





About Royal Arctic Line A/S

The Government of Greenland has granted Royal Arctic Line A/S an exclusive concession for the marine transport of cargo to and from Greenland and between towns and villages in Greenland. The Company is therefore vital to Greenland. Royal Arctic Line also operates 13 ports and harbours in Greenland and has a branch Aalborg.

All concession marine cargo to and from Greenland is sent via Aalborg and via Reykjavik for cargo to Iceland, USA and Canada. Royal Arctic Line A/S started sailing in 1993 and it is wholly owned by the Government of Greenland.

CSR must be relevant

Royal Arctic Line plays a vital role in the transportation network of Greenland. This implies a social responsibility which we undertake round the clock, all year round. We are the part of the infrastructure that keeps the people, the businesses and the institutions going.

As a company, we also bear a responsibility for the way in which we conduct our business. This includes the conditions for our employees, our footprint on the environment and the way in which we interact with our business partners and the authorities.

We are proud to take on a social responsibility for the two before-mentioned points. But we also have a responsibility to be efficient and cost-conscious. In this way, we can contribute most to society's capacity to create growth.

In this report, we show developments in the traditional CSR goals that the Company has prepared.

In 2015, the company disclosed the need to implement a series of changes to streamline the operations and the organization. In 2016, the focus will be on developing the thoughts around these and in many ways 2016 will be a year of change.



Verner Hammeken
CEO

CSR at Royal Arctic Line

In 2012 Royal Arctic Line adopted a CSR policy.

Royal Arctic Line plays a central part in connecting Greenland to the rest of the world. We are a vital part of the infrastructure and we ensure that. Greenland's communities and businesses get supplies and goods from abroad – and that the country's goods can reach export markets. Royal Arctic Line's CSR policy focuses on the areas that support our business goals and are important for our stakeholders and for society. The various areas are connected to the group's overall policies and operations.

Climate and environment

At Royal Arctic Line we focus our work on systematically reducing our negative impact on the environment by, among other things, reducing our energy and fuel consumption. We look for ways to use more environmentally friendly technology without compromising security of supply or reliability. This means that, where possible, we are continually seeking to optimize our operations and processes based on tested technology.

In the long term we would like to work with a precautionary approach to the environment. We seek to find the best possible solutions for the environmental challenges that face our branch, e.g. ballast water, antifouling measures, refuse and pollution of the air, water and land together with our partners. A more detailed description can be found in our manuals.

Working environment and safety

The safety, health and well-being of our employees are decisive for the success of our company. We work constantly to ensure compliance and to improve the working environment. Our employees always have the correct training, knowledge and equipment to work safely and securely and we work to promote a company culture where safety, health and job satisfaction are always the right choices. This is detailed further in our manuals and personnel policy.

Development of skills and training

We focus on developing the skills of our employees on all levels and on training trainees and apprentices. We are particularly interested in strengthening the level of education in Greenland and thereby helping to support a positive development.

Conditions for employees

We respect the international human rights and labour rights and we work consistently to ensure our employees good, safe conditions with equal opportunities during their employment. More details are contained in our personnel policy.

Involvement in the local community

The size of our company means that we have a special obligation to ensure a positive development within the community we serve. Therefore, we seek to support relevant partnerships and projects by making available our skills, services, time and/or financing. We focus especially upon children and young people, culture and sports, those who are socially vulnerable and on education. Please see our sponsor policy for further details.

Anti-corruption

Royal Arctic Line does not accept bribery, greasing palms (facilitation payments) or any form of unethical practice. We are therefore working to tighten our internal rules, controls and auditing to ensure that Royal Arctic Line, our companies and our activities always comply with applicable legislation and the principles of ethical business practices.

Suppliers and partners

We want to influence our suppliers and partners to also work systematically and in a structured manner with environmental, social and ethical issues. We therefore work with dialog and demands to promote sustainability – also beyond our own company. This is further elaborated upon in our purchasing policy and purchasing terms.

General performance 2013-2015

	2013	2014	2015
Employees	762	748	722
Trainees	65	54	50
Ships	11	11	11
Port terminals	14	14	14
Nautical miles sailed	378,531	358,111	328,053
Cubic metres carried	747,000	741,000	757,000

The Company's ships and ports comply with the International Ship and Port Facility Security Code (ISPS)

Container ships' fuel consumption and emissions

	2013	2014	2015
MGO	3,407	3,112	3,183
HFO LS	6,448	6,045	4,636
HFO HS	18,969	18,221	18,447
Kilo fuel/nautical mile	67.01	67.6	67.6
EEOI		3.280	3.804

The EEOI (Energy Efficiency Operational Indicator) is a voluntary index formerly known as the operational CO₂ index. The EEOI was developed by IMO, and in 2013 Royal Arctic Line started reporting to the EEOI through the Danish Ship owners' Association. 2014 was the first year for which a total EEOI figure had been calculated: 3.28 g of CO₂ per ton of cargo per nautical mile. It may still be difficult to compare this figure to those of other shipping companies as it remains subject to some uncertainty, particularly due to factors of converting cubic metres of cargo into tons. So it may take some time before this figure can be benchmarked against the figures of other shipping companies, however, the EEOI provides a rather exact picture of the ships' developments and performance and so the EEOI figure is an effective target figure, strategically speaking.

Risk suppliers

	2013	2014	2015
Number identified	134	137	134
% that have signed purchase terms	75 %	85 %	88.80 %

The goal for 2015 was that 88 per cent of the identified-risk suppliers had signed the terms with regard to CSR before the end of the year.

Work environment on board

	2013	2014	2015
Near-misses on ships	110	98	80
LTA Lost Time Accidents	4	3	3

Near-misses are unforeseen incidents that do not result in an accident, sickness or injury, but which had a risk or doing so. It is therefore important to collect data concerning near-misses, in order to improve work processes and to change dangerous environments to avoid work accidents.

In 2015, there were three Lost Time Accidents on the Company's container ships. LTAs occurred on board the Mary Arctica and Naja Arctica.

Number of days since the latest LTA As at 31st December 2015

Naja Arctica	180 days
Mary Arctica	330 days
Nuka Arctica	1,050 days
Irena Arctica	990 days
Arina Arctica	870 days

Governance

Royal Arctic Line's CSR strategy is formulated on the basis of the CSR policy. The responsibilities are structured under the UN's ten CSR principles. In addition, there is the responsibility for achieving the set objectives, 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 to society and where Royal Arctic Line can 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.

Human rights

Royal Arctic Line respects international human rights 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 for employment, which is why Royal Arctic Line encourages any interested party to apply for 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 or violence at the workplace.

Working environment and safety

The employees' safety, health and job satisfaction are key to Royal Arctic Line's success. This is why regular measures are taken to improve working conditions, and there is a strong corporate culture that 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 so they can 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 minimize the risk of accidents, all ISM-certified ships must report at least one near-miss a month.

In 2015 there were 3 Lost Time Accidents on the Company's cargo ships.

On shore

In 2015, 22 work-related injuries were reported, against 43 in 2014. Five of the 14 harbours run by Royal Arctic Line are certified under OHSAS 18001. 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 experiences. Regular safety meetings were initiated. In 2014 the Group's plan of action was updated throughout the group under the title: Safety throughout the Group. The ultimate target of the plan is 0 accidents. To maintain such focus, an HSEQ (Health, Safety, and Environment & Quality) function was set up to form part of the Assurance Department. The work of this function relates to personal safety and operational reliability as regards our harbours and offices. Some of the first activities included a group-wide safety day that was held on April 28th 2015 where all units (terminals and ships) took part in a competition where the theme was safety. The day is called International Safety at Work-day.

Employees, development of skills and training

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

Job satisfaction and sick leave

The average level of job satisfaction for 2015 was 72 points on a scale from 1-100. The level was the same in 2014. In 2015, sick leave was 4.3 per cent which is normal for the shipping sector, but somewhat higher than our target of 2.7 per cent. Royal Arctic Line has not succeeded in reducing sick leave in 2015.

Developing employee skills

Development of skills is a natural part of the individual employee's opportunities. As a wholly owned Greenlandic enterprise, Royal Arctic Line is especially responsible for contributing to the creation of jobs in Greenland, and the Company works to increase the share of Greenlandic managers with Royal Arctic Line, – for example, by giving employees access to supplementary training and by playing an active role in the development of maritime training programmes in Greenland. In the employee satisfaction survey for 2015, employee satisfaction with access to skill development was 73 points out of 100 which is an improvement of 6 points compared to 2014. 73 is a high level compared to the EEI* for the transport sector.

*(European Employee Index – a common European database of comparable data.)

Trainees

Royal Arctic Line has a long tradition for being committed to raising the level of education in Greenland. The Company's trainee and apprentice programmes are both an important part of the Company's personnel strategy and partly its responsibility to train the local workforce.

Royal Arctic Line offers the following training opportunities

- Terminal worker
- Terminal assistant manager
- Warehouse and transport worker
- Boilermaker
- Construction equipment mechanic
- IT supporter
- IT administrator
- TNI – office assistant

Academic education specializing in

- Transport and logistics (shipping)
- International trade and marketing
- Economy and resource management

Royal Arctic Line offers 11 different training programmes. 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.

Diversity

In line with the Guidelines on Corporate Governance for Public Limited Companies owned by the Government of Greenland, Royal Arctic Line is continually focusing its efforts on ensuring diversity.

A report concerning gender distribution and the employment of local workers has been prepared by management. Guidelines have been prepared regarding recruitment procedures that support the desire to ensure diversity.

Climate and environment

Marine transport is the most economic and environmentally friendly form for commercial transport and it consumes less fuel per ton cargo moved than rail, road or air transport.

Despite these advantages, it is Royal Arctic Line's policy to limit the negative impact of its ships and its activities.



At sea

The shipping industry is subject to extensive climate and environmental regulations. Royal Arctic Line would like to go even further than the minimum legal requirements in this respect as long as it makes sense business-wise. Efforts are made continually to reduce the ships' fuel consumption and optimize the Company's general consumption of resources. Overall, such initiatives benefit both the environment through reduced environmental effects and particulate emissions and the Company's bottom line through lower expenses. New legislation challenges the correlation between particulate emissions and bottom line as the UN International Maritime Organization (IMO) has decided – and the EU has endorsed this – that, as from 1st January 2015, any ship regardless of flag or nationality may only use bunker oil containing 0.1 % of sulphur when sailing in the Emission Control Area (ECA), i.e. a particular area in the Kattegat, the North Sea, the Baltic Sea and the English Channel, as opposed to 1 % which was effective in this area up until 2014. This also applies to Royal Arctic Line's ships when sailing the sea north of Scotland. However, Royal Arctic Line is compensated for this cost through the oil and exchange rate margins, and so far the customers do not feel the effect of increased costs as those margins are very low due to the low price of oil. IMO also adopted a ballast water management convention stipulating that, in future, ballast water must be purified before discharging it back into the sea. As a consequence, Royal Arctic Line must install ballast water treatment plants on its ships. The effective date of the ballast water management convention remains to be set, but the decision of principle was made as a global measure.

On shore

The harbours of Qaqortoq, Sisimiut, Aasiaat and Nuuk are certified under ISO 14001 (environmental management) and ISO 9001 (quality management), as is the base harbour of Aalborg. In 2013, the headquarters became a part of Clean Greenland – Green Companies. This is a three-year partnership between WWF, CSR Greenland and six Greenlandic enterprises. The purpose of the project is to gradually reduce the environmental impact of offices. So far, the project has focused on reducing food waste, reducing electricity consumption for lighting and on the consumption of printer paper and toner. Looking forward, the Company is continuing its work to making the environment and quality an attractive part of the employees' day-to-day work. Any gains from the ISO certified harbours will be utilized in the rest of the company and same applies to experience from Clean Greenland – Green Companies. This is ensured through, e.g. the previously-mentioned HSEQ function and the environmental committee at headquarters.

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. This is why the Company is involved in dialogue 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 terms and conditions of supply 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 has identified 134 critical suppliers. The target for 2015 was to have 88 % of them accept the CSR terms and condition of supply. That target has been achieved.

Who should sign Terms and Conditions of Supply?

Suppliers are considered risk suppliers if they have 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
- for example bunkers, pallets, chemicals or work clothing
- They supply products carrying the company logo – merchandise, for example – that could affect the company's reputation.
- Suppliers with one or more of the abovementioned characteristics are included in the gross list of suppliers that based on the risk evaluation should sign the Terms and Conditions of Supply.

Anti-corruption

Royal Arctic Line aims to operate in a transparent and incorruptible market, both nationally and internationally. Therefore, the Company does not accept bribery, greasing palms or any other type of unethical business conduct. Although the Company's domestic markets in Greenland and Denmark do not experience serious problems in this respect, the development strategy also extends to new markets and new partnerships with players in industries where corruption may occur. Royal Arctic Line has adopted an anti-corruption policy to tighten in-house rules, control mechanisms and audits to ensure that the Company's activities are always ethical. All employees have access through the Group's intranet to the policy and to a report form for the receipt and giving of gifts.

Involvement in the local community

Royal Arctic Line has a sponsor committee that meets once a month in Nuuk to process applications. Royal Arctic Line wants to contribute to a positive development in the local community of which the Company is a part. For this reason, the Company makes services, skills and sponsorships available to initiatives that benefit Greenland.

The Shipping Company's sponsor committee provides support for children and young people, culture and sport and those who are socially vulnerable in Greenland. Royal Arctic Line provides sponsorships for freight charges and to a lesser degree financial support for events or projects that are relevant for Greenland.

CSR work in the long run

Like anyone else, we have limited resources. This means there is a need to focus our efforts there where they have the most effect. We believe that social responsibility is closely connected to the society in which we operate. Greenland has its challenges and it is these we must address on a continual basis and to which we must adjust our social responsibility. Therefore, certain general CSR issues will be set aside in favour of a stronger focus on issues where the Company can make a better contribution, with emphasis on relevance to the situation that is prevalent in Greenland and less emphasis on the general, global CSR trends.

This report will therefore possibly be the last we produce in connection with the Global Compact. Being a member of a club that comprises less than 10,000 globally is hardly

the best use of our resources in relation to the community we serve. Herein lies the recognition that this important global work should be shouldered by enterprises and organizations that have the necessary global power, from which smaller enterprises like our own can benefit.

Looking forward, similar to what we see with Global Compact, we will structure our work with social responsibility in observance of UNs "Sustainable Development Goals" with emphasis on the parts that in our view have the greatest relevance for Greenland and where we can have the greatest influence as a company.

Our social responsibility must be relevant and this means it must also have a visible effect on the society in which we live. We look forward to continuing our efforts for this.

