



NORDEN

ESG PERFORMANCE REPORT 2018

— CUSTODIANS OF SMARTER GLOBAL TRADE —

DAMPSKIBSSELSKABET NORDEN A/S

Introduction

For the reporting year 2018, NORDEN publishes a CSR report according to the principles of UN Global Compact as has been done previous years. To accommodate investors and provide easy access to non-financial data, NORDEN also publishes this Environmental, Social and Governance (ESG) report with focus on ESG performance data.

The ESG report covers the relevant and significant environmental, social, and governance issues as well as how each of the indicators are defined, scoped and calculated. The scope of data is distinguished between at sea and on shore marked by  and  respectively.

NORDEN's ESG report is a supplement to the company's CSR report – the Company's Communication on Progress to the UN Global Compact which ensures compliance with the Danish Financial Statement Act §§ 99a and b.

In collecting information and data on NORDEN's ESG performance, the general reporting principles of Balance, Clarity, Accuracy, Reliability, Timeliness, and Comparability are applied.

Most data in the ESG report is presented with comparative data from the past 3 years and this should always be the ambition to ensure comparability of results over time. However, some data do not have historical data dating back 3 years due to change in accounting policy or new indicators. The report and data cover the period from 1. January to 31. December.

The assurance provider PwC provides independent assurance on NORDEN's CSR and ESG performance data. Indicators marked by  have been reviewed as part of NORDEN's CSR report 2018. See Auditor's Limited Assurance Report on page 39 of NORDEN's CSR report.

ESG

Environment, social and governance

Scope

The CSR reporting boundary includes assets and employees in the parent company and in subsidiaries, as well as in joint ventures

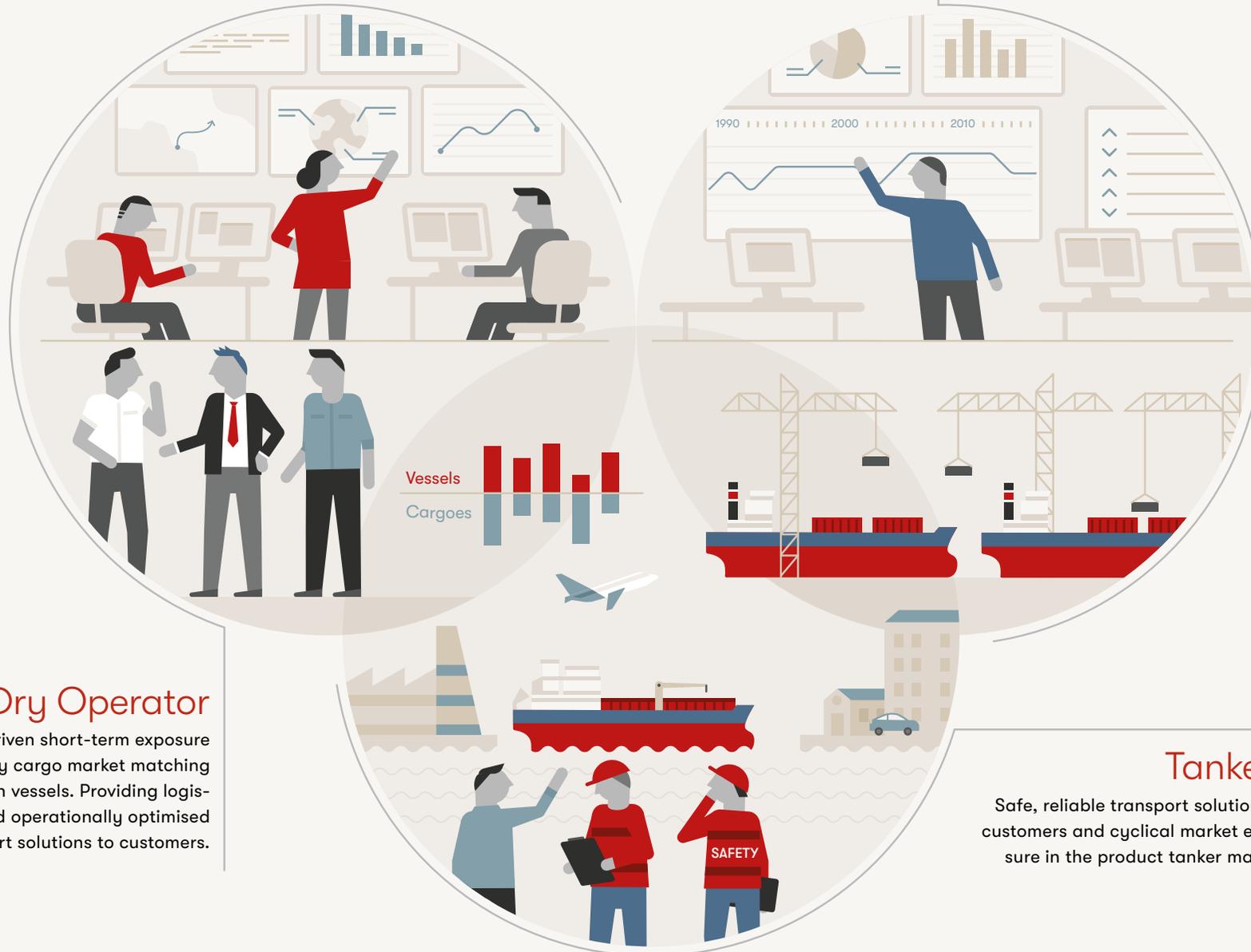
Internal Control Framework

NORDEN is participating in the WBCSD internal control guidance pilot programme

Business units

Dry Owner

Cyclical exposure to the dry cargo market through ownership and long-term chartering of vessels.



Dry Operator

Data-driven short-term exposure to the dry cargo market matching cargoes with vessels. Providing logistically and operationally optimised transport solutions to customers.

Tankers

Safe, reliable transport solutions to customers and cyclical market exposure in the product tanker market.

Environmental performance

	2016	2017	2018
 Energy consumption			
<input checked="" type="checkbox"/> Heavy fuel oils (1,000 tonnes)	933	1,086	1,083
<input checked="" type="checkbox"/> Distillate fuel oils (1,000 tonnes)	94	117	142
<input checked="" type="checkbox"/> Electricity (MWh)	1,381	1,283	1,276
<input checked="" type="checkbox"/> Total energy consumption (TJ)	41,517	48,652	49,611
 Transport work (1,000,000 tonnes cargo x mile)			
<input checked="" type="checkbox"/> Owned vessels	38,845	31,153	33,084
<input checked="" type="checkbox"/> Other operated dry cargo vessels	296,487	373,785	381,459
<input checked="" type="checkbox"/> Other operated tankers	24,023	24,926	31,215
<input checked="" type="checkbox"/> Total owned and operated	359,355	429,864	445,758
 Emissions (1,000 tonnes)			
<input checked="" type="checkbox"/> Direct CO₂ emissions (Scope 1 GHG protocol)	3,246	3,757	3,829
- Of which Chartered vessels	2,807	3,405	3,457
- Of which Owned vessels	439.0	351.5	371.5
- Of which Owned company cars*	0.02	0.03	0.02
<input checked="" type="checkbox"/> Indirect CO₂ emissions (Scope 2 GHG protocol)*	0.5	0.4	0.4
<input checked="" type="checkbox"/> Other indirect CO₂ emissions (Scope 3 GHG protocol)	3.4	3.3	3.0
- Of which Air travel*	3.2	3.2	3.0
- Of which Leased cars*	0.2	0.1	0.06
<input checked="" type="checkbox"/> Total CO₂ emissions	3,250	3,761	3,832
<input checked="" type="checkbox"/> SO _x emissions	44	53	50
<input checked="" type="checkbox"/> NO _x emissions	101	118	120
<input checked="" type="checkbox"/> Spills (> 1 barrel)	0	0	0

* Mainly related to on shore staff consumption

	2016	2017	2018
 Ratios on Emissions			
Carbon intensity (CO₂e)	-	0.0021	0.0016
Return on CO₂e (%)	-	654	751
Cash Flow from CO₂e (USD)	-	1.7	-6.5

Environmental performance

🗨 Notes

Environmental data mainly covers activities at sea which is also where NORDEN has the largest impact. The total energy consumption increased 2% in 2018 compared to 2017 while the transport work increased 4% in 2018 compared to 2017.

§ Accounting policies

Heavy fuel oil, distillate fuel oil (1,000 tonnes): Bunker fuel consumed directly by owned and operated vessels including all the fuels and gas oils used on board for activities such as steam, generating electricity, marine boilers, heating, main and auxiliary engines.

Electricity (MWh): Electricity consumed indirectly in operational activities for onshore offices divided by country of purchase.

Total energy consumption (TJ): calculated using heating value 40.2kJ/kg for intermediate fuel and 42.7kJ/kg for distillate fuel.

Transport work (1,000,000 tonnes cargo x mile): Transport work of owned and operated vessels as well as vessels chartered and operated. Transport work expresses the mass of cargo transported over distance. Compared with the amount of CO₂ emitted, it provides a picture of fleet efficiency.

CO₂ emissions (1,000 tonnes): Compatible with the Greenhouse Gas (GHG) Protocol.

- Scope 1: Direct emissions from NORDEN's own consumption of fuel from owned company cars and energy from owned operated and chartered vessels.
 - o Chartered and owned vessels: Based on fuel consumption for the year
 - o Owned company cars: per 31 December 2018 based on conversion Key2Green conversion factor 2.65 kg CO₂/L
- Scope 2: Indirect emissions from purchased electricity and district heating at NORDEN's global office locations.
- Scope 3: Indirect emissions from third party activities. Measures CO₂ emissions from air travel and leased company cars.
 - o Air travel: Route < km 1,000 = CO₂ 0.18 per km and routes > km 1,000 = CO₂ 0,11 per km
 - o Leased cars: per 31 December 2018 based on conversion Key2Green conversion factor 2.65 kg CO₂/L

§ Accounting policies – continued

NO_x and SO_x emissions (1,000 tonnes)

- NO_x: Nitrogen oxide emissions from combustion of fuels from owned and operated vessels
- SO_x: Sulphur oxide emissions mainly stem from the burning of the sulphur compound in the fuel from owned and operated vessels.

Spills (> 1 barrel): includes incidents of oil spills larger than 1 barrel into the sea from owned and/or operated vessels.

Ratios

Carbon intensity (CO₂e): shows how much carbon a company emits per revenue, calculated (CO₂e scope 1 + scope 2) / Revenue

Return on CO₂e (%): shows how much profit is earned per emitted CO₂e, calculated Profit/Loss for the period / (CO₂e scope 1 + scope 2) x 100

Cash Flow from CO₂e (USD): shows the Company's cash flow from operations per emitted CO₂e, calculated CFFO / (CO₂e Scope 1 + Scope 2).

Social capital

Social capital data include employees, human capital (employee satisfaction, retention and turnover), diversity (nationality, gender, age) and, safety.

	2016	2017	2018
 Employees at sea			
☑ Employees (FTE)	-	874	878
Diversity			
☑ Nationalities* **	27	26	30
Gender diversity – gender with lowest representation ♀ (%)	-	-	1
Retention			
☑ Retention (%)	91	94	96
☑ Turnover (%)	-	-	10
 Safety at sea			
☑ Rest-hour non-conformities (hours per FTE)	0.39	0.34	0.33
☑ Fatalities	0	1	0
☑ Lost Time Injury Frequency (per million working hours)	0.89	1.58	0.29
 Employees on shore			
☑ Employees (FTE)	-	346	361
Diversity			
☑ Nationalities* **	27	26	30
Gender			
Board of directors – gender with lowest representation ♀ (%)	20	17	33
Board of directors including employee-elected members – gender with lowest representation ♀ (%)	-	-	33

	2016	2017	2018
 Employees – continued			
Executive management – gender with lowest representation ♀ (%)	0	0	0
Senior management – gender with lowest representation ♀ (%)	13	25	25
Department leads – gender with lowest representation ♀ (%)	-	-	25
Management – gender with lowest representation ♀ (%)**	22	24	22
♀ managers of ♀ employees (%)	-	-	14
♂ managers of ♂ employees (%)	-	-	27
Employees – gender with lowest representation ♀ (%)**	33	33	35
Age			
18 – 35 (%)	-	42	41
36 – 55 (%)	-	48	50
56 – 70 (%)	-	10	9.8
Employee satisfaction (of 3.0)	-	-	2.7
Retention			
☑ Retention (%)	90	94	92
Turnover (%)	-	8	12
* Of total workforce			
** New accounting policy for 2018, not comparable to previous years			
  Employee ratio			
Sales per Employee (USD '000)	-	1,482	1,978

Social capital

Notes

The number of employees at sea is stable. On shore the number of employees has increased by 4% compared to 2017.

On shore, executive management remains unchanged with 0% representation of the gender with lowest representation (female). The rate of the least represented gender (female) in senior management remains unchanged, while the gender with lowest representation (female) in management has decreased by 7%.

Of all the females who work at NORDEN on shore, 14% are managers compared to all the males who work at NORDEN on shore, where 27% are managers.

Accounting policies

Scope and boundaries

Scope for FTEs at sea includes area where NORDEN has the direct governing authority and responsibility for safety and environmental management of people, processes, facilities and vessels. Out of scope: Non-owned vessels and vessels on bare-boat charter.

Scope for full-time workforce FTEs on shore includes permanent and time-limited employees (fix-term, student job, and temporary) in NORDEN's offices, except for indicators Retention and Turnover where scope includes average FTE on shore of permanent employees and excludes fix-term, student job and temporary.

Employees

Employees at sea (FTE): Average full-time equivalent number of employees at sea during the year. Scope includes employees on NORDEN's owned vessels, including average seafarers employed on permanent and fixed term contracts as defined in NORDEN's crew management system.

Nationalities represented (in total workforce): Number of nationalities in total workforce on shore (based on NORDEN's HR system Fairsail) and at sea for owned vessels in internal management (based on crew management system) during the accounting year.

Gender split at sea (%): The percentage of the average number of women FTE at sea out of total average number of FTEs at sea during the year based on crew management system.

Retention rate at sea (%): Retention rate at sea is based on the average number of full-time employees (FTE) at sea employed on permanent and fixed term contracts as well as seafarers between fixed term contracts registered in NORDEN's crew management system. Retention rate at sea is calculated as number of seafarers who resign on their own initiative (excluding beneficial or unavoidable dismissals during the accounting year) out of the total average FTE.

Turnover at sea (%): Turnover rate at sea is calculated as the number of voluntary and involuntary leavers out of total number of FTEs as registered in NORDEN's crew management system.

Accounting policies – continued

Employees on shore (FTE): Average full-time equivalent number of employees on shore as defined in NORDEN's HR system (Fairsail). Scope for employees, women in management, gender split: Average FTE calculation includes permanent and time-limited employees (fix-term, student job and temporary).

Nationalities represented (in total workforce): Number of nationalities in total workforce on shore (based on NORDEN's HR system Fairsail) and at sea for owned vessels in internal management (based on crew management system) during the accounting year

Gender with lowest representation in executive management, senior management, department leads and management (%): Average FTE number of women in executive management, senior management, department leads, and management positions on shore out of the total pool of average FTE onshore executive managers, senior managers, department leads and managers. Executive and senior management groups are defined in the Annual Report. Department leads have the title "head of". Managers are defined as a person with responsibility for a team of at least 1 other employee, subject to NORDEN's employee development programme (i.e. excluding students, interns etc.) as defined in NORDEN's HR system (Fairsail).

Gender with least representation on the Board of Directors (%): Percentage of shareholder-elected women in the Board of Directors out of total number of shareholder-elected Board members at year end.

Gender split on shore (%): The percentage of the average number of women FTE on shore out of total number of FTEs on shore during the year based on NORDEN's HR Management System Fairsail.

Retention rate on shore (%): Retention rate on shore is based on average FTE on shore of permanent employees in NORDEN's HR system Fairsail, excluding fix-term, student job, and temporary employees. Retention rate is calculated as the number of FTEs who resign on their own initiative (excluding beneficial or unavoidable dismissals) during the accounting year out of the total number of permanent FTEs.

Turnover on shore (%): Turnover rate on shore is calculated as the number of voluntary and involuntary leavers out of total number of permanent FTEs as registered in NORDEN's HR Management System Fairsail.

Health and safety

Rest hour non-conformity at sea (hours per FTE): Rest hour non-conformities is defined as number of days where a seafarer is not in compliance. The number of non-compliance days per 30-working day period on board. Rest hour non-conformity are monitored onboard in NORDEN's crew management system in accordance with the ILO and STCW conventions.

Fatalities: number of fatalities in the reporting year registered in NORDEN's technical administration system.

Lost Time Injury Frequency at sea (per million working hours): Calculated based on the number of work-related accidents registered in NORDEN's technical management system, which causes a seafarer to be unable to work for more than 24 hours (based on exposure hours), in accordance with OCIMF's 'Marine Injury Reporting Guidelines', per one million exposure hours.

Ratio

Sales per employee (USD): calculated Sales/FTE, a measure of the productivity of the employees

Governance

Governance performance data include board and executive management gender diversity, number of board meetings, attendance, remuneration, whistleblower and anti-corruption and ethics training.

	2016	2017	2018
 Governance			
Gender diversity			
Board members excluding employee-elected members; Share of gender with lowest representation ♀ (%)*	20	17	33
Board members including employee-elected member; Share of gender with lowest representation ♀ (%)*	-	-	33
Attendance			
- Board excluding employee-elected members (%)	-	-	94
- Board including employee-elected members (%)	-	-	83
Remuneration			
Executive management (total) (million USD)	2.9	2.4	2.6
Board of directors -Base remuneration (DKK)	300,000	300,000	300,000
Ethics			
Relevant employees trained in ethics and anti-corruption on shore (%)	-	94	96
Relevant employees trained in ethics and anti-corruption at sea (%)	-	-	78
Substantiated whistleblower cases	-	0**	0

* At year-end

** 1 whistleblower report received but after investigation turned out unsubstantiated.

Notes

At the end of 2018, the Board of directors consisted of 6 shareholder-elected members plus 3 employee-elected members. Employee-elected Board members are sometimes at sea when the Board meetings occur, resulting in a relatively low attendance rate.

Going forward, NORDEN plans to report on committee attendance.

NORDEN's constant focus on ethics and anti-corruption training has resulted in an increase in completion rate. The reason for the relatively lower completion rate at sea compared to the rate on shore can be found in issues in rolling out the new IT application.

Accounting policies

The Board of Directors scope is distinguished between shareholder-elected members and shareholder-elected and employee-elected

Gender diversity: Number of female members on the board at year end.

Attendance: Attendance rate of Board excluding employee-elected members and including employee-elected members respectively, throughout the year.

Remuneration: Combined total remuneration for executive management (CFO and CEO). Board of directors remuneration includes base pay per member, not including committee/chairmanship supplement. See NORDEN's Annual report 2018 for more details.

Relevant employees trained in ethics and anti-corruption on shore and at sea (%): Training completion rate at sea and on shore at year end.

Substantiated whistleblower cases: Number of substantiated cases received in the reporting year.