It was always the foundation's aim to help support projects within Danish shipping, arts, trade, education and industry. Today the foundation supports both national and international humanitarian work.

In 2012, the Lauritzen Foundation supported projects associated with JL's business activities and community activities, such as a joint scholarship award with a social profile at Nanyang Technological University (maritime programme) in Singapore and a donation was given to support the humanitarian work of the Princess Benedikte Institute in Brazil. Support was also given to "On Course for a Better World" project, initiated by the Danish Business Authority. The project will provide examples of how the Danish shipping industry contributes to the UN's Global Compact. The Lauritzen Foundation and JL jointly supported the World's Best News campaign, a campaign that provides information every year about the progress made with the UN Millennium Goals.



# CEO STATEMENT

2012 was characterised by oversupply in major shipping markets, surplus shipbuilding capacity, low economic growth and tight credit conditions. JL was obviously influenced by these circumstances and with a net loss of USD (350)m, our 2012 result was very unsatisfactory.

Even in challenging times, our corporate responsibility effort continues and we are demonstrating our dedication through our commitment and constant support for the UN Global Compact's ten principles on responsible business conduct.

**WE HAVE INCREASINGLY  
NOTED THAT OUR CORPORATE  
RESPONSIBILITY ACTIVITIES  
ARE VALUED BY OUR CLIENTS  
AND BUSINESS PARTNERS**

As global operators conducting our business in segments with high and ever-increasing requirements in terms of safety, security and protection of the environment, we are used to collaborating closely with our clients and suppliers on delivering transportation solutions.

In 2012, we contributed to the development of a pioneering responsible procurement programme (p. 13), we participated in the Maritime Anti-Corruption network in order to take up the fight against facilitation payments in the industry (p.12) and worked with peers and suppliers to find new energy efficiency solutions for our fleet (p. 10, 11, 16, 20).

With the aim of making sustainable progress in some of the areas that are deemed most challenging in shipping, we engage in collaboration with business partners, peers, suppliers as well as regulatory authorities. We believe that working closely within the industry is crucial in order to obtain sound solutions – and we look forward to continuing the work in 2013.

Torben Janholt  
*President & CEO*

Jan Kastrup-Nielsen  
*Executive Vice President & COO*  
*As from 26 February 2013, President & CEO*

**THE LAURITZEN NAME HAS BEEN SYNONYMOUS WITH  
CORPORATE ACCOUNTABILITY FOR OVER A CENTURY AND WE  
INTEND TO KEEP IT THAT WAY BY ENGAGING IN OPEN AND  
HONEST DIALOGUE WITH OUR STAKEHOLDERS**



*From left: Jan Kastrup-Nielsen and Torben Janholt*

# HIGHLIGHTS 2012

During 2012, we further strengthened and formalised the Group's corporate responsibility (CR) effort both within the Group and in industry collaborations.

## POLICY COMMITMENT

The Group's CR policy was developed by our interdisciplinary CR committee in 2012, and is based on the Group's core values and internationally recognized principles for social, environmental and ethical business conduct. The policy has been approved by JL's Board of Directors and Executive Management.

## CR STRATEGY PROCESS

Our CR work continued in 2012 with the aim of aligning and prioritising existing and future CR initiatives such as responsible procurement and an anti-corruption compliance programme. This was supported by a materiality assessment process that started in 2011 and has served as a tool for guiding us in prioritising our focus areas.

## KEY INITIATIVES IN 2012

The following main initiatives and actions were taken during the year:

- Completion of a responsible procurement programme together with another Danish shipowner, see p.13.
- As part of our anti-corruption compliance programme, we conducted awareness sessions and published internal information material, see p. 12.
- Ongoing participation in the Maritime Anti-Corruption Network, see p. 12.
- Implementation of our Group Energy Efficiency Project, which aims to enhance fuel-efficiency and cut emissions whilst achieving savings on costs, see p. 10.
- Introduction of the Greenhouse Gas Protocol (GHGP), the most widely-used international environmental accounting tool for greenhouse gas emissions, see p. 10.
- Climate partnership with DONG Energy for our head office in Copenhagen, see p. 11.

## "WE EMPHASIZE WORKING WITH INTERNATIONAL RECOGNIZED PRINCIPLES AS THEY CREATE A GLOBAL LEVEL PLAYING FIELD FOR OUR CORPORATE RESPONSIBILITY EFFORT"

*Birgit Aagaard-Svendsen, executive vice president & CFO, J. Lauritzen A/S  
Chairman of the Danish Committee on Corporate Governance*

## MATERIALITY ASSEMENT PROCESS:

### 2011

Signatory to UN Global Compact

UN Global Compact gap analysis conducted

Internal workshop on risk and opportunities related to corporate responsibility

UN's endorsement of the UN Guiding principles on Business and Human Rights

### 2012

Second assessments with internal stakeholders

JL's corporate responsibility focus presented and approved at the Board's strategy seminar

Executive Committee discussed specific projects

Increased reporting requirements (Danish Financial Statements Act, §99a)



### 2012-2015

### Strategy and reporting focus

#### CORPORATE LEVEL

Human Rights  
Labour conditions  
Diversity  
Security  
Climate and environment  
Anti-Corruption  
Responsible procurement  
Community engagement projects

#### BUSINESS UNIT LEVEL

Health and safety  
Security  
Environment  
Business conduct

# OUTLOOK 2013



Even though 2013 will be another challenging year for shipping, we shall continue our corporate responsibility effort. Combined with our CR strategy, we will further develop targets for each of the prioritized areas – although it is clear that we shall need to balance our effort and prioritise as we go along.

## ONGOING EFFORT

Key Group priorities for 2013 will be to:

- Continue the Group's Energy Efficiency Project, which aims to enhance fuel-efficiency and cut emissions whilst achieving savings on costs.
- Host a joint training day in early 2013 in conjunction with another Danish shipowner for maritime purchasing officers and other relevant employees to learn about the responsible procurement programme, the Guiding Principles, auditing and other relevant themes.
- Continue to develop our anti-corruption compliance programme and implement a legal review process and a risk assessment process that will contribute to systematic monitoring of JL's exposure to facilitation payments.
- Use the UN Guiding Principles as a tool and a description of the process required in the way we work to respect human rights.

## NETWORK & COMMITTEE PARTICIPATION

In 2013, we shall continue with our network participation efforts that contribute and add value to our corporate responsibility work.

In early 2013, we are amongst others engaged in the following networks:

- UN Global Compact Nordic network
- The Danish Shipowners Association's CR committee and related working groups
- The Danish Shipowners Association's Technical Committee and related working groups
- Piracy Focus Group
- The Green Ship for the Future
- The Maritime Anti-Corruption Network

# HUMAN AND LABOUR RIGHTS

Ambitious and highly competent employees, who respect and adhere to the business ethics and cultural heritage on which JL is founded, are playing a more important role than ever and are essential for our continuing growth and development.

## COMMITTED TO RESPECT HUMAN RIGHTS

As a shipowner and operator with world-wide operations, we are facing challenges ashore and at sea when it comes to human rights and labour conditions. The present scope of the Group's social responsibility programme ashore focuses on corporate human resource issues such as competency development, terms of employment, diversity and recruitment. Aboard JL's vessels, social responsibility is closely linked to health, safety and security issues, see p. 15, 18, 19, 22, 24, 25.

## COMPETENCY DEVELOPMENT

During the year, JL's first candidates embarked on a two-year commercial shipping programme developed in conjunction with other major Danish shipping companies and the Danish Shipowners' Association. The programme is conducted in English which makes it possible to include employees from our overseas offices.

The first Nanyang Technological University student who is studying in the maritime programme of NTU in Singapore, received the scholarship established last year by the Lauritzen Foundation and J. Lauritzen Singapore. The scholarship provides financial support to young talented candidates who apart from experiencing financial difficulties, must also show sound academic results, be active in community service or other voluntary activities with a positive social impact.

During 2012, JL employees had seats on national and international committees and advisory boards, and were invited to speak at conferences in Denmark and abroad, for example on implementing corporate strategy, financial management, governance and corporate responsibility in the maritime industry, LNG as substitute marine fuel and other industry-specific topics.

## TERMS OF EMPLOYMENT

In line with previous years, we reviewed our employment terms and policies in order to ensure that these meet industry standards and reflect the environment we are part of. The annual review also served to ensure that we meet our CR goals and obligations.

**OUR RESPONSIBLE PROCUREMENT PROGRAMME IS BASED ON THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS, READ MORE ON P. 13**





**DIVERSITY**

A policy and action plan for diversity was adopted in 2012 and applies to all management levels. We define diversity in terms of gender, cultural width, extensive experience and new inspiration.

In 2012, we succeeded in strengthening diversity at management level both at head office and in Singapore in corporate positions, chartering and operations.

**RECRUITMENT**

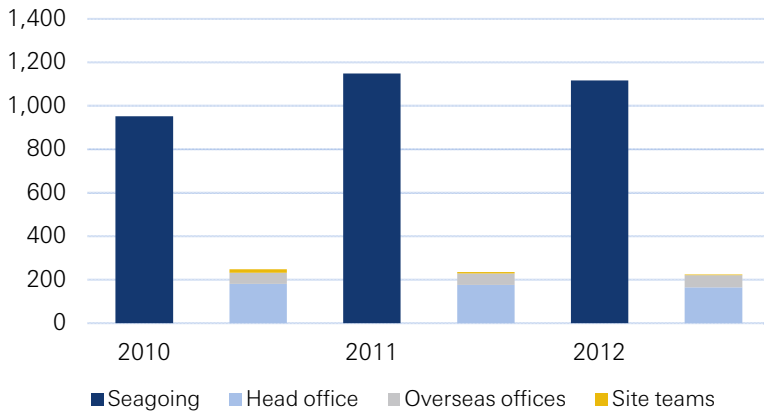
A modest number of new personnel joined us in 2012, with most replacing employees who had left either the Danish organisation or one of our overseas offices. We had no problem in recruiting well-qualified candidates for all vacancies.

**EMPLOYEE DEVELOPMENT**

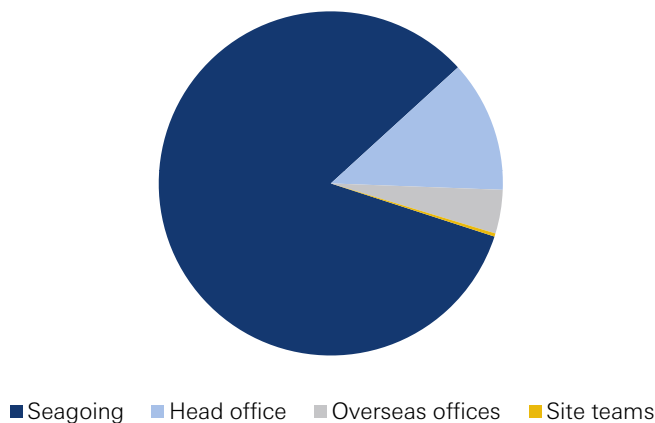
At year-end 2012, JL's total headcount was 1,341 compared to 1,384 in 2011, with a total of 166 working at head office in Copenhagen, 55 in the overseas offices, 4 in site teams, and 1,116 at sea, cf. Figures 1-2.

In 2012, staff turnover was 14.6% compared to 14.3% in 2011. The staff turnover was mainly caused by employees transferring to Axis Off-shore Pte. Ltd. and a considerably turnover among our student employees in part-time positions. Average years of service decreased to 9.2 in 2012 compared to 9.3 years in 2011, and average age remained 44.3 years in 2012.

**FIGURE 1: TOTAL WORKFORCE AT 2010-2012 YEAR-END**



**FIGURE 2: DISTRIBUTION OF WORKFORCE YEAR-END 2012**



# ENVIRONMENT & CLIMATE

Each business unit is required to manage its operations in compliance with all applicable national and international laws and regulations.

Our Group environmental policy is also for JL to further endeavour to mitigate pollution by establishing relevant operational procedures, to demonstrate accountability by reporting our environmental performance and to follow the development of environmental improvement technologies relevant to our business.

## ENVIRONMENTAL INITIATIVES AND ACTIONS

Our environmental initiatives are anchored in top management supported by the technical department of each business unit and further facilitated by knowledge-sharing from JL's Technical Committee which serves as a coordinating forum.

**WE HAVE A RANGE OF CLIENTS THAT ARE INCREASING THEIR FOCUS ON MINIMIZING THEIR ENVIRONMENTAL IMPACT - A FOCUS THAT MATCHES OUR ENVIRONMENTAL INITIATIVES AND ACTIONS**

During 2012, we continued to develop the Group's joint Energy Efficiency Project. The overarching objective of the project is to enhance fuel-efficiency and cut emissions whilst achieving savings on

costs. Thus all divisions have intensified their efforts to reduce fuel consumption and emissions.

Ship Energy Efficiency Management Plans (SEEMP) will be made for all vessels during 2013. Without a proper monitoring and analysis platform, it is difficult to assess the effects of saving measures, so we are investing significantly in hardware and software to provide more accurate data for fuel consumption and emissions.

## EMISSIONS REPORTING

As part of the Energy Efficiency Project and the Group's efforts to demonstrate accountability for environmental performance, JL's Executive Committee decided to change the scope of the Group's emissions reporting in 2012. This led to the adoption of a greenhouse gas accounting system and related processes.

From 2012 onwards, JL will be using the Greenhouse Gas Protocol (GHGP), which is the most widely-used international environmental accounting tool for greenhouse gas emissions. This change in emissions reporting affects the comparability of the environmental data reported in previous years. However, we are confident that the change in the scope of our reporting will increase the materiality and transparency in the Group's overall CR reporting.



## SHIPPING & THE ENVIRONMENT

The past few years have seen increasing awareness of climate change and related challenges due especially to emissions.

There is no doubt that 2012 was a very difficult year for practically all shipping markets. This combined with high oil and bunker prices has generated momentum and new business opportunities for greener sailing where fuel savings equate to lower costs and an improved bottom-line as well as beneficial for the environment in terms of lower emissions. However, not all the environmental challenges that we face have a clear business case.

### Ballast water

While both the International Maritime Organisation (IMO) and the US Coast Guard are working to finalize their upcoming regulations for ballast water treatment, the dates these regulations will take effect remain unclear.

As it looks now, ballast water treatment will become mandatory on some vessels as early as 2014.

Throughout 2012, JL has been working to make sure that our vessels will be compliant in due time although there is still uncertainty about the details of the regulations, approval procedures for systems as well as enforcement, which makes preparations challenging. Irrespective of these uncertainties, compliance costs are forecast to be very significant.

JL wishes to support innovation, and so systems other than those approved by IMO are being considered for implementation but we are also involved in proof of concept and approval testing of new systems by allowing testing on board JL vessels.

### New emission regulations

Further new emission regulations from IMO, EU and US will enter into force in the next few years. The maritime industry is thus working hard to develop suitable solutions.

In addition to the 'do-nothing option' in which more costly low-sulphur diesel fuels are used, there are in practice two alternative solutions: 1) install a scrubber to remove sulphur from the exhaust stream on vessels or 2) switch to LNG-based machinery.

Both technologies are still in development and a periode of two years seems very short for developing robust, affordable technology.

We are not only following developments closely we have also been involved in a study led by the Danish Maritime Authority looking at the challenges in providing LNG supply infrastructure in Northern Europe.

## CLIMATE PARTNER

In 2012, JL engaged in a climate partnership with DONG Energy in order to systematically reduce energy consumption at head office in Copenhagen.

This partnership has been kicked-off with external consultants making an energy audit at the Copenhagen office to outline the potential energy reductions at our office facilities.

As a climate partner, we have committed ourselves to support renewable energy by purchasing electricity from wind turbines with RECS certificates, which are issued and controlled in accordance with internationally accepted rules for trading renewable energy.

We expect to achieve energy savings, reduce our costs whilst learning from experts and getting inspiration for our work with reduction of our carbon footprint at our office facilities.

# RESPONSIBLE BUSINESS CONDUCT

Maintaining a high level of corporate integrity is important to us as respect and accountability are among our core values.

## ANTI-CORRUPTION

Our Anti-Corruption policy states zero tolerance towards bribery. The policy further commits us to work proactively against facilitation payments and to apply mechanisms to monitor and reduce such payments.

As a shipowner and global operator, JL acknowledges that some of the Group's employees may face demands for facilitation payments. We also acknowledge that eliminating such payments is crucial and can only be achieved over time through joint action by the global shipping com

### Industry approach

We participate in the Maritime Anti-Corruption Network (MACN) together with representatives from different areas of the shipping industry.

The purpose of the network is to share best practice and to harmonise anti-corruption policies and approaches. One of the ambitions of the network is to seek support from governmental bodies and

international organizations to target corrupt practices in challenging environments and to seek solutions to the root causes of such corrupt practices.

MACN was formalized and a secretariat set up in 2012, and a set of guiding principles was drafted to assist members in developing adequate procedures.

### Compliance programme

The development of an Anti-Corruption compliance programme continued in 2012 with the aim of implementing the Group's Anti-Corruption policy.

## INTERNAL AWARENESS SESSIONS WERE CONDUCTED IN 2012 AND WE DEVELOPED AND PUBLISHED INFORMATION MATERIAL

A legal review process and a risk assessment process that will contribute to systematic monitoring of JL's exposure to facilitation payments has been developed and will be implemented in 2013.

## "TRANSPARENCY IS PARAMOUNT IN FIGHTING CORRUPTION ON A GLOBAL SCALE IN AN HONEST AND FAIR MANNER"

*Jan Kastrup-Nielsen, EVP & COO, as from 26 February 2013 CEO of J. Lauritzen A/S*





## RESPONSIBLE PROCUREMENT

During the year, we completed the development of a responsible procurement programme. The programme consists of a common industry toolbox that also includes a Supplier Code of Conduct, a Supplier Self-Assessment questionnaire and an implementation plan.

### Aligning with new demands

Our responsible procurement programme seeks to align expectations and addresses both human and labour rights, environmental protection and tackling corruption in the supply chain.

Based on the UN Global Compact and the UN Guiding Principles on Business and Human Rights, the programme is designed to meet new requirements from the UN, EU and OECD on Business and Human Rights.

### Joint approach

The programme has been developed together with another Danish shipowner and other Danish shipowners are considering to adopt the programme.

Our ambition is to develop a common approach in order to ensure uniformity and to avoid suppliers from having to comply with many different codes of conduct. Going forward, this will be a cost-effective approach that will mitigate the resources needed for monitoring and audits. Further, a joint action approach will provide leverage for ensuring that suppliers actually do make improvements in the field of human and labour rights, protection of the environment and anti-corruption issues.

In 2013, JL and another Danish shipowner will host a joint training day for maritime purchasing officers and other relevant employees to learn about the programme, the Guiding Principles, auditing and other relevant themes.

## “WE SELECT SUPPLIERS FOR OUR RESPONSIBLE PROCUREMENT PROGRAMME BASED ON SPEND, DEPENDENCY AND FREQUENCY ”

*Henrik Steffensen, vice president, head of procurement, J. Lauritzen A/S*

## THE GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

Since UN's Human Rights Council unanimously endorsed the Guiding Principles on Business and Human Rights in 2011, the Guiding Principles and 'their spirit' have been accepted and embedded in guidelines (e.g. OECD guidelines for multinational enterprises) and legislation (e.g. Danish Financial Statements Act, Sec.99a).

In other words, endorsement of the Guiding Principles has made them the first universally accepted reference points for managing adverse impacts on human and labour rights.

For us, the Guiding Principles provide guidance, tool and a description of a process that will assist us in our endeavour to respecting human rights, and thus the translation into practice of the first six principles of the Global Compact to which we are committed.



# LAURITZEN BULKERS

Lauritzen Bulkera has during the past years become a global industrial service provider of dry bulk transportation. A transition that is steadily increasing the volume of voyage related business done directly with clients and in 2012 longer cargo contracts were made with significant industry players.

Focus is on developing client proximity and customised services by offering clients competitive, reliable and efficient global transport services. Critical mass minimises ballast voyages and enables us for example to reschedule and match agreed laycan windows in load ports. Our young, efficient fleet provides superior speed/consumption ratios. Further Lauritzen Bulkera's trading platform covers all time zones for client convenience.

Our dry bulk business activities have grown significantly in recent years and today around 50% of our operations are in the Pacific Rim.

Lauritzen Bulkera was the runner-up as "Ship Operator of the Year" in Lloyd's List Awards Asia 2012.

At the end of 2012, the combined fleet comprised more than 100 handysize, handymax, panamax and capesize bulk carriers including short-term charters. At year-end, the average age of the owned fleet was 2.3 years.

## FLEET MANAGEMENT

Technical management, including crewing for Lauritzen Bulkera's fleet of owned bulk carriers, was undertaken in 2012 by New Century Overseas Management Inc., Manila, Fleet Management Ltd., Hong Kong and Synergy Maritime Pte., Singapore.

The in-house technical department works closely with external technical management providers on all aspects of achieving safe, reliable and cost-effective vessel operations, with thorough due diligence being used to select these providers.

Three scheduled dry dockings were completed in 2012. Unscheduled off-hire for Lauritzen Bulkera's owned fleet came to 0,29 % in 2012 (0.31 % in 2011).

**"OUR PEOPLE ARE OUR MOST IMPORTANT ASSET  
- FOR OUR CLIENTS THEY ARE THE COMPANY AND ADD  
REAL VALUE TO THE SERVICE THAT WE DELIVER"**

*Peter Borup, president, Lauritzen Bulkera*



### HEALTH & SAFETY

With ship management outsourced to external service providers, the in-house technical department is used to align expectations and monitor performance on achieving safe and efficient operations.

To ensure the highest level of safety and performance, Lauritzen Bulkera continuously benchmarks external ship managers' safety performance by way of KPIs, systematic vessel visits and office audits. This close collaboration with ship managers is the key to providing safe, reliable and cost-effective shipping.

During 2012, our technical department conducted vessel visits, office audits and attended crew seminars. These efforts enable us to have a constructive dialogue with our ship managers and crew.

In the event of incidents or accidents, comprehensive emergency procedures enable us and our managers to cope effectively and provide assurance that lessons learned are managed in order to prevent any recurrences.

### SECURITY

When entering high-risk areas, we follow the Group's overall security guidelines.

The guidelines state that before scheduling a voyage into a high-risk area, a risk assessment must have been conducted by an independent external party.

When fixing a voyage, specific route and port/area assessments should be obtained from an independent external party in order to support the master of the vessel.

During the voyage, third party vessel surveillance during the critical part of the route should be obtained in order to support the master of the vessel and to protect the crew and cargo.

In 2012, Lauritzen Bulkera had 10 transits in high-risk areas. JL's guidelines were followed and there were no incidents relating to these transits.

## ALIGNING WITH RIGHTSHIP

We monitor overall fleet safety performance and energy efficiency in order to comply with applicable national and international rules and regulations as well as increasing client requirements.

Due to Lauritzen Bulkera's constant endeavours to maintain a low-risk and energy-efficient profile, the dry bulk division enrolled with ship vetting specialists RightShip in 2012.

The average risk rating of the owned fleet was 4.9 on the RightShip vetting scale (with 5.0 as the best rating) in mid-December 2012.

Further RightShip's Greenhouse Gas (GHG) environmental rating (a simple GHG rating from A-G) of Lauritzen Bulkera's owned fleet included B, C and D vessels in the end of 2012.

We are satisfied with our ratings and will continue our efforts as we see these as a value-adding tool in our endeavours to become a preferred carrier. The tonnage department thus uses an assessment tool to help us in identifying the most energy-efficient and overall cost-effective vessels to join the dry bulk fleet. Simply because a low-risk profile and environmental commitment match our business fundamentals as well as clients' demands.

Business cases for ten energy improvement projects were outlined by Lauritzen Bulkera during the year and are due to be carried out in 2013.

## PARTNERING ON ENERGY EFFICIENCY

Lauritzen Bulkera' Vessel Energy Renovation Plans (VERP) is an extensive fleet performance catalogue that also covers optimisation of auxiliary consumption, including pumps, fans and air conditioning, and has already seen a major success in the form of a system for regulating seawater cooling. This was enabled through close collaboration with the Danish Grundfos Group, one of the world's leading pump manufacturers.

Shipboard seawater cooling systems normally pump a given amount of water designed to cool the engine and other systems in a hot, tropical climate. This means that vessels sailing in cooler climates waste a lot of energy pumping the same amount of water as they would in the tropics. The basic function of the system developed for our handysize bulkers is to ensure that all operating temperature parameters for the engine and other systems are kept within certain limits. The system is designed to reduce demand on pumps in line with the actual temperature of the seawater outside, in effect, to pump enough water to provide sufficient cooling but no more.

This was a pioneering effort and one for which Lauritzen Bulkera, as a part of JL, and Grundfos were well matched: "Right from the beginning of the project, JL was keen on exploring the possibilities of the idea, and was very quick to say "OK - let's do it". JL and Grundfos made an excellent team for the project. We both wanted to make it work – and thanks to great cooperation from the crew, we did." said Kim Kirkegaard, Business Development Manager, Grundfos.

This success is backed up by Søren Roschmann, head of Lauritzen Bulkera technical department: "The results have been impressive. We've been able to cut energy consumption on pumps by 35 to 50 per cent, depending on the climate where we're sailing. This can potentially translate into one to two per cent overall fuel savings."

### ENVIRONMENT

Following fleet expansion and renewal over the past few years, Lauritzen Bulkera owns and operates a young, energy-efficient fleet comprising more than 100 vessels with an age profile considerably below the industry average.

**"WITH MORE THAN 100 VESSELS AT SEA, WE OBVIOUSLY HAVE AN IMPACT ON THE ENVIRONMENT. OUR DUTY IS TO REDUCE THIS IMPACT TO THE LEAST POSSIBLE"**

*Søren Roschmann, senior technical manager and head of technical department, Lauritzen Bulkera*

We prioritise continuous performance monitoring and follow-up on daily operations. Thorough inter-departmental project implementation enables us to share improved efficiencies.

The tonnage and technical departments pay close attention to vessel optimisation projects that include a focus on engine room auxiliary systems, hull and propellers as well as identifying new-buildings and charter vessels with the most energy and cost-efficient performance.

Careful voyage planning improves overall operational efficiency. Dedicated supercargo support and supervision during operations, along with eco-speeding, arrival management, weather routing and trim optimisation, all boost overall voyage and energy-efficiency.

Even though 2012 was a challenging year for Lauritzen Bulkera, a range of different initiatives was prioritised in order to support efforts to reduce fuel oil consumption and subsequently SOx, NOx and CO<sub>2</sub> emissions.



Key initiatives in 2012:

- Detailed Vessel Energy Renovation Plans (VERP) developed for 10 vessels
- Participation in the “Effective Operations of Ships” project initiated by Force Technology
- Partnership with the Danish Grundfos Group on an energy saving pump regulation system
- Mewis Duct, Propeller Boss Cap Fins and OptiSave pumps - all devices for efficiency improvements has been installed on two part-owned newbuildings
- Trim optimisation for a series of ten vessels

### OUTLOOK 2013

In 2013, we shall strengthen our energy efficiency programme, continue to monitor the performance of each vessel helping to cut emissions and provide more precise documentation on each vessel for the benefit of our clients and the environment.

**TABLE 1: EMISSIONS PR SEGMENT G/TON-MILES**

Segment	Emmision	2012
<b>Total fleet</b>		
	CO <sub>2</sub>	8.03
	SO <sub>x</sub>	0.14
	NO <sub>x</sub>	0.21
<b>Capesize</b>		
	CO <sub>2</sub>	5.53
	SO <sub>x</sub>	0.10
	NO <sub>x</sub>	0.14
<b>Handymax</b>		
	CO <sub>2</sub>	8.59
	SO <sub>x</sub>	0.15
	NO <sub>x</sub>	0.22
<b>Handysize</b>		
	CO <sub>2</sub>	12.54
	SO <sub>x</sub>	0.22
	NO <sub>x</sub>	0.32

#### EMISSIONS NOTE

Emission figures are reported per segment and based on actual consumption, oil quality and engine emission factors and are calculated in accordance with IMO's guidelines, MEPC.1/Circ. 684. The Greenhouse Gas Protocol (GHGP) is used as the overall Greenhouse Gas accounting system. We have applied the financial control approach as defined in the GHGP, because we seek to create a direct link between our economic bottom-line and our emissions. The reported emissions are scope 1 emissions and include owned vessels.



# LAURITZEN KOSAN

As a global provider of safe, reliable ocean transportation solutions for liquefied gases including petrochemical gases and energy gases (LPG), Lauritzen Kosan operates a modern, versatile fleet, consisting of semi-refrigerated vessels, ethylene carriers and fully-pressurized gas carriers constructed to handle a variety of sensitive cargoes.

Our long-term clients include some of the world's largest and most demanding companies in the energy and petrochemical industries. We have an excellent record of safety, reliability in handling volatile cargoes and ensuring high-quality operations through innovative and sustainable transportation solutions, which makes us an attractive business partner.

At the end of 2012, the controlled fleet comprised 43 gas carriers with an average age of 8.7 years. The fleet consists of a portfolio of owned, part-owned and chartered vessels as well as vessels committed by partners.

## FLEET MANAGEMENT

Our in-house Fleet Management department focuses on high performance and safe operations that give top priority to the health and safety of

our seafarers, protection of the environment as well as our clients cargo. With many years of experience and know-how, our Fleet Management is continuing to build on this solid foundation combining technology and new methods using our sense of entrepreneurship and creativity in turning problems into opportunities.

Six scheduled dry-dockings were completed during 2012 (six in 2011). Unscheduled off-hire was 3.0% in 2012 (2.3% in 2011).

## HEALTH & SAFETY

We are committed to providing a safe, healthy working environment and our ambition is that nobody should suffer from our operations. Considering our activities, some of our daily routine work operations are potentially dangerous and regrettably we experienced accidents in our business in 2012. The LTIF came to 1.49 in 2012. Our focus on improving the safety culture for all employees is essential to us and we are determined to provide the facilities, training and protective equipment necessary to ensure the best possible conditions for all our employees. We shall continue to focus on strengthening our culture of embracing safety until we reach our goal of incident-free operations.

**“DURING 2012, DIALOGUE WITH SOME OF OUR LONG-TERM PARTNERS INDICATED THAT OUR COMPANY VALUES AND CORPORATE RESPONSIBILITY ARE BEING VALUED AS A SUPPLEMENT TO OUR VETTING AND TECHNICAL PERFORMANCE.”**

*Thomas Woeideman, president, Lauritzen Kosan*



### OUR SEAFARERS

Our skilled seagoing personnel are recruited from the Philippines, Spain and Cuba. Respect and tolerance for individuals and understanding national and cultural differences are some of the key issues which enable us to understand each other and work efficiently together. Biannual crew seminars are used to communicate specific topics and provide dialogue and discussions.

Our cadets are our future and highly valued assets and we strive to build a strong culture and good work practices for our future managers. Strengthening and educating our experienced managers is also a significant pillar in our strategy for developing our crew and general performance. Our specially designed leadership and management program will continue throughout 2013.

Recognizing that a sound, well-balanced mental environment is essential to be able to carry out duties on board, Lauritzen Kosan continues to aim at creating a good recreational environment for our seafarers. An important part of welfare and well-being for our seafarers is the ability to keep in contact with family and friends. Besides providing phone cards, most of our vessels have internet connections which can be freely used by all crew.

### RETENTION RATES FOR SEAGOING PERSONNEL ARE SATISFACTORY AND WERE ABOVE 94% IN 2012

Retention rates for seagoing personnel are satisfactory and were above 94% in 2012. Again in 2012 we received a very fine rating of 4.38 out of 5.00 at our annual internal performance assessment. The assessment covering 11 business aspects with a total of 68 questions was completed by Lauritzen Kosan crew. The input received from the assessment is used for improvement initiatives for our business.

The Maritime Labour Convention (MLC), which comes into force in August 2013, has further improved working conditions for our crews and will be creating a level playing field for shipowners.

Our crews have been involved in the implementation process by way of surveys. External pre-implementation MLC audits have also been done. MLC is seen as an opportunity to accelerate and take our crew management up to the next level, a process being carried out together with internal as well as external crew management stakeholders.

## COMPANY SAFETY CULTURE

In 2009, Lauritzen Kosan Fleet Management decided to launch our ambitious 'one culture' program - a program to 'win the hearts and minds' of Kosan employees with the clear ambition of being a better, safer business partner. The first tier was the three day safety and culture awareness courses which all crew attended. On the basis of the Awareness Courses, we launched the second tier - the Leadership and Management Courses for all senior officers which empowered our leaders on board with our management culture and tools. Recognition of the need to further strengthen our culture is based on the strongest possible commitment from all parts of the organization ashore and at sea. These endeavours will be continued during 2013.

During the 2012 safety campaign, the focus was on work routines and fatigue prevention. Fatigue is recognised in the industry as a significant contributory factor for breaches of safety. Our focus was to map and understand work routines on board to be able to minimise rest hour violations. To achieve this, we targeted the implementation of new user-friendly software, ran interviews with crew, made changes to procedures and responsibilities, and did analyses of work routines and held discussions on work and watch schedules. Efficient planning and utilisation of resources for our management on board are seen as providing the potential for increased performance.

## SECURITY

A significant part of the liquefied and petrochemical gases that we carry is transported through some of the high-risk regions of the world and piracy therefore remained at the top of our agenda throughout 2012. To mitigate exposure to these risks, anti-piracy counter-measures include close internal dialogue, monitoring risk patterns, use of external experts' risk assessments and the employment of professional armed guards when transiting high-risk areas.

Further, we participate in internal and external piracy focus groups to share strategies, counter-measures and experience. In the process of adapting to the ongoing changes of the threat pattern, our contingency plans are continuously evaluated and external companies are employed to assess our ability to respond to an attack or an actual hijacking. Drills are also conducted throughout the year and the links between external technical managers, manning agencies and next-of-kin are tested.

In 2012, Lauritzen Kosan had 73 transits in high-risk areas and there were no incidents relating to these transits.

## ENVIRONMENT

Lauritzen Kosan is strongly committed to minimise the environmental impact of our operations. A dedicated team of engineers is continuously working on combining the newest technology and methods to reduce the adverse environmental impacts.

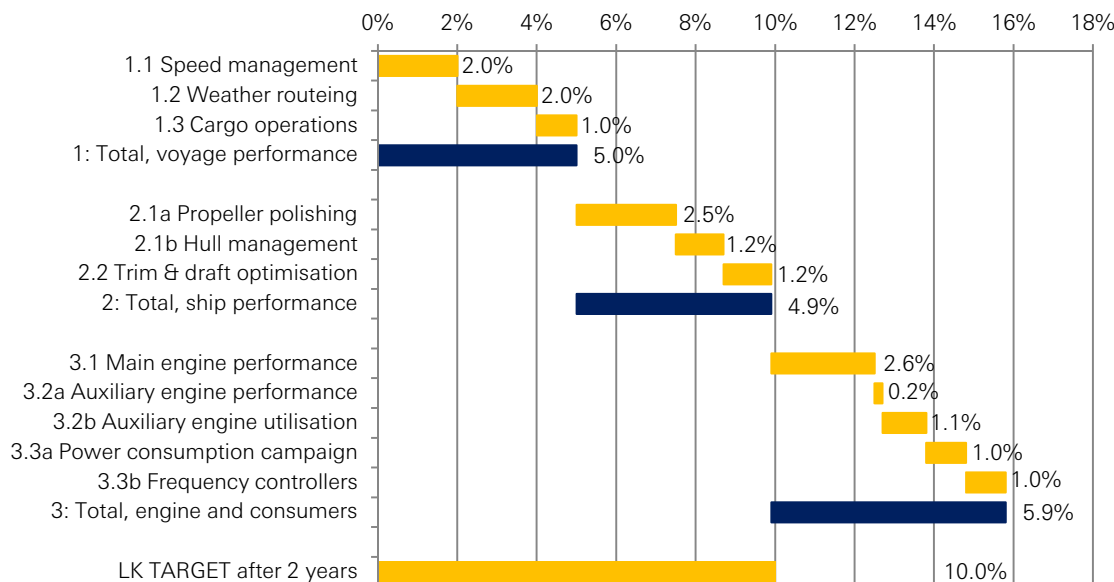
2012 saw the launch of REJUICE, an energy-efficiency project. It aims to save fuel with a positive effect on the environmental impact while reducing fuel costs. REJUICE has three work streams, each aimed at optimising sub-areas but all leading to a substantial reduction of our carbon footprint.

The projects covered by the REJUICE program are important building blocks in the Ship Energy Efficiency Management Plan (SEEMP) which will be

**“AT ALL TIMES LAURITZEN KOSAN STRIVES TO BE A LEADING PLAYER AMONG THE SHIPPING COMPANIES – THERE ARE NO SHORTCUTS TO ENVIRONMENTAL SUCCESS.”**

*Peter Justesen, vice president and head of fleet management, Lauritzen Kosan*

**FIGURE 3: SAVING POTENTIALS IN % OF TOTAL FUEL CONSUMPTION IDENTIFIED**





introduced on board all our vessels during 2013. SEEMP will have a significant effect on how we operate our vessels in future and will be an integral part of our Environmental Management System (EMS). Including SEEMP initiatives in the EMS aspect register allows us to integrate our environmental initiatives associated with the ISO14001 Management System.

**BUSINESS CONDUCT**

During the year, we completed the development of a joint responsible procurement programme which seeks to align expectations and address human and labour rights, environmental protec-

tion, while tackling corruption in the supply chain. It is based on the UN Global Compact and the UN’s Guiding Principles on Business and Human Rights. See p. 13 for further information on the programme.

**OUTLOOK 2013**

In 2013, Lauritzen Kosan Fleet Management will continue to build on our already solid foundation of experience. By demonstrating respect and tolerance of individuals and understanding of national and cultural differences we will work dedicated with the human element in our strive towards an incident free operation.

**TABLE 2: EMISSIONS PR SEGMENT G/TON-MILES**

Segment	Emmision	2012
<b>Total fleet</b>		
	CO <sub>2</sub>	106.28
	SO <sub>x</sub>	1.65
	NO <sub>x</sub>	2.72
<b>Ethylene</b>		
	CO <sub>2</sub>	100.12
	SO <sub>x</sub>	1.73
	NO <sub>x</sub>	2.57
<b>F/P</b>		
	CO <sub>2</sub>	134.90
	SO <sub>x</sub>	1.86
	NO <sub>x</sub>	3.44
<b>S/R</b>		
	CO <sub>2</sub>	88.63
	SO <sub>x</sub>	1.32
	NO <sub>x</sub>	2.27

**EMISSIONS NOTE**

Emission figures are reported per segment and based on actual consumption, oil quality and engine emission factors and are calculated in accordance with IMO’s guidelines, MEPC.1/Circ. 684. The Greenhouse Gas Protocol (GHGP) is used as the overall Greenhouse Gas accounting system. We have applied the financial control approach as defined in the GHGP, because we seek to create a direct link between our economic bottom-line and our emissions. The reported emissions are scope 1 emissions and include owned vessels.



# LAURITZEN TANKERS

Lauritzen Tankers is a global provider of safe and cost-efficient ocean transport of oil products ranging from light chemicals including vegetable oil to petroleum products and fuel oil.

From our head office in Copenhagen, we control a fleet of medium range product tankers employed by first-class counterparties. Vessels not covered by long-term contracts are commercially and operationally managed by Hafnia Tankers, Copenhagen, a company in which Lauritzen Tankers has a shareholding.

**“HAVING A CUSTOMER PORTFOLIO THAT INCLUDES SOME OF THE WORLD’S LARGEST OIL COMPANIES REQUIRES A HIGHLY PROFESSIONAL APPROACH WHERE CLOSE DIALOGUE AND SKILLED EMPLOYEES ARE ESSENTIAL”**

*Erik Donner, president, Lauritzen Tankers*

At year-end of 2012, the controlled fleet comprised 18 owned, part-owned, and time-chartered vessels as well as vessels committed by partners. The average age of the tankers fleet was 3.6 years.

## FLEET MANAGEMENT

Technical management of owned ships is provided by Wallem Ship Management in Hong Kong and Bergen as well as MMS in Singapore and Lauritzen Tankers’ technical department works closely with both suppliers on all aspects of achieving safe, cost-effective, responsible vessel operations.

There were zero dry-dockings in 2012 (zero in 2011). The unscheduled off-hire for Lauritzen Tankers’ owned fleet was 0.8% (1.3% in 2011).

## HEALTH, SAFETY & CREWING

Lauritzen Tankers is committed to a strict focus on health, safety and security. This is being achieved by comprehensive safety procedures, a focus on security and maintaining efficient operations.

We work closely with external technical managers and monitor their performance. In 2012, we attended the annual Wallem Fleet Officers Meeting in Bangalore. This was an excellent opportunity to meet officers serving on our tankers and it proved fruitful in terms of exchanging thoughts and ideas on a wide range of subjects, as well as aligning expectations between ship and shore.

We continue to engage and encourage crewing by experienced, responsible multinational seafarers. Crews are selected for their skills in order to match our business profile and this is done in close collaboration between our external technical management service providers and our technical and operational departments, ensuring constructive dialogue and mutual understanding.

## VETTING

In 2012, our fleet of seven owned tankers was inspected 23 times by oil majors. There was a special focus during the year on improving performance under the Oil Companies International Marine Forum’s (OCIMF) Ship Inspection Report Programme (SIRE). We operate a continuity training programme for office staff and crew in order to comply with the strict SIRE requirements. This ensures that our vessels are always well prepared for these demanding inspections.

Our improvement goals were reached and we enhanced our performance and achieved an average of 3.9 observations per vetting, which is better than industry average of 5.7. Crew-related observations accounted for an average of 2.7 of the total observations. The last 1.2 observations related to office and vessel construction observations.

**SECURITY**

When entering high-risk areas, we follow the Group’s overall security guidelines. During 2012, Lauritzen Tankers had five transits in high-risk areas. JL’s guidelines were strictly adhered to and there were no incidents relating to these transits.

**ENVIRONMENT**

Lauritzen Tankers controls a fleet of modern, high capacity, medium range product tankers with an age profile considerably below industry average, which ensures energy-efficient operations.

In 2012, a range of different initiatives was prioritised in order to support our ongoing efforts to reduce fuel oil consumption and SOx, NOx and CO<sub>2</sub> emissions. The key initiatives in 2012 were:

- Introduction of a six month propeller cleaning schedule
- Development of a weather routing system for voyages of over four days
- Development of Ship Management Energy Efficiency Management Plans (SEEMP) for all tankers
- Selection of an engine monitoring system for implementation in 2013

**OUTLOOK 2013**

In 2013, Lauritzen tankers will introduce advanced trim optimizing programmes on board selected vessels.

**TABLE 3: EMISSIONS PR SEGMENT G/TON-MILES**

Segment	Emmision	2012
MR	CO <sub>2</sub>	10.73
	SOx	0.19
	NOx	0.28

*EMISSIONS NOTE*

*Emission figures are reported per segment and based on actual consumption, oil quality and engine emission factors and are calculated in accordance with IMO’s guidelines, MEPC.1/Circ. 684. The Greenhouse Gas Protocol (GHGP) is used as the overall Greenhouse Gas accounting system. We have applied the financial control approach as defined in the GHGP, because we seek to create a direct link between our economic bottom-line and our emissions. The reported emissions are scope 1 emissions and include owned vessels.*



# LAURITZEN OFFSHORE

Since its establishment in 2008, Lauritzen Offshore has focused on advanced, dynamically positioned vessels to support the rapidly growing offshore oil exploration and production sector with shuttle tankers.

Supporting the production of crude oil from deep-water reservoirs is a complex process that requires sophisticated technology and specialised vessels, as well as professional and experienced operators with uncompromising attention to safety. Our DP2 shuttle tankers provide station-keeping technology for deep and ultra-deep water production facilities in order to ensure safe handling of crude oil from production well to refinery or storage.

At year-end 2012, offshore activities comprised three shuttle tankers. The average age of the shuttle tanker fleet was 5.3 years.

Lauritzen Offshore is also involved in Accommodation and Support Vessels (ASV) in a joint venture with Hitec Vision, Norway. Read more on [www.axisoff.com](http://www.axisoff.com)

## FLEET MANAGEMENT

High quality fleet management is vital in the offshore industry and all issues relating to crewing, technical, health, safety and environment issues are managed by in-house experts, providing assurance for compliance with the requirements laid down in applicable national and international rules and regulations.

There were zero dry-dockings 2012 (two in 2011). Unscheduled off-hire for the shuttle tanker fleet was zero in 2012 (also zero in 2011).

## CREWING

All officers for our offshore vessels are carefully selected by our in-house crewing personnel. For ratings, we continued to work closely with skilled, proven crew managers in 2012 to ensure high retention rates. Offshore is a very competitive segment for crewing and we focus on continuity training for officers and ratings with specialized courses and training in order to live up to our clients' expectations.

**“HAVING LONG-TERM CONTRACTS WITH FIRST-CLASS CONTRACTORS AND OIL MAJORS IS A TRADEMARK FOR LAURITZEN OFFSHORE.”**

*Erik Donner, president, Lauritzen Offshore*





**HEALTH & SAFETY**

Lauritzen Offshore is committed to providing safe working conditions in often multicultural and multilingual working environments. We consider our employees our most valuable asset, and it is our strongest belief that well-being, job satisfaction, safety and environmental awareness are all closely interlinked. We promote our goals by way of good human relations with our employees. This is backed by well-considered management systems certified to the highest international standards to ensure the well-being of our crews, the cargo we carry, and the environment we work in.

**LOST TIME INJURY FREQUENCY (LTIF) WAS ZERO IN 2012**

Ensuring a sound, healthy environment is a never-ending task which we take pride in developing and refining. In 2012, Lauritzen Offshore took the first steps towards introducing a new IT system to manage our safety and environmental systems on a single common IT platform. The new system offers a significantly improved overview of our safety and operational procedures and checklists. Incident reporting and follow-up investigations have also become more user-friendly with the new system. We consider it paramount that the tools we use in performing our daily tasks are easy to use. We therefore see the new IT system as supporting our strategy of making safety and environmental awareness a part of our work routines and part of our mindset.

**ENVIRONMENT**

We continually seek to minimise our environmental impact and adhere to the Group’s overall environmental policy. Further, an environmental management system that is accredited to the international ISO 14001 standard is implemented. The ISO 14001 helps us in aligning with industry requirements as well as best environmental management practices.

**BUSINESS CONDUCT**

During the year, we completed the development of a joint responsible procurement programme which seeks to align expectations and address human and labour rights, environmental protection, while tackling corruption in the supply chain. It is based on the UN Global Compact and the UN’s Guiding Principles on Business and Human Rights. See p. 13 for further information on the programme.

**OUTLOOK 2013**

In 2013, one of the focus areas will be main and auxiliary diesel engine optimization. We shall be introducing new engine monitoring software on all our vessels, enabling us to make an advanced analysis of engine condition and performance. The program generates comparison reports, making it relatively easy to compare engines and vessels throughout our fleet, so providing us with a useful tool in keeping our engines fully optimized at all times, ensuring low fuel consumption and a high level of engine reliability.

**TABLE 4: EMISSIONS PR SEGMENT G/TON-MILES**

Segment	Emmision	2012
Shuttle	CO <sub>2</sub>	6.68
	SO <sub>x</sub>	0.11
	NO <sub>x</sub>	0.17

*EMISSIONS NOTE*

*Emission figures are reported per segment and based on actual consumption, oil quality and engine emission factors and are calculated in accordance with IMO’s guidelines, MEPC.1/Circ. 684. The Greenhouse Gas Protocol (GHGP) is used as the overall Greenhouse Gas accounting system. We have applied the financial control approach as defined in the GHGP, because we seek to create a direct link between our economic bottom-line and our emissions. The reported emissions are scope 1 emissions and include owned vessels.*

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1 January – 31 December

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