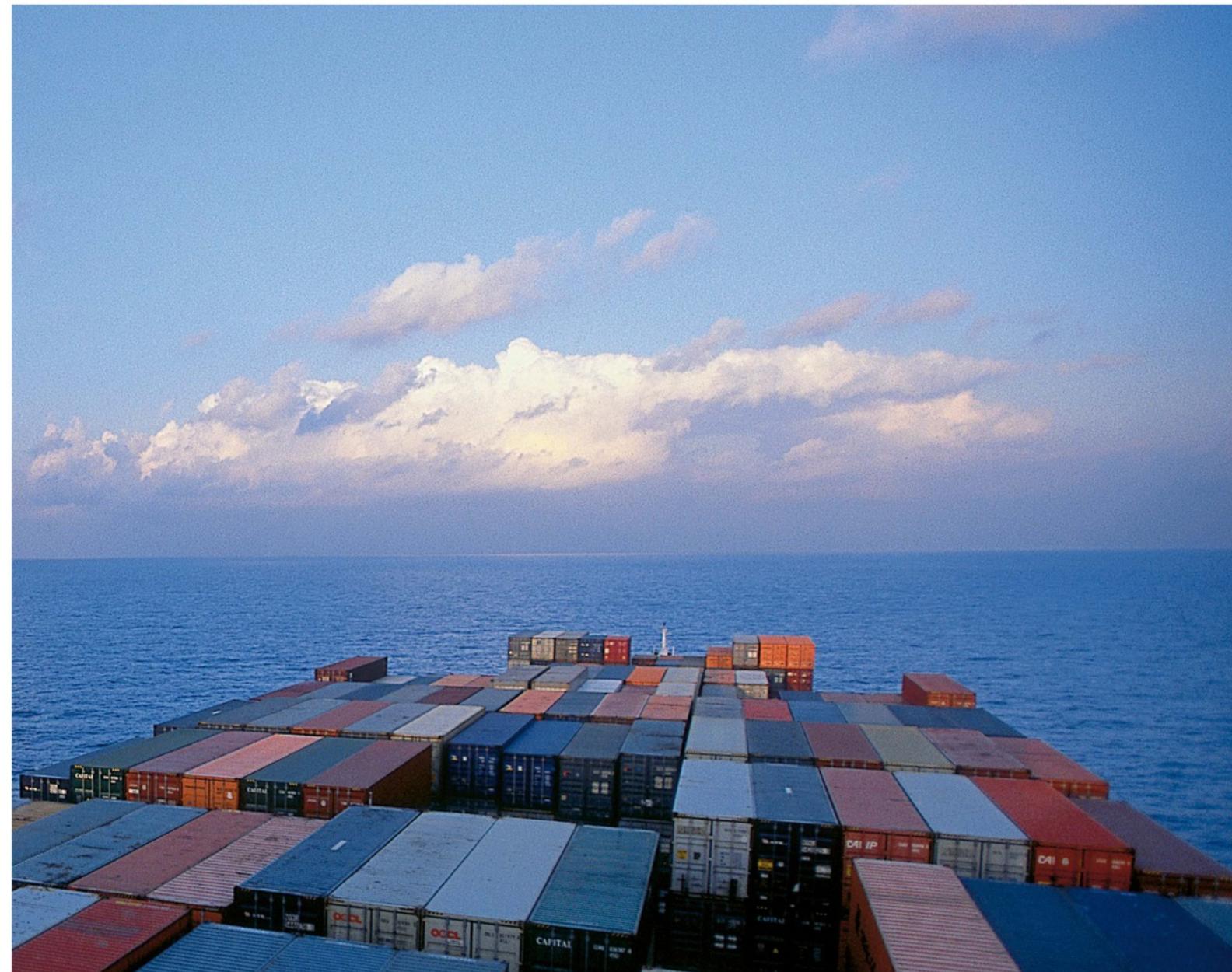




E.R. SCHIFFAHRT



United Nations Global Compact

Communication on Progress (CoP) 2014

Reporting Period 2013/04 - 2014/03

MEMBER OF THE BLUE STAR GROUP 

This Communication on Progress is valid for E.R. Schiffahrt GmbH & Cie. KG and its subsidiary E.R. Offshore GmbH & Cie. KG. The report refers to these companies as E.R. Schiffahrt or as company.





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Statement of continued support of the UN Global Compact

E.R. Schiffahrt and its management board confirm and renew their commitment to continuously support the United Nations Global Compact and its Ten Principles in the areas of Human Rights, Labour Standards, Environmental Protection and Anti-Corruption.

Within the entire international commodity trade the biggest proportion of transportation is seaborne. Therefore shipping is an important participant in globalization processes and also a beneficiary of the same.

As a consequence E.R. Schiffahrt recognizes and appreciates its economic, ecologic and social responsibility at both national and international level.

This second annual Communication on Progress documents the measures and results of E.R. Schiffahrt in the aforementioned four areas of the Ten Principles of the UN Global Compact. It also describes aims in this regard for the upcoming reporting period. The report will be made accessible to all stakeholders of the company.

E.R. Schiffahrt and its management board are committed to further incorporate the Ten Principles into its business strategy and to continuously develop and enhance respective objectives and measures.

A handwritten signature in blue ink, appearing to read 'H. Klein', written in a cursive style.

Dr. Hermann J. Klein
Chief Executive Officer



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E.R. Schiffahrt – Overview

E.R. Schiffahrt is a ship owning and ship management company with around 105 container, bulk and multi-purpose vessels in service as of today. The offshore fleet managed by E.R. Offshore consists of 2 anchor handling tug supply vessels and 11 platform supply vessels in worldwide service. This diversified fleet makes E.R. Schiffahrt a strategic partner of the world's leading liner companies, bulk operators and the offshore industry.

The company's founder and chairman, Erck Rickmers, established E.R. Schiffahrt in 1998. The Rickmers family has been active in the shipping business for five generations.

In 2012 the company merged its ship management activities with Komrowski Befrachtungskontor and Blue Star into a new entity called Blue Star Holding.

About 4000 employees on shore and at sea are committed to provide safe, environmental friendly and reliable ship management operations to its clients.

In addition to mandatory certification according to the International Safety Management Code (ISM-Code), the Maritime Labour Convention (MLC) and to the International Shipboard and Port Facility Security Code (ISPS-Code) E.R. Schiffahrt developed an integrated management system certified to the following standards:

ISO 9001:2008 (quality management),

ISO 14001:2009 (environmental management),

BS OHSAS 18001:2007 (occupational health and safety management)

and in progress: ISO 50001:2011 (energy management).

This management system is established and maintained both on board of the operated fleet and ashore and audited by an external independent third party on an annual basis.

Furthermore, E.R. Schiffahrt holds the "GL Excellence – 5 Stars" certificate. This accolade is awarded by the classification society Germanischer Lloyd (GL) now DNV GL for reliable ship operations and the introduction of and compliance with above-average safety, environmental and quality standards.



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I – Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure they are not complicit in human rights abuses.

E.R. Schiffahrt and its management board are committed to support and to protect the International Bill of Human Rights within their sphere of influence and throughout their business activities.

It is further the declared company's policy neither to permit nor to tolerate but to prevent any kind of discrimination and/or harassment of its employees on board or ashore on the grounds of race or the ethnic origin, gender, religion or belief, disability, age or sexual orientation.

Within its management system E.R. Schiffahrt has established a reporting procedure that enables and encourages all employees to report any non-conformity or complaint in regard to the Maritime Labour Convention and other applicable national, international or internal rules and regulations. The latter also includes the declared company's policy statements available on the website of E.R. Schiffahrt.

E.R. Schiffahrt recognizes and appreciates its social responsibility and is or was engaged in the following activities within the reporting period of 2013 in this regard:

The seafarers on board of our vessels are away from their families and homes for several months. It is therefore important for them during their time limited port stays to be able to visit places where they feel welcomed and somehow also at home.

With the Seaman's Club "Duckdalben" the German Seamans Mission has established such a place in the middle of the Port of Hamburg. This Club offers seafarers a welcome change from their everyday life on board e.g. by providing the opportunity to use telephones and the internet, to do some small shopping or to find a quiet moment in a so called Room of Silence where the seven world's religions coexist peacefully. Starting in the year of 2012 E.R. Schiffahrt supports the "Duckdalben" with an amount of 10.000 Euro per year until 2016.

On 8th November 2013 the Typhoon "Haiyan" hit the Philippines with devastating effects. E.R. Schiffahrt has donated 40.000 US Dollar to the Typhoon Haiyan Relief Fund since around 2.000 employees of E.R. Schiffahrt's seagoing personnel originate from the Philippines. The fund was set up by the contracted crewing agencies in the Philippines in order to support the seafarers and their families with any form of humanitarian assistance needed. Further, through E.R. Schiffahrt's membership in the German Shipowners' Association (VDR) the company was also contributing to the donation of 100.000 US Dollar from the association to victims of the typhoon.



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E.R. Schiffahrt also supports research and teaching as a donor of the foundation "Stiftung zur Förderung der Technischen Universität Hamburg Harburg". This foundation supports the technical university and its students by promoting research, innovative teaching methods and international campus life. With this engagement E.R. Schiffahrt aims to benefit the professional education of future generations.

Social commitment attracted also physical support amongst the staff of E.R. Schiffahrt: Same as in the previous year, around fifty employees participated in the summer of 2013 in a four kilometer charity run in the City of Hamburg, the "HSH-Nordbank Run". The aim of each runner and also of the entire team was to raise money for the initiative "Children Help Children".

The development of a diversified supplier's code of conduct is in progress and will be finalized during the second quarter of 2014. The two human right related principles of the UN Global Compact will be introduced into this code of conduct in order to further ensure that in all areas of business activities human rights are supported and respected and that E.R. Schiffahrt will not be complicit in human right abuses.



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II – Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*
- Principle 4: the elimination of all forms of forced and compulsory labour;*
- Principle 5: the effective abolition of child labour; and*
- Principle 6: the elimination of discrimination in respect of employment and occupation.*

It is the declared policy of E.R. Schiffahrt that all employees both on board and ashore shall be treated in a fair, just and correct manner based on relevant international and national rules and regulations and applicable working terms and conditions.

The company has established a grievance procedure which clearly defines the right of any seafarer to file a complaint arising from an alleged violation of his contractual or any other rights.

Conditions of contracts of employment for crew members on board of E.R. Schiffahrt managed vessels are based on collective bargain agreements and are in accordance with the Maritime Labour Convention of 2006 (MLC 2006) and other applicable rules and regulations.

Under-aged seafarers are never employed on board of E.R. Schiffahrt managed vessels. Personnel documents are being reviewed during various steps of the initiation of employment and also by the Master as a representative of the company on board.

E.R. Schiffahrt is committed that all identified risks to its personnel are being assessed and appropriate safeguards are established in order to ensure that no unacceptable or avoidable risks are taken.

To fulfill this commitment procedures to identify critical shipboard operations and to control substances hazardous to the health of employees are established within the management system of the company. Proper implementation of these procedures is being reviewed during internal and external audits on board and in the office ashore as part of the verification process related to companies Occupational Health and Safety Assessment Series (OHSAS) certification. The verification in the office was carried out during the reporting period of this Communication on Progress.

E.R. Schiffahrt has trained its seagoing personnel in these occupational health and safety procedures in 2013 and 2014 during so called Fleet Officer Meetings in Hamburg, Germany, in Odessa, Ukraine and in Manila, Philippines. More than 300 Captains, Chief Officers, Chief Engineers and Second Engineers as well as Junior Officers/Engineer, Electricians and Cadets were participating in these events.



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During the reporting period of 2013 E.R. Schiffahrt successfully and timely implemented the Maritime Labour Convention of 2006 (MLC 2006) into its existing management system on board and ashore. The MLC 2006 governs the minimum requirements for seafarers to work on a ship and the conditions of employment, the accommodation and recreational facilities as well as food and catering on board, the health protection, medical care, welfare and social security protection of seafarers. The effective implementation has been verified through an audit by a recognized third party on board of every single vessel under the management of E.R. Schiffahrt.

The external crewing agencies are audited by E.R. Schiffahrt on an annual basis. These audits include the verification of compliance with the MLC 2006.

During the second quarter of 2014 E.R. Schiffahrt aims at introducing the four labour related principles of the UN Global Compact into a diversified supplier's code of conduct.



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III- Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

E.R. Schiffahrt is assessing all identified environmental risks that may emerge within its sphere of influence or through its business activities.

Further, E.R. Schiffahrt is committed to continuously improve its employees' skills and abilities not only but also in regard to environmental protection.

The company has issued instructions and procedures which ensure the safe operation of all vessels in regard to environmental protection. These instructions and procedures are established in the integrated management system which is certified in accordance with the ISO 14001:2009 standard. The verification audits for the certification took place during this reporting period on board of several vessels of the fleet and in the office of E.R. Schiffahrt.

All Super-Post-Panamax vessels of E.R. Schiffahrt are certified for highest environmental standards both mandatory and voluntary with the Environmental Passport class notation. This passport was issued by the classification society Germanischer Lloyd (GL), now DNV GL.

One of the most important aims which were actively pursued through the year of 2013 with great efforts of crews on board and staff in the office was to reduce fuel consumption and with that also CO₂-Emissions of the vessels managed by E.R. Schiffahrt. This was done in close cooperation with charterers, with engine manufacturers, research institutes, shipyards and naval architects. Measures to reach this aim were:

- Slow and super slow steaming: E.R. Schiffahrt's vessels were drastically reducing their normal voyage speeds wherever and whenever trading pattern would allow this measure.
- Installation of turbo charger cut out systems whenever possible: These systems lower the fuel oil consumption and improve the main engine performance when the vessel is slow or super slow steaming.
- Training: 51 Captains and 34 Chief Engineers from all over the world were invited into the office of E.R. Schiffahrt in order to participate in specific training courses for fuel efficiency awareness and fuel consumption reduction. As a further training measure and as the first shipping company E.R. Schiffahrt has introduced the DNV GL E-Learning Tool "Energy Efficiency on Board" for its



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entire fleet. The tool was developed in a pilot project with experts from DNV GL together with E.R. Schiffahrt. The company aims to train all Masters and Chief Engineers employed with this tool in order to continuously improve the energy efficiency on board.

- Routing and trim optimization: Same as in the previous reporting period dedicated computer software has further been installed on various vessels in the fleet in 2013 to enable the personnel on board to introduce more detailed information into the planning of voyages. Especially in regard to prevailing and anticipated weather conditions, ocean currents and proper adjusted trim of the vessel throughout an entire voyage.
- Redesign: During the previous reporting period plans were developed to modify the design of six Super-Post-Panamax vessels of the fleet in order to improve fuel efficiency and reduce fuel consumption. These plans were realized in the year of 2013 and 2014 as four out of six vessels were modified by installing a new bulbous bow, designed for slower speeds and a new propeller with five blades instead of six. Associated with that the main engine of these vessels were de-rated from the nominal power output of 72.000kW to 45.000kW. The remaining two vessels will be modified during the upcoming reporting period.

As a good example for actually accomplished fuel savings serves a voyage from Hamburg to Singapore. With the previous design such a vessel would travel the over 8600 nautical miles with an given average speed of 19 knots in about 19 days using more than 2400 tons of fuel. After the above described modification the vessel is consuming about 15% less which is a saving of more than 350 tons of fuel and also more than 1000 tons of CO₂-Emissions.

The company has also developed plans to re-design a class of five Post-Panamax container vessels with more efficient propellers and de-rating of their main engines from 69.000kW to 44.000kW. The pre-calculated fuel savings for these type of vessels are also in the range of 15%.

To further increase the efforts to locate fuel saving potentials and manage energy efficiency effectively E.R. Schiffahrt has developed and implemented an enhanced energy management system on board of all managed vessel. The process of certification according to the industry standard ISO 50001 has been successfully initiated with the Phase I Office Audit in January 2014 and it is planned to complete the certification in June 2014.

In 2014 the implementation of a bio-fouling management plan on board of every vessel in the fleet will be continued. Such plan includes procedures for inspecting, maintaining and cleaning the vessels hulls and other areas which are susceptible for marine growth. Controlling marine growth on the vessels is aiming at the prevention of alien species invasions between different ocean regions and also at reducing fuel consumption.

In the reporting period of 2013 two electrically powered company cars were purchased and another one is planned for late quarter 2014. All three are replacing cars with conventional combustion engines. The e-cars can be charged at the office car park



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with electrical power exclusively from renewable energy sources as the entire office building is provided with eco-power.

The company also offers to all employees subsidized monthly passes for public transport within the metropolitan area of Hamburg, in order to encourage employees to use environmental friendly transportation for commuting between home and work.

During the upcoming reporting period of 2014 E.R. Schiffahrt will introduce the three environment related principles of the UN Global Compact into a diversified supplier's code of conduct in order to support environmental protection in all areas of its business activities. The implementation of this code of conduct is planned for the second quarter of 2014.



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IV – Anti Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

E.R. Schiffahrt is committed to counteract fraud, extortion and bribery or any other form of corruption within its sphere of influence.

The company has implemented an internal control system that ensures that business activities are checked on a regular base.

Any secondary employment or additional business of employees of E.R. Schiffahrt must be reported to the company and is subject to approval in order to reduce possibilities of contradictions of interest. Salaries paid by E.R. Schiffahrt are ensuring that employees are able to support themselves without the need of an additional income.

E.R. Schiffahrt has established rules and regulations governing acceptance and granting of presents, corporate hospitality and other invitations and stipulating in which cases employees have to report to the company if such benefits are offered to them by third parties that uphold or are about to enter into business relations with E.R. Schiffahrt or its related companies.

Any new employee who joined E.R. Schiffahrt in 2013 has signed these rules within his contract of employment.

During the upcoming reporting period of 2014 E.R. Schiffahrt aims to further strengthen its anti-corruption policy and introduce principle number ten of the UN Global Compact into a diversified supplier's code of conduct. This shall serve the purpose to support fighting of corruption in all areas of business activities of E.R. Schiffahrt.