



# Corporate Social Responsibility (CSR)

Royal Arctic Line forms an important part of Greenland's infrastructure and has a special responsibility for ensuring Greenland's security of supply. So, it is the Royal Arctic Line A/S' ambition to add financial and social value by offering effective logistics solutions.

## Our CSR efforts achieve new objectives

In 2013, Royal Arctic Line signed the UN Global Compact after several years of preparation.

The UN Global Compact, the UN's ten principles governing corporate responsibility, is an appropriate framework for our CSR objectives and for following up on them.

The fact that we now report such efforts and measure our own performance by internationally accepted standards makes it easier for our foreign stakeholders to evaluate our performance in this respect. We are pleased with that since our ambition is to compare our performance with that of the other players in the industry. This is why, in our CSR policy, we always aim to improve our performance.

Reporting under the UN Global Compact also helps to provide a clearer picture of the Company's societal contribution. This is another advantage of applying the principles.

We need to continue to develop our CSR reporting. With this annual report, which serves as a Communication of Progress (COP) to the Global Compact, we have made progress. We

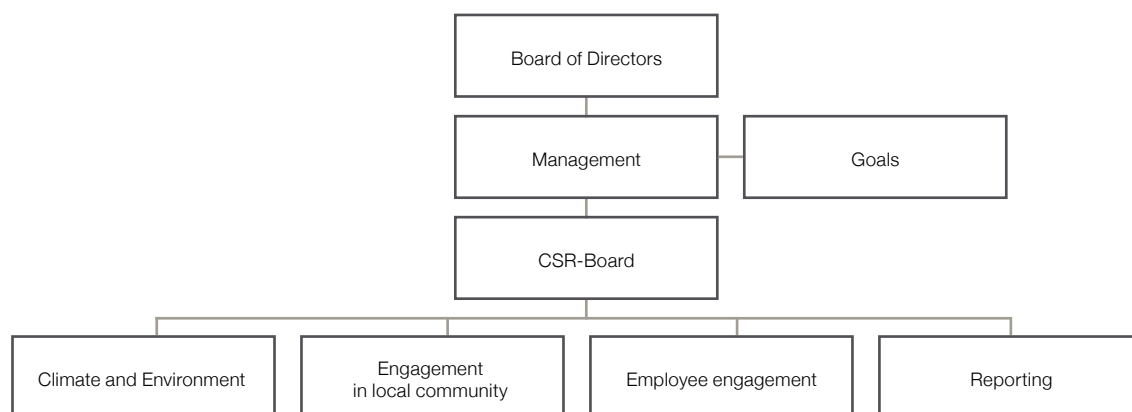
have extended our data basis, we have formulated an anti-corruption policy and updated several of our policies. Finally, we have reached a number of milestones, particularly in terms of suppliers and collaborators.

However, we are well aware that, in other respects, we still need to improve and that we must take steps to maintain momentum and achieve new objectives. In 2014, we will be focusing particularly on diversity, onshore climate and environment and on continuously improving data collection.

During the financial year we also changed our ways of making CSR efforts. Such efforts have been distributed on more persons, and the CSR Coordinator position, which was an indispensable element of the preparations for joining the Global Compact, has been abolished. I am by no means denying that this is a consequence of strict financial control and that savings have come from this. However, I am satisfied that we have managed to link our CSR efforts to our business by delegating responsibility to people in the "engine room". We finished making such preparations. Now it is about making an even stronger link between the overall strategy and day-to-day work. We will definitely find new ways together with our stakeholders to produce even better results.

Jens Andersen  
CEO





## Governance

Royal Arctic Line's CSR strategy is formulated on the basis of the CSR policy and managed by our CSR Board. The CSR Board is made up of five members of Group Management as well as the chief buyer. In principle, the Board convenes once every three months to discuss new measures to be taken and to reconsider the importance of ongoing initiatives. Once a year the CSR strategy is co-ordinated together with the Board of Directors, and reports are submitted regularly to the entire group of managers.

The responsibilities are structured under the UN's ten CSR principles. Add to this the responsibility for achieving the set targets, which lies with Group Management and the Board of Directors.

Royal Arctic Line's CSR policy focuses on areas that support the Company's business objectives, areas that are important to its stakeholders and areas in which the Company may make a difference. This may be achieved in particular by reducing the environmental effects of the Company's operations, improving safety and health at work, promoting human rights and ethical operations and by getting involved in Greenlandic communities. This will add value to society and to the Company.

## General performance

	2013	2012	2011
Employees	762	784	787
Trainees	62	65	60
Ships	10	10	10
Port terminals	14	14	14
Nautical miles sailed	387,454	378,531	464,217
M³ shipped	750,000	830,000	856,000

Royal Arctic Line's general CSR policy and latest update of its CSR efforts are available at the Company's homepage, [www.ral.gl](http://www.ral.gl). The CSR policy also serves as the Company's climate policy and human rights policy, and the other areas are supported by underlying policies such as the staff policy, the anti-corruption policy, etc.

## Climate and environment

Maritime transport is the most economic and environmentally friendly form of commercial transport, requiring less fuel per tonne of goods shipped than transport by train, highway or air. Despite those advantages, it is Royal Arctic Line's policy to reduce the negative environmental effects of the ships and the Company's activities.

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International climate and environmental law also brings about a number of standards. In 2013, Ship Energy Efficiency Management Plans (SEEMPs) were implemented for every ship as ships are legally required to have a plan for how to improve their energy efficiency. Royal Arctic Line had prepared well for this requirement since it implemented Fuel Efficiency Management systems in 2012 on board all of its large container ships. Such systems serve to make it easier for the crews to reduce consumption by assisting with the calculation of optimum slow steaming speed, hence reducing harbour laytime.

The Energy Efficiency Operational Indicator (EEOI), is a voluntary index formerly known as the operational CO<sub>2</sub> index. The EEOI was developed by the IMO, and in 2013 Royal Arctic Line started reporting to the EEOI through the Danish Shipowners' Association. The Company is currently working on a new strategy to make EEOI the future tool to measure on-board energy consumption.

The Energy Efficiency Design Index (EEDI) was adopted by the IMO, and the EU has established energy efficiency requirements to govern the design of new ships. The EEDI is one of many parameters underlying the shipbuilding programme.



### At sea

The shipping industry is subject to extensive climate and environmental law\*. Royal Arctic Line would like to go even further than the minimum legal requirements in this respect as long as it makes sense in terms of business, and efforts are made to reduce the ships' fuel consumption and optimise the Company's general consumption of resources.

Overall, such initiatives are of benefit to both the environment in the form of reduced environmental effects and particulate emissions as well as higher net income for the Company through lower expenses.

New legislation will be challenging the correlation between particulate emissions and bottom line since the UN International Maritime Organization (IMO) has decided that, from 1 January 2015, all ships regardless of flag and nationality must only use bunker fuel with a sulphur content of 0.1 % when navigating in the Emission Control Area (ECA) (a particular area in the Kattegat, the North Sea, the Baltic Sea and the English Channel), with which the EU concurs. This also applies to Royal Arctic Line's ships when navigating into this area north of Scotland, and it will increase bunker costs considerably.

IMO also adopted a ballast water management convention stipulating that, in future, ballast water must be cleansed before discharging it back into the sea. As a consequence, Royal Arctic Line will have to install ballast water treatment plants on board its ships. The effective date of the ballast water management convention remains to be set, but the choice of principle was made as a global measure.

In order to maintain regular line shipping and security of supply, the 2013 sailing schedule has been very robust. This combined with various on-board measures has led to a considerable reduction of the bunker fuel consumption compared to last year when such consumption was very high as the speed of the ships had been increased heavily in order to compensate for several delays mainly caused by operational problems with chartered tonnage, bad weather, damage and crane failure.

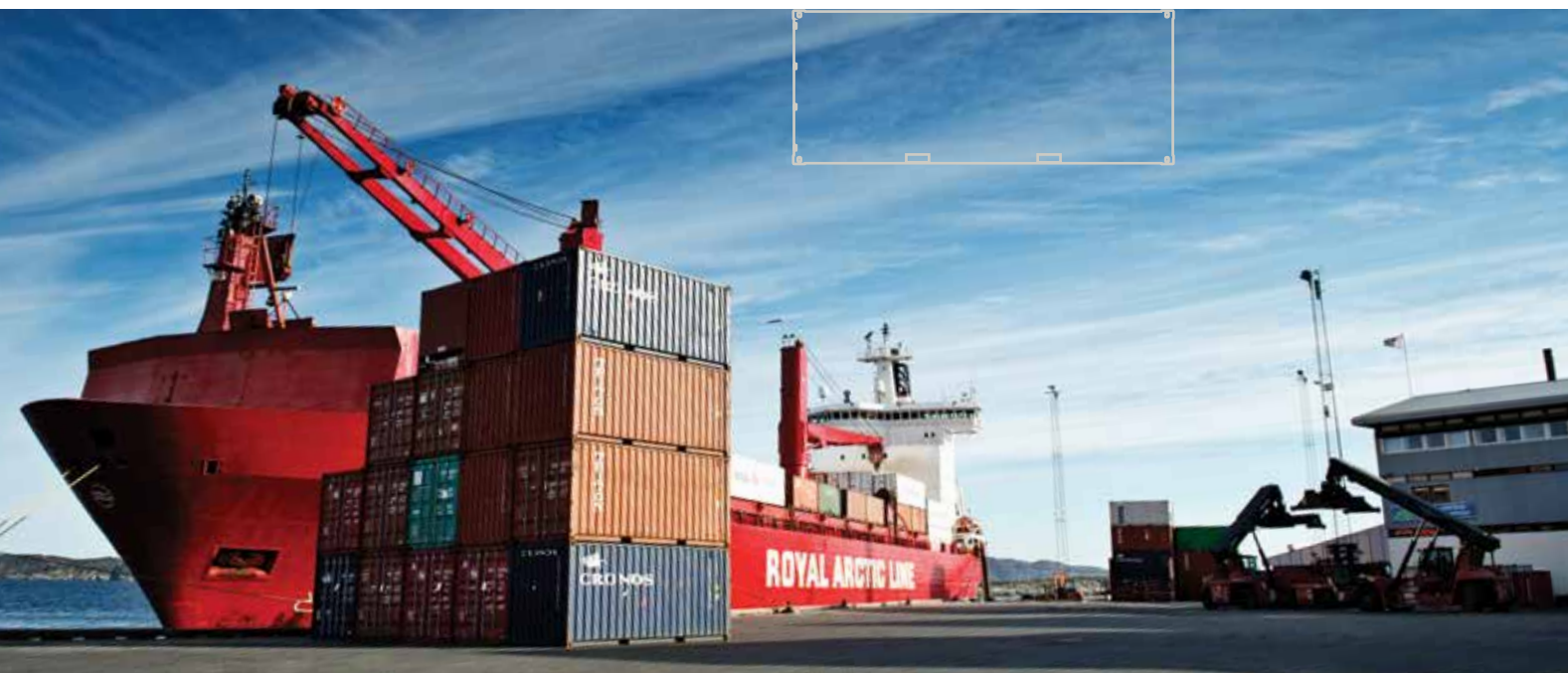
In 2013, Royal Arctic Line moved a lot closer to the target of 65 kilos per nautical mile sailed. Periods of bad weather and minor technical failure remain an obstacle to the achievement of this target as the wish for slow steaming often has to give way for the service obligation in the event of bad weather, ice or minor repairs.

### On shore

The financial year 2013 was the first full year in which the ports of Qaqortoq, Sisimiut, Aasiaat and Nuuk were certified under ISO 14001 (environmental management) and ISO 9001 (quality management), as was the base port of Aalborg. Those four ports serve as hubs, and all import and export cargo pass through one of them.

In 2013, the main office was included in Clean Office Greenland – a partnership involving the WWF, CSR Greenland and six Greenlandic businesses. The purpose of the project is to reduce the environmental impact of the offices over time.

Until 2015, the Company will continue its effort to actively make the environment and quality a central element of the employees' day-to-day work. Any benefits from the ISO-certified ports must be spread to the rest of the business, and this also applies to experience gained from Clean Office Greenland.



All of the Company's ships and harbours comply with the International Ship and Port Facility Security Code (ISPS).

## Working environment and safety

The employees' safety, health and job satisfaction are key to Royal Arctic Line's successful business. Accordingly, regular measures are taken to improve the working conditions, and a strong corporate culture forms a natural part of Royal Arctic Line's objectives. It is company policy to always make adequate training, knowledge and equipment available to the employees to allow them to perform tasks in a safe and secure environment.

### At sea

Safety and security measures are based on the International Maritime Organization's (IMO) International Safety Management (ISM) Code and the Safety of Life at Sea (SOLAS) Convention. They are audited every year – both internally and externally – and workplace evaluations are made regularly.

In order to retain focus on the effort to minimise the risk of accident, all ISM-certified ships must report one near-miss a month as a minimum.

Near-misses are unforeseen incidents that do not result in an accident, sickness or injury, but which might as well could have. Therefore, it is important to collect data about near-misses in order to improve work processes and change dangerous environments to avoid occupational accidents. Following a decline in the period 2011-2012, focusing on near-misses was emphasised in 2013 as an indispensable tool to avoid accidents as reflected by the number of reports.

	2013	2012	2011
Near-misses for vessels	110	53	94
LTA (Lost Time Accidents)	4	7	3

### On shore

Five of the ports run by Royal Arctic Line are certified under OHSAS 18001 (occupational health and safety management systems). 2013 was the full first year with certification of four

## Fuel consumption and particulate emissions for container ships

Tonnes	2013	2012	2011
MGO	3,407	3,591	4,846
HFO LS	6,448	6,432	5,970
HFO HS	18,969	18,537	19,685
Per kilo of fuel/nautical mile	67	75	66
SO <sub>x</sub>	663	624	-
NO <sub>x</sub>	1,277	1,196	-

Data about the ships' CO<sub>2</sub> emissions are not available as the calculation method is being updated in accordance with the IMO's Energy Efficiency Operational Index (EEOI) recommendations. So, the CO<sub>2</sub> emission data are not comparable. Since the consumption and particulate emission data are comparable, the ships' CO<sub>2</sub> emission data are assumed to be comparable as well, however, a small increase in such emissions has occurred due to a higher number of nautical miles sailed compared to 2012.

Greenlandic ports. So, the procedures for data collection were recently revised, and from now on data will be published as comparable data are collected.

Work processes are planned and evaluated to ensure a safe and secure environment for the employees and to allow for the Company's offices to share their experience.

The Group's action plan for 2014, Groupwide Safety (*Sikkerhed i hele koncernen*), has been updated. The ultimate target of the plan is 0 accidents.

## Employee conditions, skills development and training

Royal Arctic Line is privileged to have skilled and committed employees, and continued access to qualified labour is key to our business. We aim to give our employees a meaningful work life with focus on quality, dedication and motivation.

### Job satisfaction and sickness absence

The average level of job satisfaction for 2013 was 74 points on scale from 0 to 100. The figure for 2012 is 70, and therefore action plans were drawn up to improve job satisfaction. The target for 2013 was 72, which was achieved and exceeded, and for 2015 the target is 75.

Sickness absence for 2013 was 3.5 %, which is normal for the shipping sector, but the absence rate is still somewhat higher than our target of 2.7 %.

### Trainees

Royal Arctic Line has a long tradition for being committed to increasing the educational level of Greenland. The extensive trainee and supplementary training programmes form an important part of the Company's HR strategy and its responsibility for training local labour.

Royal Arctic Line offers 12 different training programmes, and in 2013 62 trainees had enrolled for a programme. Training with Royal Arctic Line must qualify the candidate for a career with

the shipping company and also provide a sound basis for favourable career opportunities with other companies.

## Skills development

Skills development forms a natural part of the opportunities existing for the individual employee. As a wholly owned Greenlandic enterprise, Royal Arctic Line is particularly responsible for contributing to creating jobs in Greenland, and the Company works to increase the share of Greenlandic managers of Royal Arctic Line – for example, by giving the employees access to supplementary training and by playing an active role in the development of maritime training programmes in Greenland.

	2013	2012	2011
Supplementary training	1,667,079	1,516,889	1,723,898
DKK per employee	2,188	1,935	2,190

The 2013 job satisfaction survey shows that the score for the employees' degree of satisfaction with access to skills development is 66 points out of 100, meaning a 3 point increase compared to 2012. A score of 66 is high compared to the EEI for the transport industry (51) and compared to the cross-industry score of 61. (European Employee Index – a common European database of comparable data).

## Suppliers and business partners

Royal Arctic Line is interested in influencing its suppliers and business partners to deal with environmental, social and ethical issues in a systematic and structured manner. Accordingly, the Company is involved in dialogues and attaches importance to requirements in order to promote sustainability – also beyond our own business.

The suppliers that Royal Arctic Line asks to sign the Company's purchasing terms and conditions commit to complying with the UN conventions on child labour, human rights, workers' rights, anti-corruption and the Rio Convention on sustainability and environmental protection.

## Royal Arctic Line offers the following training opportunities

- NI2 – Academic bachelor of commerce
- Construction equipment mechanic
- IT administrator
- IT supporter
- Boilermaker
- TNI – Office assistant
- Transport/Warehouse and terminal assistant manager
- Warehouse and transport worker
- Shipping assistant
- Ship's mechanic
- Ship's officer
- Terminal worker

In 2012, Royal Arctic Line identified more than 120 critical suppliers. The target for 2013 was to have 75 % of them accepting the CSR purchasing terms and conditions. That target was achieved and in December we reached an important milestone when supplier no 100 signed the terms and conditions. The number of critical suppliers has been updated, reaching 134 today, meaning that today's rate is exactly 75.

The objective for 2014 is that 85 % of the identified risk suppliers will have signed the purchasing terms and conditions relating to CSR by the end of 2013.

## Human rights

Royal Arctic Line respects international human and labour rights and makes a continued effort to offer their employees equal terms, conditions and opportunities in this respect. Applicants having the same qualifications must be given the same opportunity to become an employee, which is why Royal Arctic Line calls on any interested party to apply for the vacant positions regardless of their background. Royal Arctic Line's efforts to safeguard human rights are supported by guidelines established through the staff policy on how the Company intends to address equality issues and combat discrimination, victimisation, harassment and violence at the workplace.

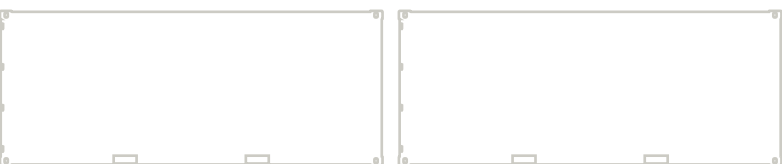
In the autumn of 2012, Royal Arctic Line conducted a major survey of the opportunities and challenges involved in the Company's human rights initiatives. Based on this survey, several policies and objectives were updated in 2013 to prevent any risk of not respecting human rights in future.

## Anti-corruption

Royal Arctic Line wishes to operate in a transparent and incorruptible market, both nationally and internationally. Therefore, the Company does not accept bribery, facilitation payments or any other type of unethical business conduct.

Although the Company's domestic markets in Greenland and Denmark do not experience big problems in this respect, the development strategy also extends to new markets and new partnerships with players in industries where corruption may occur.

Therefore, an anti-corruption policy was adopted in 2013 to tighten in-house rules, control mechanisms and audit work to ensure that the Company's activities are always ethical. This policy is available from [ral.gl](http://ral.gl). All employees have access through the Group's intranet to the policy and a reporting platform for receiving and handing out of presents.



## Who is to sign the purchasing terms and conditions?

Suppliers are considered risk suppliers if they hold one or more of the following characteristics:

- They are strategic suppliers from which the Company purchases essential services/goods, or on which the Company depends in some way;
- They operate in critical countries or industries – such as the oil industry;
- They supply products that may affect the environment or safety at work – such as bunkers, pallets, chemicals or work clothes;
- They supply products with the company logo – such as merchandise – that may affect the Company's reputation.

Suppliers having one or more of those characteristics are included in the gross list of suppliers that, based on a risk assessment, should sign the purchasing terms and conditions.

## Revised/new policies for 2013

- Policy for the use of social media
- IT policy on managers' access to employees' mailboxes
- Recruitment of local labour

*For further information, go to [ral.gl](http://ral.gl)*



The anti-corruption policy is based on a best practice edition, which was then adapted to the Company after a series of employee workshops. Prior to the adoption of the Group's final anti-corruption policy, 11 % of the employees participated in workshops. A total of 15 % of the employees took part in such workshops in 2013.

The target is for at least 90 % of the employees to become aware of the policy and be trained in how to address corruption by 2015.

### Involvement in the local community

Royal Arctic Line intends to help the local community of which the Company forms part to develop positively. Therefore, the Company offers services, competencies and sponsorships for initiatives that would be of benefit to Greenland.

Royal Arctic Line's sponsorships primarily comprise free freightage for the lines operated by the Company and, in exceptional cases, financial support. The Company sponsors both very small events and large events, and every application is considered by its Sponsorship Committee that convenes once a month. Moreover, the Company strives to increase the level of involvement in long-term partnerships because a targeted effort is expected to have more effect on the community as a whole.

Up until 2015, Royal Arctic Line intends to step up its involvement in CSR partnerships and formulate a policy on corporate volunteering to formalise the employees' opportunity to do voluntary work during working hours.

In addition, Royal Arctic Line co-operates with a wide range of trade unions and interest groups to promote sustainability in the shipping industry and in society in general.

### CSR efforts for 2014 and in the long run

Royal Arctic Line expects to continue to step up strategic CSR efforts in 2014. Focus will be on diversity, onshore climate and environmental conditions and particularly data collection improvement in order for it to fully enable the Company in the next few years to report its performance in accordance with internationally accepted standards.

In 2013, Royal Arctic Line reached a very important objective: Accession to the UN Global Compact. With the accession, a new framework has been laid down and now efforts must be made to be even more compliant in this respect.

In areas for which the Group has performed very well, such as supplier management, work must focus on ensuring continued success. In areas in which efforts made were not as successful as originally hoped for, such as data collection, focus needs to be increased.

Despite clear improvements in one of the best profiled areas, ship energy efficiency, Royal Arctic Line was not satisfied with the ships' fuel efficiency for 2013, for which reason the Company will give priority to improvements in this respect. The construction of new ships will help to modernise the Company's fleet, increase fuel efficiency and reduce particulate emissions as regards cargo volumes.

