

Corporate Social Responsibility Report 2016

Joint Efforts – Mutual Benefits



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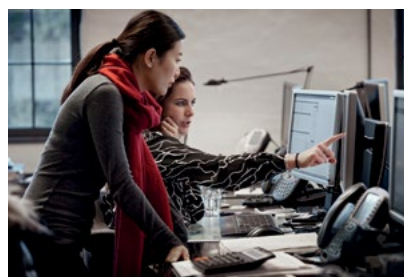
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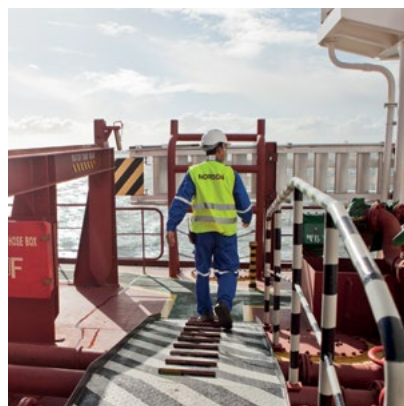
Joint Efforts – Mutual Benefits

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About this report:

This report is the 8th annual CSR report about NORDEN's CSR performance. The report covers the calendar year 2016 and constitutes NORDEN's Communication on Progress to the UN Global Compact as well as NORDEN's reporting on CSR in compliance with the Danish Financial Statements Act section 99a / 99b.

Your feedback is valued. Please send any comments or feedback to csr@ds-norden.com



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

Letter to stakeholders

Welcome to NORDEN's CSR report 2016.

2016 was the first year of NORDEN's CSR Direction 2016-2018 "Joint Efforts – Mutual Benefits". With the CSR Direction, NORDEN has embarked on a new journey within CSR, which increasingly focuses on shared value creation. Working with the linkages between social and economic progress in global trade holds potential to increase value for NORDEN's customers, for society and the long term competitiveness to NORDEN. We continuously work to integrate CSR into daily business and the CSR Direction ties into NORDEN's business strategy "Focus & Simplicity" and NORDEN's Corporate Soul Purpose that were both rolled out in 2016 and together set the overall direction for the company.

Corporate Soul Purpose

NORDEN's Corporate Soul Purpose is anchored in the Company's values and outlines how we, as *"custodians of smarter global trade, are conscious, soulful people uniting a world, where every person and action matters"*. The Corporate Soul Purpose is intrinsically linked to CSR, in the sense that NORDEN works to leverage smarter global trade by unleashing the full potential of the organisation and each other, and thereby contributing positively to society

Chair of CSR Executive Body

In 2016, I took over the chairmanship of NORDEN's CSR Executive Body, the governing body of CSR in NORDEN. This has given me the opportunity to experience the growing stakeholder interest in the CSR area first hand and NORDEN's efforts to incorporate these. I see this interest as an opportunity to explain and communicate more about CSR, in particular in relation to NORDEN's business strategy, the inherent CSR risks in the global shipping industry and NORDEN's

strategies to manage these. Together with new Danish statutory CSR reporting requirements, this has been a strong driver in re-thinking the strategy behind the CSR Report 2016. I hope you find the information relevant, welcoming and worth reading.

Continued engagement

Highlights from our CSR activities during 2016 include NORDEN's continued close involvement in the Maritime Anti-Corruption Network working towards a maritime industry free of corruption. NORDEN will continue the company's support for the collective actions that are implemented by the network in local communities, in 2016 in Nigeria, Argentina and Indonesia, and going forward India, Egypt and China to mention a few.

Another highlight was the adoption of a new Human Rights Policy that reflect NORDEN's approach to implementing respect for human rights in line with the UN Guiding Principles on Business & Human Rights.

And by means of the Danish Shipowners' Association, in 2016 NORDEN also took part in the development of a new Climate Policy and climate study, the latter proposing a science-based framework for the political discussion of global shipping's responsibility and fair share of CO₂ reductions going forward.

Looking ahead

In the coming year, the market conditions will still be challenging, but 2017 will also be a year where NORDEN is ready to seize new business opportunities and bring the organisation's full potential into play to the mutual benefit of employees, the company, its business partners and the local communities, where NORDEN operates. Joint Efforts – Mutual Benefits.

Kind regards
Jan Rindbo, CEO



Jan Rindbo
Chief Executive Officer (CEO)

Corporate Soul Purpose

As custodians of smarter global trade, we are conscious, soulful people uniting a world where every person and action matters.

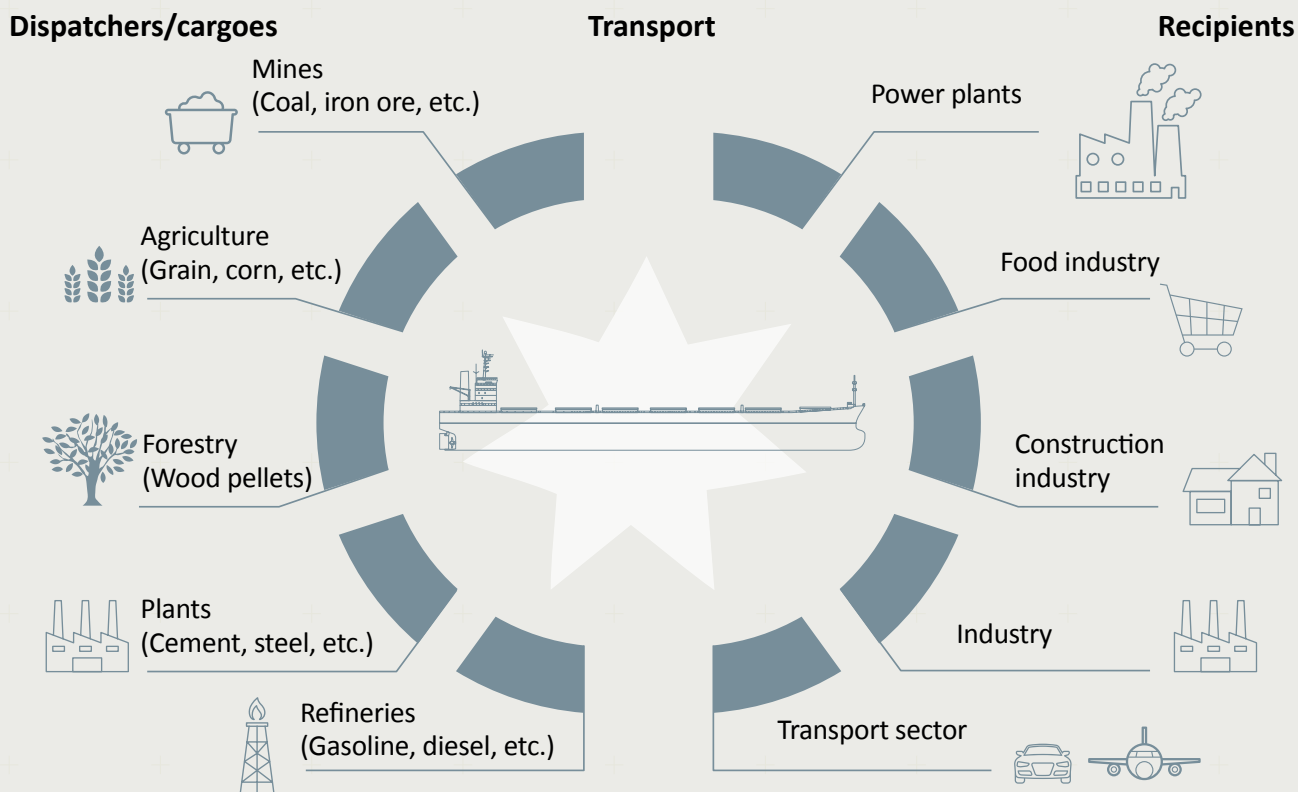


Values

Flexibility · Reliability
Empathy · Ambition

NORDEN's business model

Based on a global network of offices and good access to customers, NORDEN generates earnings by combining cargoes with vessels and earning more money on transporting the cargo than what it costs NORDEN to provide the capacity.



Cargo contracts

are entered into through

COA

contract for multiple transports typically over several years

Spotmarket

contract for single voyages

FFA

paper market for transportation contracts

Transport

takes place on

Owned vessels

Longterm chartered vessels (+13 months)

Shortterm chartered vessels

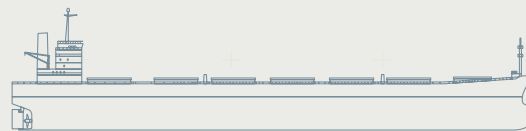
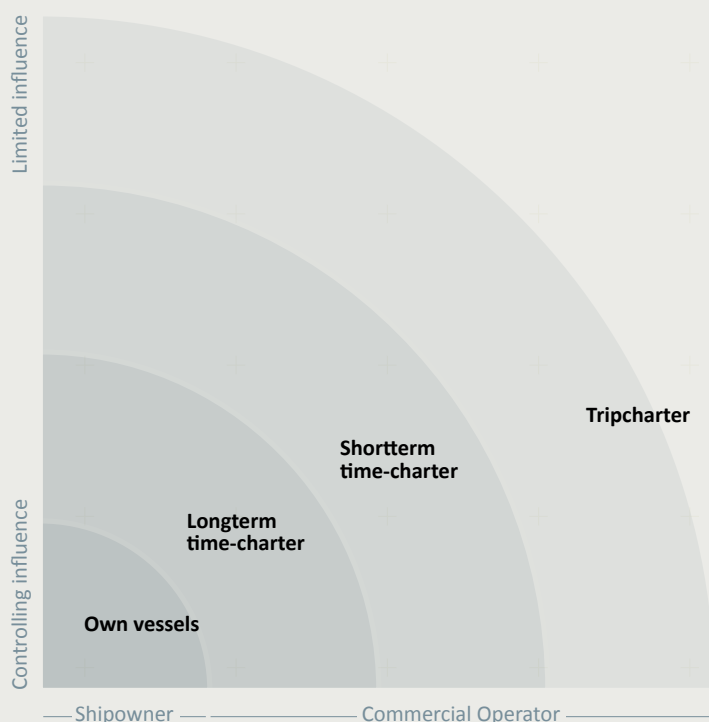
NORDEN's characteristics:

- ✓ Established in 1871
- ✓ Active in both Dry Cargo and Tankers
- ✓ Owned core fleet supplemented by extensive chartered fleet
- ✓ Combination of longterm, stable cargo contracts and significant operator activities in the market
- ✓ Global network of offices and port captains in direct contact with customers
- ✓ One of the world's largest operators of product tankers through part ownership (50%) of Norient Product Pool
- ✓ Listed on Nasdaq Copenhagen
- ✓ Transparency in financial reporting, Corporate Governance and CSR

Corporate Social Responsibility

NORDEN's approach to CSR is strategic, longterm and business-driven. CSR is a responsibility and a precondition for running a resilient business that creates long term value for stakeholders and society.

Sphere of Influence and Responsibility



Commercial Operator:

- Contracting voyages and cargoes for destinations
- Arranging support activities for voyages
- Optimisation of the voyage in collaboration with the shipowner and the customer

In addition to the above, shipowners also hold the below responsibilities.

Shipowner:

- Legislative responsibility towards flag state and international regulation and conventions
- Employment and training of crew
- Dry-docking, stores, repair and maintenance
- Vetting and Port State Control inspections

NORDEN Value Chain



Key CSR risks in NORDEN's value chain

Value chain	Key CSR risks	Guiding NORDEN's approach
 Newbuildings	<ul style="list-style-type: none"> Common CSR risks refer to the safety and employment conditions of workers at shipyards and potential negative impacts on the environment from yard activities. 	<ul style="list-style-type: none"> Risk assessment and inspections of yards.
 Second hand tonnage	<ul style="list-style-type: none"> There is a risk that the vessels, which NORDEN buys from other shipowners fail to live up to NORDEN's quality standards. 	<ul style="list-style-type: none"> Pre-assessment of quality of vessels for acquisition.
 Chartering – own vessels and time charter	<ul style="list-style-type: none"> There is a risk that compliance with NORDEN's integrity standards is not safeguarded in commercial contracts and activities. There is a risk that NORDEN engages with business partners, who fail to live up to NORDEN's standards when assuming NORDEN's business around the world. 	<ul style="list-style-type: none"> Anti-Corruption Compliance Programme incl. Anti-Corruption Policy.
 Loading /port operations	<ul style="list-style-type: none"> Ship agents typically arrange for all support activities while calling and loading vessels in ports, including coordination with local authorities on NORDEN's behalf. This makes the Company vulnerable to sub-standard performance of agents when they represent NORDEN. During port calls, NORDEN receives provisions, spare parts and bunker fuel from suppliers, if needed. In doing this, there is risk that NORDEN engages with suppliers, who fail to live up to NORDEN's standards. 	<ul style="list-style-type: none"> Anti-Corruption Compliance Programme incl. Anti-Corruption Policy. Supplier Code of Conduct.
 Shipping	<ul style="list-style-type: none"> Some of NORDEN's owned vessels are managed in-house and some by external ship management companies as per NORDEN's requirements. Vessels chartered in from other shipowners are managed either directly by these owners or their external managers. Vessels in external management means reduced control and oversight, and there is a risk that vessels managed externally do not perform to NORDEN's expectations. For vessels on bareboat charter to other shipping companies, the external charterer is in charge of managing and staffing the vessel during the time of charter, before returning the vessel to NORDEN. There is a risk that the external charterer does not adhere to the same standards as NORDEN when operating NORDEN's vessels and this pose a reputational risk to the company. Seaborne transport involves safety and potentially also security risks. There is a risk that security threats cannot be curbed appropriately by the security guards, who are contracted to protect the crew, cargo and vessels, in high-risk situations. There is a risk that discharges from vessels, such as spills, waste, ballast water and emissions are not managed in line with local and global standards, potentially impacting ecosystems negatively and posing a risk to human health. 	<ul style="list-style-type: none"> Anti-Corruption Compliance Programme incl. Anti-Corruption Policy. Human Rights Policy. Protective measures in accordance with the BMP4¹ standard. Provision on how to deploy and train security providers on board vessels. Safety & Environmental Protection Policy.
 Redelivery of T/C tonnage and sale	<ul style="list-style-type: none"> Vessels are redelivered or sold to other shipowners for further trade before recycling becomes relevant. However, there is a risk that these shipowners choose to dispose of the vessel in an unsustainable way shortly after sale. 	<ul style="list-style-type: none"> Position paper on Ship Recycling, outlining NORDEN's support for the UN's Hong Kong Convention as a minimum standard in addition to social issues.

¹ Best Management Practices to Deter Piracy

Governance and Progress

NORDEN's CSR Executive Body chaired by the CEO is ultimately responsible for CSR in the company.

The CSR Executive Body has cross-functional representation from key functions and is responsible for mandating NORDEN's CSR Direction, ambition level and policies as suggested by the CSR Department. NORDEN's CSR governance structure was defined together with the CSR strategy 2013-2015 and the establishment of the CSR Executive Body.

Global outlook and commitments

NORDEN's commitment to the United Nations Global Compact contribute to frame our CSR Direction and reporting priorities. Within CSR, the UN is an important global signpost, guiding companies in where the world is going and what is expected of the private sector. NORDEN's commitment and support of the UN Global Compact, the Sustainable Development Goals, the UN Guiding Principles on Business & Human Rights and more, all contribute to put NORDEN's CSR activities into a global context.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by the UN in 2015 and define

global sustainable development priorities and aspirations for 2030. The SDGs mobilises global efforts around a common set of goals and targets and call for action among governments, business and civil society alike.

During 2016, NORDEN undertook an initial review of the 17 SDGs and the 169 underlying targets, identifying the goals where NORDEN has potential to advance positive social or environmental impact, and where NORDEN has a responsibility to prevent harm. The identified goals are highlighted with icons in the relevant sections of this report and in the graphic below.

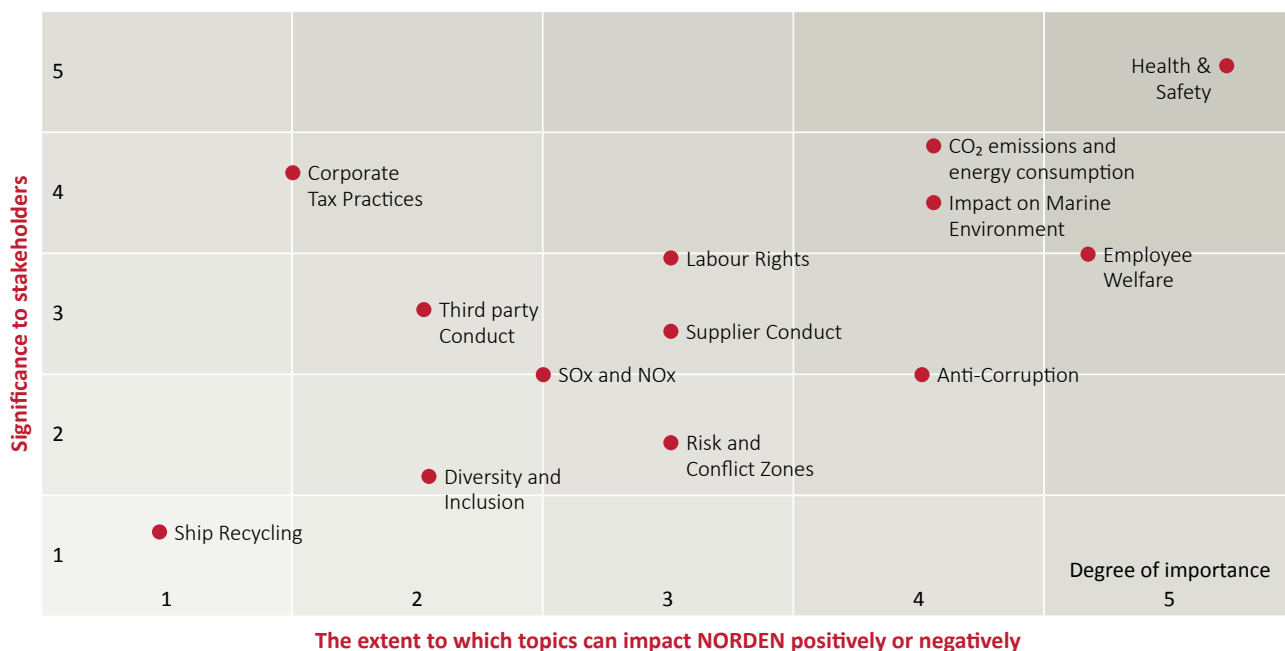
In 2017, all SDG goals and targets will be part of a more in-depth assessment clarifying how these can be further integrated into NORDEN's CSR Direction and in the CSR materiality assessment, described on the following page.

NORDEN and the UN Global Goals for Sustainable Development



The SDG model above highlights those SDG's, where NORDEN has the greatest impact.

NORDEN's CSR Materiality Matrix 2016



* Human rights is not part of the issue list, because these transcend most topics on the list depending on the context.

Assessment of CSR issues

NORDEN's key stakeholder groups comprise customers, suppliers, employees, shareholders, financiers, industry associations and regulators. The Company seeks to engage in dialogue with these, whenever relevant. To define which CSR issues are most important to work with and report on, NORDEN carries out an internal assessment of each issue on a regular basis – a 'CSR materiality assessment'.

The assessment most recently carried out in 2016 takes into account how the issues can potentially impact NORDEN's stakeholders

or the business either positively or negatively. As part of the assessment, NORDEN also takes the Danish statutory reporting requirements that NORDEN is subject to into account. The previous assessment was carried out as part of the development of the CSR Strategy 2013-2015. Going forward, NORDEN will seek to calibrate the materiality assessment on an annual basis.

In 2017, the SDGs will be included in this assessment as they can be seen as an expression of global stakeholder expectations.

CSR materiality matrix 2016

Through the CSR materiality process, the list of material CSR issues has been calibrated and prioritised into a matrix. New issues in the matrix in 2016 include Third Party Conduct, Ship Recycling and Corporate Tax Practices, which has not been part of the exercise previously.

The results of the 2016 assessment are presented in the matrix above. All issues included in the matrix are considered important and are addressed in this report.

NORDEN is part of the following global partnerships and initiatives



United Nations
Global Compact



MACN
Maritime Anti-Corruption Network



TRIDENT
ALLIANCE



impact
Responsible Supply
Chain Management

CSR Direction 2016-2018

Joint Efforts – Mutual Benefits

The shipping industry handles about 90% of the world's transported goods. In this way, shipping links production, people and companies in global trade and contributes to development and growth all over the world. Developing efficient, reliable and smart solutions for transporting goods from producers to buyers is increasingly a key component in ensuring sustainable development through trade.

NORDEN's Corporate Soul Purpose:



"As custodians of smarter global trade, we are conscious, soulful people uniting a world, where every person and action matters"

Recognising that smarter global trade is closely tied to sustainability, NORDEN's CSR Direction is based on the premise that working with the linkages between social and economic progress holds potential to increase value for customers, for communities and long term competitiveness to NORDEN.

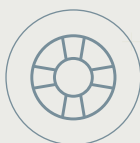
The CSR Direction 2016-2018 is called Joint Efforts – Mutual Benefits and explores 3 inter-connected areas of shared value²:



Reliability

Reinforcing crew and vessel quality

The quality of the crew and the vessel determines the safety of the cargo, reliability of operations and the flexibility to deal with unexpected situations. By reinforcing focus on crew and vessel quality further, NORDEN seeks to lower trade costs for business and society.



Assistance

Optimising supply chains

Every day lost due to barriers in the supply chain drives up costs. By coupling customer understanding and local insight, inefficiencies and barriers to trade might be removed. NORDEN seeks to optimise local supply chain solutions and contribute to enable trade for business and society.



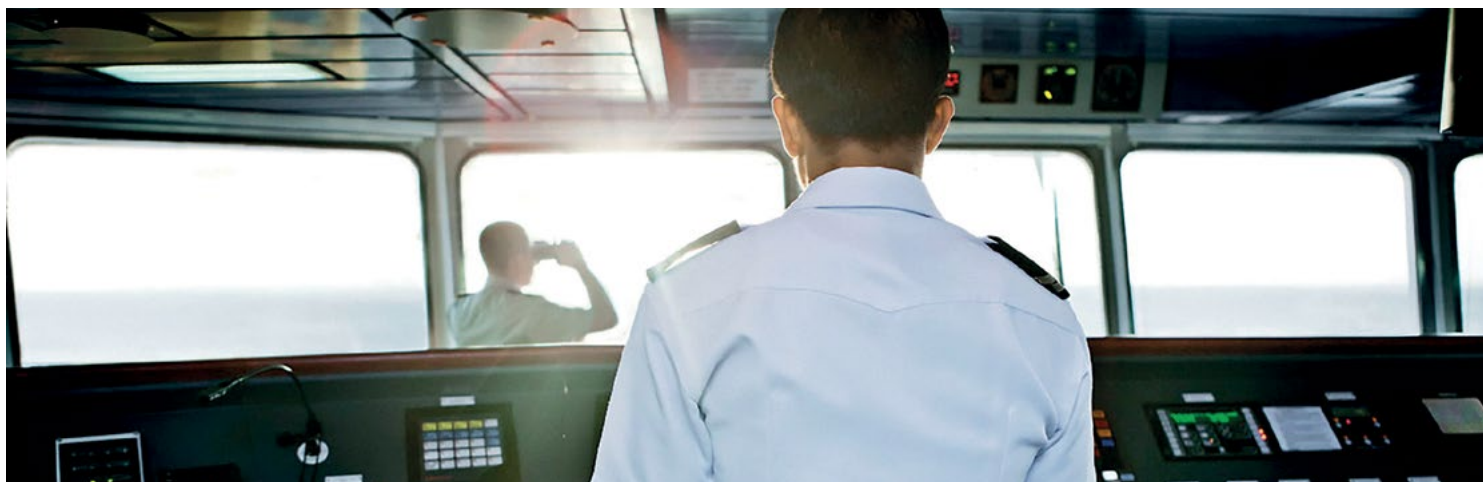
Anti-Corruption

Fighting corruption and enabling trade

The cost of corruption on economic, political and social development is high. Corruption adds unnecessary cost and delays to most trades across the spectrum. NORDEN seeks to eliminate the corruption burden on local society and on companies.

Read more about the 3 areas in the following section.

² Shared value is defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. The CSR Direction is developed based on a socio-economic impact study.



Reliability

Reinforcing crew and vessel quality

Competent crew and a well-maintained vessel is crucial to customers. The quality of the crew and the vessel determines the safety of the crew and cargo, reliability of operations, and the flexibility to deal with unexpected situations and finding the right solutions. By reinforcing focus on crew and vessel quality further, NORDEN seeks to increase reliability and lower trade costs for business and society.

Said about NORDEN to NORDEN News:



“Over the past 4 years, Enviva has found NORDEN to be an excellent shipping partner – flexible, reliable and dedicated to quality.”

Thomas Meth, Executive Vice President,
Sales & Marketing, Enviva.

Competencies instrumental to reliability

Continuous service reliability requires that shipowners are able to bring the right competencies and leadership skills into play on each trip. Recognising that the workforce at sea is instrumental in this ambition, NORDEN wants to attract and retain the best people and be the preferred employer in the market.

By virtue of NORDEN's business model, the Company has full control of owned vessels, but limited influence on time-chartered tonnage and vessels in external management. See also page 5.

Quality key to on-time performance

Well-maintained vessels are key to ensure on-time delivery and a smooth voyage. It can prevent expensive delays, idle costs and repairs, and ultimately keep crew and cargo from undue risks.

On-board training, early action on maintenance and high-quality workmanship are continuous priorities to NORDEN to deliver a consistent and safe service to customers. In 2016, reliability and customer understanding have been strong contributory factors in NORDEN landing a series of long term contracts.



“Skilled people at sea is key to a competitive and reliable service that makes a difference to our customers. Reinforcing retention and leadership skills underlines NORDEN's strategic ambitions.”

Torben Lykkegaard Pedersen,
Head of Marine HR

Retention rate of workforce at sea

88%

Senior officers

90%

Junior officers

91%

Overall at sea

A high retention rate indicates that NORDEN has an experienced pool of seafarers, of which many have been with NORDEN for 10-20 years.

Assistance

Optimising supply chains

Every day lost due to barriers in the supply chain drives up trade costs. By coupling customer understanding, local presence and expertise, inefficiencies and local barriers to trade can be removed. NORDEN seeks to optimise supply chain solutions and contribute to enable trade for business and communities.

Safety training in the Philippines

NORDEN is closely connected to the Philippines. Through a local office in Manila, NORDEN employs about 600 Philippine seafarers and provides support for 26 Philippine cadets. NORDEN also funds local projects of benefit to the local communities that NORDEN is engaged with.

Throughout 2016, NORDEN has collaborated closely with a Philippine customer, in providing all-round safety training for port staff, pilots, tug boat crews and mooring gangs operating at the production site. These efforts

have been instrumental in reducing the total frequency of safety incidents considerably to zero incidents at the site.

Finding new routes in Brazil

Shipping only constitutes a small part of the total export costs for business. Yet barriers in other parts of the supply chain can quickly escalate the indirect cost of trade. Barriers can stem from congestions or inefficiency in port handling, unpredictability in inland transportation or difficulties in transitions from inland transportation to ocean going vessels. Finding collaborative ways to remove these barriers holds potential to create shared value.

This was the case for a customer in Brazil, who experienced difficulties in connecting small barges from the inland production site to a larger loading terminal controlled by the local authorities. During 2016, NORDEN worked with the customer to bypass these barriers and set up alternative routes and to enable faster transit. The proposed solution included a transition to barge-to-ship loading, thereby restoring independence and minimising double handling costs for the customer.



“Offering the customer more than transport from A to B, creates strong relationships and opens the door to new business opportunities.”

Captain Søren Retz Johansson,
Singapore, Port Captain



The Panamax dry cargo vessel NORD SUN discharging coal at power plant in the Philippines

Anti-Corruption

Fighting corruption and enabling trade

Materiality and scope

Corruption impedes access to global markets and constitutes barriers for economic and social development around the world. For businesses in the maritime sector, corruption also escalates costs, endangers the safety and well-being of the crew and poses legal and reputational risk. In 2016, NORDEN had around 4,800 calls³ across 120 countries, some of them in regions where concepts of integrity and good business conduct vary. In this context, making the right choices becomes more complex and more important.

Anti-corruption compliance programme

NORDEN has a zero tolerance policy towards bribery and continuously works to prevent and reduce facilitation payments. To promote a culture of integrity, NORDEN has in place an anti-corruption compliance programme including an anti-corruption policy applicable to all employees and management. Due diligence, monitoring, training

and controls are key tools in implementing the anti-corruption policy.

Performance 2016

Stronger internal integration

In 2016, NORDEN's Legal Department took over responsibility for anti-corruption compliance from the CSR Department. Many principles of NORDEN's compliance programme are regulated by law and shifting the responsibility to the Legal Department is a natural next step to ensure stronger organisational integration. Through 2016, NORDEN's anti-corruption programme has been reviewed and aligned with an updated risk assessment.

Employee training

Annual anti-corruption training is mandatory for all NORDEN employees and comprise e-learning and tests. For exposed employee groups, NORDEN also conducts face-to-face training. During 2016, it has, however, proven difficult to validate the training completion rate for employees at sea. In 2017, this will be solved by providing access to training via a new onboard IT application that also

NORDEN's ambitions

- Continue to integrate anti-corruption compliance into operations, decision-making and business relationships.

Performance 2016

- Anti-corruption compliance programme updated
- Compliance controls reviewed

Looking ahead

- Launch of updated anti-corruption e-learning for onshore and off-shore employees
- Initiate at least 1 collective action

Relevant policies

- Anti-Corruption Policy
- Employee Code of Conduct

Sustainable Development Goals



³ Includes transits and stops to dock, discharge, bunker, and repair.

In focus

Creating impact through collective actions

Complex, systemic issues like corruption require a collaborative response as it is not only a problem of individuals or a single company.

To this end, NORDEN is part of the industry initiative the Maritime Anti-Corruption Network (MACN) that brings the

necessary leverage to the table, generated through collective actions spanning ship-owners, other companies from the shipping industry, local governments and civil society organisations.

Fighting corruption is a longterm commitment requiring firm grounding in local in-

stitutions, laws and culture. Through the cross-sector collaboration facilitated by MACN, NORDEN works towards a maritime industry free of corruption, enabling international trade to the benefit of society, businesses and individuals.



MACN
Maritime Anti-Corruption Network



tracks completion of training, including for NORDEN vessels in external management.

CSR Due Diligence

NORDEN relies on agents to look after the company's interests while the ship is in port, e.g. in relation to transits or when arranging for pilots, tug boats or ship provisions. During 2016, NORDEN piloted a CSR due diligence project for agents on contract with NORDEN. With the pilot, NORDEN is able to design a robust CSR due diligence process and to strengthen the dialogue with our agents on CSR and integrity risks. In 2017, NORDEN will explore how to proceed with

CSR due diligence for agents and other business relationships going forward.

Whistleblower system

Employees in NORDEN have access to raise workplace and operational concerns directly with their manager or with the HR function. If the matter cannot be managed effectively through these channels, employees may contact NORDEN's whistleblower system SafeLine at safeline@horten.dk.

In 2016, the independent Ombudsman in charge of SafeLine received no reports.



***NORDEN has a zero tolerance
policy towards bribery***

Vessel Safety and Security

Materiality and scope

Operating at sea involves health, safety and security risks that must always be managed carefully to safeguard the crew, the cargo, the environment and the vessel. A healthy and safe working environment for employees comes before anything else. All employees must return home from work safely.

This means that NORDEN's ambition is zero accidents and that the Company operates by the principle that no injury or environmental incident is acceptable. To support a robust safety culture, NORDEN has in place a safety management system and safety policy, compliant with the International Safety Management Code.

Performance 2016

Reinforcing safety culture

Every year, NORDEN carries out a review of the company's safety management system and performance. In 2016, NORDEN has taken several steps to support solid safety

procedures as well as cultural initiatives that promote strong safety behaviour:

- Focus on change management and critical equipment procedures
- Safety campaign focusing on protecting hands and fingers
- Reinforcing Roving Safety Officers system on board
- Safety culture workshop at officer seminars

1 fatality during delivery of stores

During 2016, a third-party service technician about to transfer from a service boat to a NORDEN vessel anchored off Skaw, Denmark, fell into the water. Despite rescue operation and evacuation to shore hospital, the technician regrettably lost his life. Fatal incidents are rare, but when they do occur, NORDEN works with the authorities to investigate and identify the root cause and if needed implement thorough preventive measures.

No piracy attempts

In 2016, NORDEN saw a further drop in the piracy activity off the coast of Somalia, in the Gulf of Aden and the Indian Ocean. NORDEN experienced no piracy attempts on the Company's owned vessels during the year.

However, in 2016, NORDEN experienced 1 case of oil theft in China, 1 case of theft in Brazil, 1 attempted theft in Peru and 1 case of a stowaway passenger in Nigeria. The Southern part of the Red Sea, the coast of West Africa, and Southeast Asia also remain a major security concern.

Identifying and managing security risks to people, vessels and cargo therefore continues to be a top priority to NORDEN. To ensure adequate safeguards, NORDEN has in place a company security function that assesses security risks on an on-going basis in conjunction with risk intelligence providers and military organisations.



"Our main objective is to keeping all colleagues safe at work and ensuring that we all return home from work safely"

Jens Christensen, Senior VP and
Head of Technical Department

NORDEN's ambitions

- Zero accidents
- Zero incidents of piracy

Performance 2016

- Zero fatalities occurred as part of operations
- LTIF* rate negative with same amount of injuries (5) but less exposure hours
- Development in rest hour non-conformity positive
- Observations per SIRE inspection reduced to 3.5
- Rate of deficiencies per Port State Control Inspection reduced to 0.9

Looking ahead

- Further efforts towards achieving zero accidents by integrating safety awareness into everyday work practice

Relevant policies

- Safety and Environment Protection Policy

Sustainable Development Goals



LTIF see page 15.

In focus

Safety Officers on the move to improve safety

NORDEN's Roving Safety Officers visit vessels around the world, interacting with the crew to raise understanding of processes and how to perform tasks safely. The Roving Safety Officers complement the safety work carried out by the existing corps of internal inspectors. This includes providing support in introducing safety initiatives on board and verifying robust implementation.

Safety performance

Injuries

2016 vs. 2015

Fatalities⁴

0 →

Unchanged

Off signed⁵

1 ↓

Reduced by 2

Days off duty⁶

13 ↓

Reduced by 14

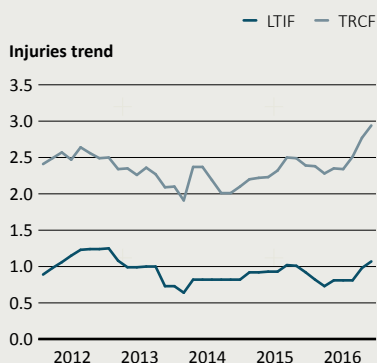
LTI's⁷

5 →

Unchanged

Injury trend⁸

– 24 month moving average



Areas at risk

32%

Head, neck and eyes
3 minor eye injuries reported. None of these caused permanent damages.

0%

Torso and other
No back or chest-related injuries during the year.

52%

Arms, hands and fingers
Minor injuries to hands and fingers are the most frequent. None of these caused permanent damages.

16%

Legs, feet and toes
2 cases of ankle injuries reported in 2016. 1 resulted in a fracture, requiring off-signing.

⁴ Work related accidents with fatal consequences for an employee at sea.

⁵ People signed off due to a work related injury.

⁶ Days off duty while on board, due to work related injuries.

⁷ LTI (Lost Time Injury) measures the number of work related accidents and LTIF measures the frequency of work related accidents, causing a seafarer to be unable to work for more than 24 hours.

⁸ TRCF (Total Recordable Case Frequency) measures the frequency of any work related injuries beyond first aid.

In focus

Vessels are put to the test

NORDEN's fleet of product tankers are constantly put to the test by inspectors. Oil majors and authorities regularly check that NORDEN meets the safety requirements to vessel condition, training, operation of the vessel and the officers' experience and years of service with NORDEN.

Customer inspections

NORDEN's tanker vessels are chartered by oil companies who conduct vettings and assesses NORDEN's ability to ensure safe working conditions and protection of the marine environment. NORDEN's Ship Inspection Report Program (SIRE) performance improved in 2016 from 4.2 observations per inspection in 2015 to 3.5 in 2016. The improved performance was due to a continued high focus on inspection preparation.

Port State Controls

A Port State Control (PSC) is a vessel inspection by the authorities in port, verifying that the condition of the vessels and safety equipment comply with international regulations and that the vessel is manned and operated in compliance with these rules.

NORDEN improved the rate of deficiencies registered per PSC inspection from 1.02 in 2015 to 0.9 in 2016.

Climate Action

Materiality and scope

Climate change derived from CO₂ emissions is a risk to the environment and to livelihoods, and can pose operational and commercial challenges to NORDEN's business. NORDEN has worked with limiting operational air emissions for several years and our commitment to curb CO₂ emissions is demonstrated in the Company's work to reduce fuel consumption and increase efficiency across the value chain.

This commitment is expressed in the Climate Policy developed by the Danish Shipowners' Association in the autumn of 2016, and endorsed by NORDEN. The Climate Policy specifies the international shipping industry's responsibility to reduce CO₂ emissions in line with the rest of the world economy and the Paris Agreement.

Performance 2016

Due diligence processes

CO₂ emissions from shipping primarily stem from consumption of bunker fuel that in 2016 accounted for 44% of the voyage cost. NORDEN focuses on reducing fuel consump-

tion throughout the value chain, including when buying, chartering and operating vessels. NORDEN's due diligence activities include:

- Developing tools for evaluating fuel efficiency, when deciding which vessels to buy and charter in
- Monitoring data from vessels to ensure optimal performance and energy efficiency
- Adding new and more efficient technology to existing vessel systems

Decrease in relative CO₂ emissions

Since 2007, NORDEN has reduced the relative CO₂ emissions by 9.2% for owned dry cargo vessels and 12.3% for owned tanker vessels⁹ respectively. This marks a decline compared to 2015, where relative CO₂ emissions from dry cargo were reduced by 23.7% and from tankers by 17.5%. Cargo EEOI measures CO₂ efficiency by expressing the level of CO₂ relative to the cargo transported. It excludes ballast sailing and port stays. The past years of unfavourable market conditions have contributed to increase the percentage of ballast sailing time, because

NORDEN's ambitions

- 25% reduction in relative CO₂ emissions from 2007 to 2020 from owned dry cargo and tanker vessels respectively

Performance 2016

- 9.2% reduction in CO₂ emissions per tonne cargo transported 1 mile for dry cargo vessels compared to 2007
- 12.3% reduction in CO₂ emissions per tonne cargo transported 1 mile for tanker vessels compared to 2007

Looking ahead

- Development of tools for chartering decision support on fuel efficiency

Relevant policies

- Climate Policy for Danish Shipowners

Sustainable Development Goals



⁹ As measured by the Cargo Energy Efficiency Operational Indicator (EEOI)

Reduction in relative CO₂ emissions

		Cargo EEOI		Total EEOI	
		CO ₂ emissions reduction in % since 2007	CO ₂ grams per tonne of cargo per mile in 2016	CO ₂ emissions reduction in % since 2007	CO ₂ grams per tonne of cargo per mile in 2016
Dry cargo	Owned vessels (excl. vessels on contract to third parties)	9.2%	5.2	-8.6%	8.3
	Total operated vessels	6.7%	5.4	-5.9%	8.1
Tankers	Owned vessels (excl. vessels on contract to third parties)	12.3%	8.6	-2.2%	18.3
	Total operated vessels	10.7%	8.1	6.5%	16.7

Minus indicates an increase in CO₂ emissions.



vessels have to travel sometimes long distances in ballast to load cargo. Ballast sailing and port stays are reflected in the Total EEOI results on page 16.

The absolute CO₂ emissions from owned vessels were reduced by 3.3% in 2016 compared to 2015, but must be seen in relation to a similar reduction in transport work in 2016. Find the absolute numbers under CSR Performance Data on page 30.

The 2016 results are driven by a combination of the fuel price – lower fuel prices generally

trigger an increase in average ship operating speed – and the commercial activities during the year.

In 2016, NORDEN has also made a strategic shift to smaller vessel types, which also reduces efficiency as the fuel consumption per transported tonne is higher with a small vessel compared to a large vessel.

Disclosing climate data to the CDP

For the past 9 years, NORDEN has reported to the organisation CDP¹⁰ on the Company's efforts to reduce CO₂ emissions and the im-

pact of climate change on the business. In 2016, NORDEN's annual disclosure was rated 'B' and falls into the Management category expressing NORDEN's ability to take coordinated action on climate change issues.

NORDEN remains the highest ranking shipping company in the Nordics.

Find NORDEN's results in the Nordic edition of the CDP report 2016.



¹⁰ CDP is formerly known as the Carbon Disclosure Project

In focus

What affects efficiency and EEOI results?

The Efficiency Operational Indicator (EEOI) is an efficiency measurement defined as CO₂ emitted per tonne of cargo transported 1 mile. EEOI is influenced by commercial effects, including availability of cargo, waiting time and inactive port stays.

Speed: Raising vessel speed will lead to an increase in fuel consumption and hence an increase in EEOI.

Fuel price: Optimal vessel speed is based on a combination of the prevailing cargo rates and the fuel prices. Low fuel prices will often enhance the commercial incentive to speed up, consequently increasing EEOI.

Vessel size: Vessel size determines the amount of cargo that can be transported. Even though smaller vessels might be the right mode of transport, they are less energy

efficient than bigger vessels and a shift will lead to an increase in EEOI.

Fuel type: The amount of CO₂ produced when a fuel type is burned is a function of the carbon content of the fuel. Fuel types with low carbon content emit less CO₂.

In focus

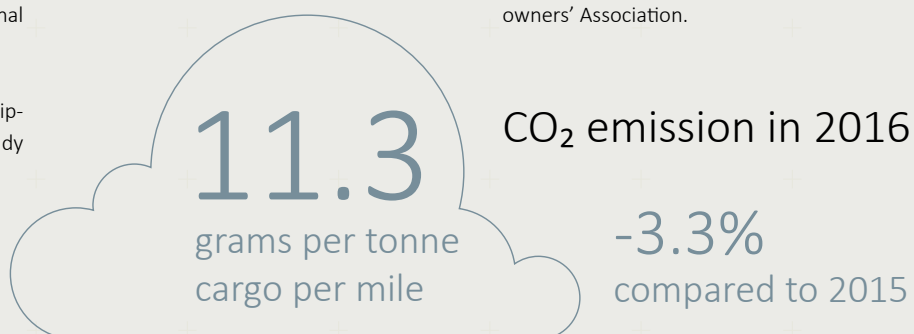
New science-based CO₂ study and Climate Policy

Maritime transport is one of the most energy efficient modes of transportation. Yet CO₂ emissions from shipping are expected to grow significantly by 2050 under a business-as-usual scenario in line with the growing transport demand from international trade.

With this backdrop, during 2016 Danish shipowners developed a science-based study

outlining shipping's responsibility, fair share of CO₂ reductions and future scenarios for shipping in alignment with the global climate agreement agreed at COP21.

The study *CO₂ Emissions from Global Shipping – possible reduction targets and measures*¹¹, was published in October 2016 together with a new Climate Policy for Danish Shipowners by means of the Danish Shipowners' Association.



¹¹ The study has been undertaken by the University College of London Energy Institute and MATTRANS. [Access the full study here](#) or at www.shipowners.dk

In focus

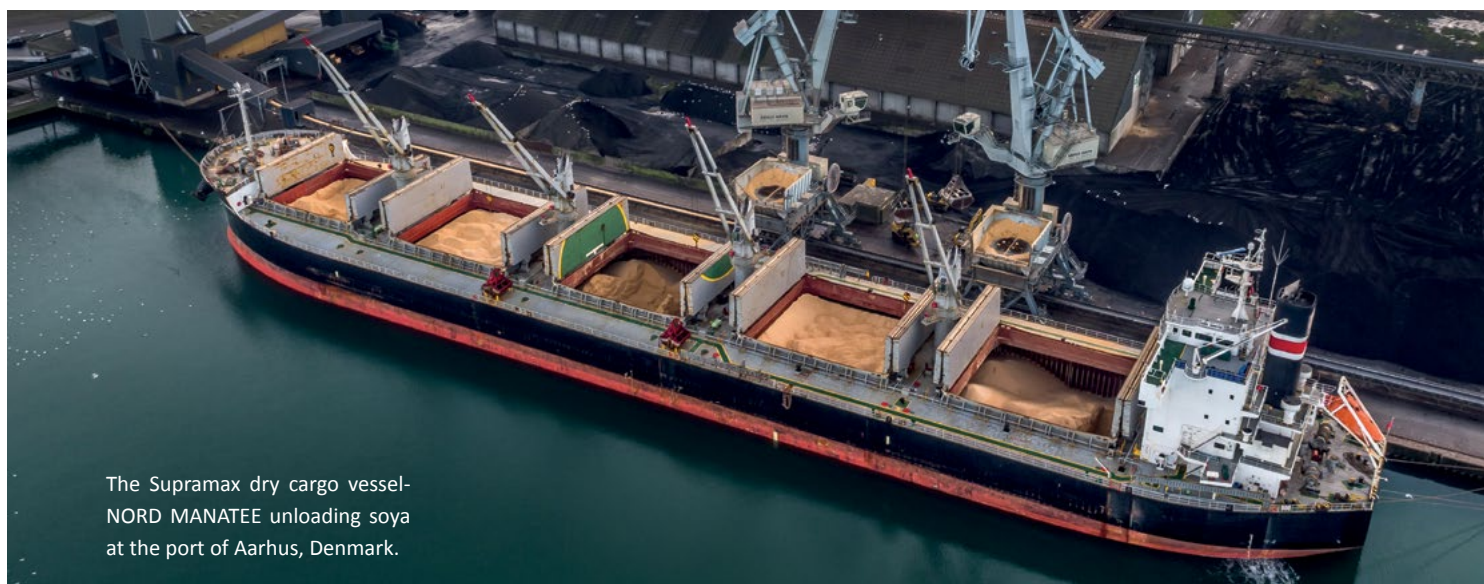
Optimising energy efficiency while transporting fossil fuels for others – is that sustainable?

The ratification of the Paris Agreement at COP22 in October 2016 was a turning point in the global fight against climate change, as the world's nations agreed to limit the global average temperature rise to below 2 degrees. This ambition will limit the growth in the global demand for fossil fuels like coal, gas oil, and diesel – commodities transported by NORDEN's tankers today.

While the world is slowly phasing out fossil fuels and transitioning towards sustainable energy sources, NORDEN recognises the inherent dilemma of transporting fossil fuels for customers around the world. However, the world's energy consumption is still largely based on fossil fuels powering production and trade.

Therefore, NORDEN seeks to be as energy efficient as possible and continuously grow the share of transport of other commodities such as wood pellets, soya and grain. See page 4.

The past years, NORDEN has had success in growing the share of grain considerably. In 2016, grain constitutes NORDEN's second largest dry cargo commodity.



The Supramax dry cargo vessel NORD MANATEE unloading soya at the port of Aarhus, Denmark.

Environmental Impact

Materiality and scope

Shipping carries risks to the environment, through spills, discharges and emissions to air, land and water. Managing these outputs is critical to environmental protection, the industry, to NORDEN and to our customers. Close monitoring and management are key tools to minimise the environmental impact of NORDEN's activities in this area and ensure compliance with international and local regulations.

NORDEN's policy on Safety & Environmental Protection spells out our commitment to environmental due diligence and to actively prevent spills and manage operational emissions of sulphur oxides, nitrogen oxides, waste and other discharge.

Performance 2016

Prepared for emergencies

NORDEN has clear procedures in place to prevent operational spills. However, spills may occur due to reasons such as operational failure or accidents. Therefore, as part of NORDEN's emergency preparedness, oil pollution prevention drills are regularly carried out both

on board and on shore in accordance with NORDEN's safety management system.

Less sulphur from 2020

Airborne sulphur (SOx) emissions are harmful to human health and the environment, and NORDEN works to reduce emissions from vessels' exhaust in line with the IMO's MARPOL regulation¹². From 2020, the sulphur content in marine fuel must be trimmed from 3.5% to 0.5%. This was decided by the International IMO during 2016.

A sulphur cap of 0.1% for sensitive coastal areas, so-called emission control areas (ECA's), has been in force since 2015. These areas comprise the Baltic Sea, Iceland, the North Sea, the English Channel, most of the US and Canadian coast and parts of the Caribbean. Adding to this, a handful of countries have implemented local regulation.

NORDEN acknowledges the importance of this step for reducing the environmental impact from shipping. However, the added cost of the new SOx cap will be significant and without compliance across the industry, the new regulation will distort competition. Therefore, in 2016 NORDEN joined the Trident Alliance that advocates global

NORDEN's ambitions

- Zero oil spills into water

Performance 2016

- 0 spills from owned vessels
- 43,740 tonnes of SOx emitted
- 91,635 tonnes of NOx emitted

Looking ahead

- Implement new ballast water regulation on all owned vessels.

Relevant policies

- Safety & Environmental Protection Policy.

Sustainable Development Goals



¹² International Convention for the Prevention of Pollution from Ships

In focus

Ballast Water Management Convention in force

While ballast water is essential to ensure safe and stable vessels at sea, it can pose a risk to eco-systems, due to the invasive species that can be transported and discharged from ballast water tanks into local waters.

In 2016, IMO's Ballast Water Management Convention (BWMC) was ratified and in Sep-

tember 2017, the convention comes into force. In the meantime, the United States have implemented its own regulation, and as of December 2016, the US Coast Guard (USCG) has granted type approval to only 3 treatment systems.

Until more systems have been approved, shipping companies run the risk of installing

systems that might not be approved for trading in US waters.

To be able to trade worldwide, all NORDEN vessels are to be fitted with systems that are approved by both the US and IMO going forward.



enforcement of SOx regulation with the aim to minimise non-compliance and unfair practices in the industry.

New NOx zones in the North Sea and Baltic Sea

In October 2016, the IMO passed a new proposal to limit the nitrogen oxides (NOx) emissions from vessels in the Baltic Sea and the North Sea by 75% from vessels built in 2021 and onwards. NOx is known to cause smog and acid rain and the new regulation

focuses on reducing NOx emissions from marine diesel engines installed on ships. Going forward, given that flexibility is an integrated part of NORDEN's business model, NORDEN will ensure to only operate vessels that live up to the new NOx cap in order to be able to trade all vessels worldwide.

Managing waste onboard

NORDEN continues to focus on discharge from vessels, and all waste is disposed of in accordance with the rules set forth by the

IMO's MARPOL regulation. To minimise the amount of generated waste, NORDEN encourages suppliers to reduce or take back packaging, resulting in less packing on board.



Responsible Supply Chain Management

Materiality and scope

The supplier landscape of many shipping companies, including NORDEN, is complex and comprise several thousand providers worldwide. Shipping suppliers count providers of bunker fuel, provisions, spare parts and working clothes, but also service agencies who play a key role in supporting port operations and business activities around the world.

Responsible Supply Chain Management Programme

NORDEN's Responsible Supply Chain Management (RSCM) Programme and Supplier Code of Conduct aim to drive responsible procurement practices and to build capacity of suppliers in relation to compliance with NORDEN's CSR standards. The Supplier Code of Conduct incorporates the UN Global Compact's principles on core labor rights, environment and anti-corruption, and the UN Guiding Principles on Business and Human Rights.

Performance 2016

Engaging suppliers

As part of the RSCM programme, NORDEN engaged with 5 new first-tier suppliers in 2016. These suppliers are selected based on an assessment of 3 criteria; total spend, dependency and frequency of interaction. Some of these suppliers are still undergoing the RSCM process, as it takes time to implement the UNGPs into the company and towards business relationships.

NORDEN expects all suppliers in the programme to conduct a self-assessment against the stipulations of the Supplier Code of Conduct and as such, the Code is a valuable tool for dialogue on supplier performance and risk management.

Agent due diligence

In 2016, NORDEN piloted a CSR due diligence process with the aim to implement a systematic process for assessing CSR related risk in relation to agents on contract with NORDEN. Read more on page 13.



“By teaming up with other shipowners in IMPA ACT, we use our combined buying power to improve processes and uniformity across the industry”

Ole Lykke, Head of Strategic Purchasing

NORDEN's ambitions

- Expand NORDEN's RSCM programme with at least 5 additional first-tier suppliers each year

Performance 2016

- 5 additional first-tier suppliers enrolled in RSCM programme in 2016
- 20 first-tier suppliers part of RSCM programme since 2013
- Agent due diligence piloted

Looking ahead

- Expand scope of CSR due diligence

Relevant policies

- Supplier Code of Conduct

Sustainable Development Goals



In focus

Improving supply chain management in the shipping industry

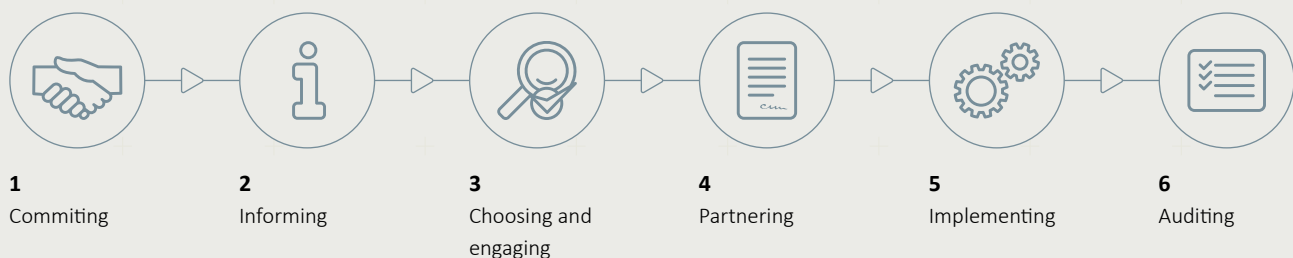
IMPA ACT is a responsible supply chain management system run by the International Marine Purchasing Association and developed by NORDEN, the Danish shipowner J.Lauritzen and IMPA in 2012. It is the first standard for the shipping industry on this area.

When signing up to IMPA ACT, buyers like NORDEN agree to implement the stipulations of the Code of Conduct, just as the suppliers in the programme commit to be part of the work and implement the processes necessary to ensure that they operate in alignment with the Code of Conduct.

By supporting the IMPA ACT programme, NORDEN contributes to a consistent set of social, environmental and economic principles across the industry and to build a joint database of buyers and suppliers of benefit to all members.



IMPA ACT six step process



In focus

Recycling of ships

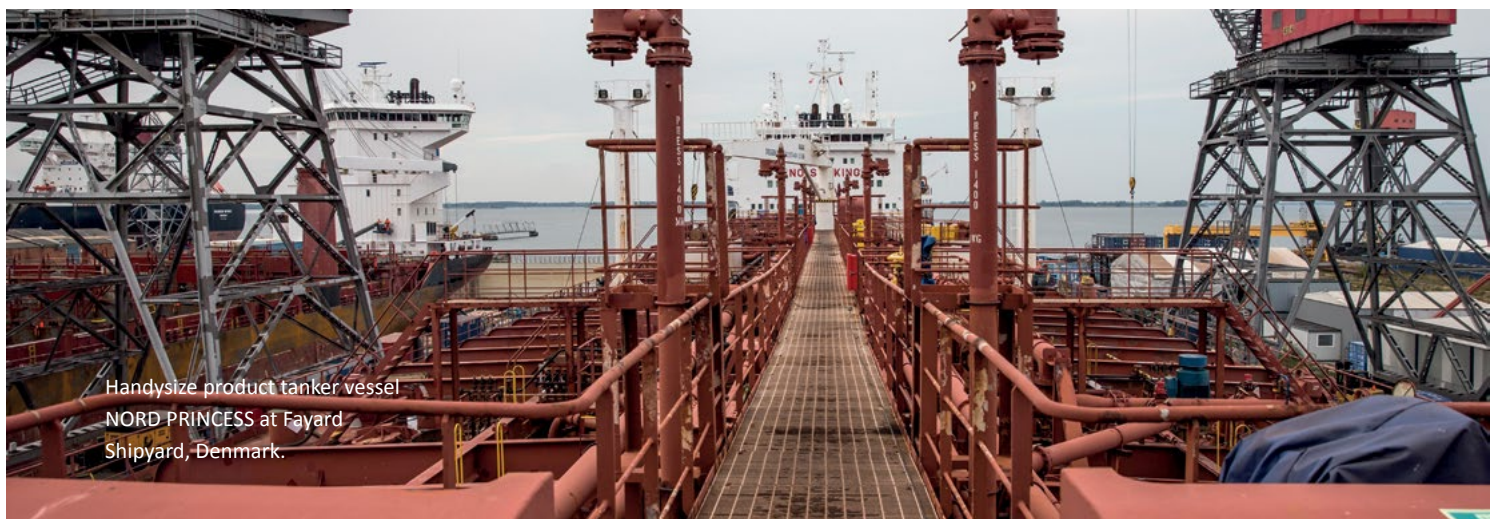
Vessels are hazardous waste that must be recycled under safe conditions with respect for human health, safety and environment. In 2016, the Danish government took the first step to ratify the Hong Kong Convention, adopted in 2009 by the UN's International Maritime Organisation.

The Hong Kong Convention aims to ensure that ships, when recycled after reaching the

end of their operational lives, do not pose a risk to safety of workers or to the environment. However, the Convention is still far from entering into force, as only very few countries have ratified the convention to date.

NORDEN's vessels are sold to other shipowners for further trade long before recycling is relevant. In the event that a NORDEN owned

ship should be up for recycling in the future, this will be done at an approved yard and as a minimum in compliance with the UN's Hong Kong Convention and in alignment with the 10 principles of the UN Global Compact covering not only environmental issues, but also social issues and anti-corruption.



Handysize product tanker vessel
NORD PRINCESS at Fayard
Shipyard, Denmark.

Human Rights

Materiality and scope

NORDEN is committed to respect internationally recognised human rights as expressed in the UN Guiding Principles on Business and Human Rights (UNGPs).

Assessing human rights impact is a complex task for any company, especially companies with global operations and business relationships all over the world. The responsibility does not increase in this business context, but the challenge of fully meeting those responsibilities may do.

With this backdrop, NORDEN recognises that implementing the necessary policies and processes in line with the requirements of the UNGPs is part of a continuous process.

Governance of human rights

NORDEN works to embed respect for human rights into everyday practice and decision-making by ensuring:

- Coordination and guidance on human rights provided to functional units by the CSR Department
- Ownership of human rights issues allocated between key functions incl. HR, Marine HR and Procurement
- Regular reporting to Executive Management on identification of human rights impacts and management of these
- Consultation with human rights experts

Performance 2016

Updated Human Rights Policy

In March 2016, NORDEN's Human Rights Policy was updated to express the Company's commitment to the UNGPs and expectations towards employees and business relationships.

Human rights due diligence

NORDEN conducted 2 human rights impact assessment in 2015 focusing on 1) own vessels and employees at sea, and 2) offices and employees on shore.

Findings from these assessments have led to the below key activities in 2016:

- Mapping policies and procedures with linkages to the relevant human rights
- Exploring internal business procedures and identifying potential gaps
- Consultation with stakeholders and development of action plans for prioritised risks

In 2016, NORDEN focused on addressing the gaps of the impact assessments. Find the key findings on page 24.

NORDEN reviews the impact assessment every second year, and during 2017 the next impact assessment will be carried out focusing on NORDEN's supply chain.

NORDEN's Responsible Supply Chain Management Programme also places the UNGPs at its core and is an important part of the human rights due diligence process in the Company. Read more on page 21-22.

NORDEN's ambitions

- Ensure that NORDEN conducts business with respect for human rights as a process of continuous improvement

Performance 2016

- Human rights action plan for impact assessment implemented

Looking ahead

- Review impact assessment and expand assessment scope
- Develop priority list of human rights risk based on impact assessment

Relevant policies

- Human Rights Policy
- Supplier Code of Conduct

Sustainable Development Goals



Key findings of human rights impact assessment

NORDEN's impact assessment points to 2 severe¹³ issues, both at sea, which are described in the list of key risk areas below:

Topic	Relevant right	NORDEN's context	NORDEN's approach in brief
 Health and Safety	<ul style="list-style-type: none"> • Right to safe and healthy working conditions. • Right to life. 	<ul style="list-style-type: none"> • Vessels are high-risk workplaces and severe injuries and even fatalities can happen if safety instructions are not followed at all times. The health and safety of NORDEN's crew and people on board our vessels will always be a severe issue to the Company. 	<ul style="list-style-type: none"> • NORDEN ensures that vessels are properly maintained and that our crew has the necessary safety training at all times. <p>This includes promoting a strong health and safety culture and having in place a comprehensive safety management system and training compliant with the International Safety Management Code.</p>
 Security	<ul style="list-style-type: none"> • Right to life, liberty and security of person. • Right of detained persons to humane treatment. • Right to freedom from torture or cruel, inhuman or degrading treatment or punishment. 	<ul style="list-style-type: none"> • NORDEN operates globally and monitors global security threats. When calling areas exposed to piracy or other security risks, it can be necessary to make use of security providers on board vessels to protect people and assets. Due to the potential impacts of such a situation, this will always be a severe issue to NORDEN. 	<ul style="list-style-type: none"> • NORDEN conducts due diligence on security providers on contract with the Company in order to ensure that they are qualified to handle high risk and conflict settings. • Security providers receive training in advance of any deployment.
 Crew	<ul style="list-style-type: none"> • Right to rest, leisure and paid holidays. 	<ul style="list-style-type: none"> • NORDEN may have an impact on the crew's right to rest on board vessels, whenever rest hour regulation is not followed. Non-compliance with rest hour regulation can have an adverse impact on vessel safety and employee well-being, which makes this area a priority area to NORDEN. 	<ul style="list-style-type: none"> • NORDEN operates by the Maritime Labour Convention that defines seafarers' right to decent working conditions. • NORDEN continuously works to ensure compliance with regulations and conventions concerning working hours, rest hours and leave to ensure employee well-being and a healthy and safe working environment onboard vessels.
	<ul style="list-style-type: none"> • Right to family life. 	<ul style="list-style-type: none"> • The working conditions for seafarers can mean longer periods away from family and friends. This may have an adverse impact on family life and personal relations at home. 	<ul style="list-style-type: none"> • NORDEN seeks to provide an attractive workplace for our seafarers, which includes the opportunity to keep close contact with family and friends at home and providing for family insurance. <p>It is NORDEN's priority that seafarers can always keep contact via internet or phone and that officers can bring their family on board from time to time.</p>
 Equal treatment	<ul style="list-style-type: none"> • Right to non-discrimination, equal treatment and diversity. 	<ul style="list-style-type: none"> • Non-discrimination, equal treatment and diversity are important focus areas to NORDEN, both in terms of ensuring the rights, well-being and respect towards employees – and in terms of navigating respectfully in different cultural contexts worldwide. 	<ul style="list-style-type: none"> • NORDEN works to mitigate discrimination and to promote diversity and equal opportunity among sea and land-based staff, for example by conducting 'global mindset training' for employees and by ensuring transparency around promotion criteria and needed competencies. <p>NORDEN's internal grievance mechanisms can be used to voice potential concerns in this area.</p>

¹³ Severe human rights issues refer to issues where the scale, scope and consequence of the impact is significant for those affected.

People

Materiality and scope

Enabling strong leadership and engaging employees, colleagues, partners and customers are key aspects of NORDEN's future success. Taking the lead on smarter, global trade requires that NORDEN is able to unleash the full potential of every person in NORDEN.

With this aspiration, during 2016 NORDEN has initiated a host of efforts focusing on strengthening the organisation's leadership capabilities and working smarter together.

Employee Code of Conduct

NORDEN's Employee Code of Conduct frames the standard of conduct expected of all employees in the NORDEN Group. In addition to the company values of Reliability, Flexibility, Empathy and Ambition, the Code of Conduct covers amongst other topics anti-corruption, environment, safety, social issues and compliance.

Performance 2016

Exercising leadership

NORDEN's Corporate Soul Purpose and business objectives rely on strong individual engagement and leadership. Biannual appraisal dialogues between leaders and employees ensure that all strive towards common objectives, accelerate results and teamwork, and help each other to grow. To bolster NORDEN's long term leadership capabilities, in 2016 an integrated leadership programme was rolled out.

The programme is a mix of group sessions and coaching, and is implemented in 2 paces, starting with leaders on shore and following with leaders at sea. The format for leaders at sea will be determined in 2017. With this foundation in place, the results are expected to support a long term organisational transition.

Common NORDEN culture

With 24 nationalities represented in the workforce, NORDEN has a wide range of skills and insights to benefit customers and business. To improve collaboration and understanding of cultural differences and similarities, in 2016, NORDEN conducted a range of 'global mind-set' workshops.

Feedback from these have been very positive, and the workshops will be repeated in 2017.

Equal opportunity and diversity¹⁴

NORDEN is committed to ensure equal opportunities and takes pride in the diversity of the employee base across gender, age, nationality and ethnicity. In terms of gender balance, in 2016 33% of the workforce on shore were women, whereas, due to both historical reasons and industry tradition, only about 2% of our seafarers were women.

NORDEN seeks to reach a balanced gender representation where possible through clear



"NORDEN has strong values, and there are many skilled officers on board who want us to learn as much as possible. I really like the diversity on board, as it gives you the opportunity to get to know other cultures, working methods and languages"

Thilde Hedegaard,
Cadet, Marine Engineer programme

NORDEN's ambitions

- Preferred employer in the shipping industry

Performance 2016

- 22% women in leadership
- Integrated leadership programme rolled out

Looking ahead

- Launch quarterly employee engagement measurements

Relevant policies

- Employee Code of Conduct
- Policy for Gender Equality

Sustainable Development Goals



requirements for diversity in recruitment and employee development as stated in NORDEN's policy for Gender Equality. Specifically, NORDEN works to attract female candidates to shipping trainee positions in order to grow the share of women in shipping. In 2016, NORDEN employed 10 trainees in total with a gender distribution of 40% female and 60% male trainees.

NORDEN's target for shareholder elected women on the Board of Directors was to retain representation of at least 16% (1 out of 6) and aim to increase this share to 33% before 2017. In 2015, the share of women board members increased to 20% due to a decrease in the number of shareholder-elected board members from 6 to 5. This representation was maintained during 2016 and the Board

¹⁴ Refers to section 99b in the Danish Financial Statements Act.

In focus

Skills for the future

NORDEN takes part in relevant career and educational events and has close relationships with educational institutions and universities in key markets around the world. NORDEN offers a range of educational opportunities for trainees, student jobs, scholarships and sailing time for cadets.



Our people in numbers

642

employees
at sea

284

employees
onshore

90%

retention rate
onshore

91%

retention rate
at sea

of Directors has now set a new target of 40% (2 women members out of 5) by 2020.

When recruiting new board members, the Board of Directors consistently consider women candidates.

Investing in education

With input from NORDEN and the industry, the Copenhagen Business School has estab-

lished an International Shipping and Trade programme, which is completed with a 9 month internship. In 2016, 2 interns completed their degree at NORDEN's head office.

This adds to NORDEN's current cadet programme for Danish mariners and marine engineers, along with NORDEN's deep involvement with the Shanghai Maritime University, Singapore Management University and Mar-

itime Academy of Asia and the Pacific in the Philippines.

From 2017 and onwards, NORDEN will also invest in a programme for Indian cadets – contributing to the education of future officers in one of NORDEN's key markets.

Other Contributions

Corporate Tax Contribution¹⁵

NORDEN is subject to the Danish tonnage tax regulation, to taxation on capital income and in some instances to taxation on profits from sale of vessels. In some countries a special freight tax is levied. The amount of tonnage tax payable is defined by the size of the fleet, flagged in Denmark.

NORDEN follows the tax regulation in the countries, where the company operates. In 2016, NORDEN paid USD 2.5 mio. direct tax in Denmark and USD 0.6 mio. in foreign subsidiaries primarily in NORDEN's largest subsidiary in Singapore. This despite of the fact that NORDEN ran a total loss (EBIT) of USD 65 mio. in 2016.

In addition to this, NORDEN employs 186 land based people in Denmark and 79 in local markets, who in 2016 paid approximately USD 10 mio. in indirect, income tax in Denmark and abroad.

NORDEN's total tax contribution for 2016 amounts to USD 13.1 mio.

¹⁵ Covered by NORDEN's financial statement and described in the Annual Report 2016.

Engaging with Community

D/S Orients Foundation has a background in the shipping company D/S Orient, which was founded by the East Asiatic Company in 1915.

For the benefit of the employees of D/S Orient, a pension fund was set up and from this fund, the D/S Orients Foundation was later established as a separate entity.

D/S Orient has had a majority interest in NORDEN since the 1950's and in 1994 the 2 companies merged under the name Dampskibsselskabet NORDEN A/S. The D/S Orients Foundation has continued as a non-profit organisation and as a shareholder in the company Motortramp, which is major shareholder in NORDEN today.

On recommendations from NORDEN, D/S Orients Foundation may choose to support recommended projects. In 2016, a variety of projects of benefit to broader society or the maritime community were funded by D/S Orients Foundation including the below projects:



Save the Children – primary schools in Somalia

Orients Foundation supports the European Union's engagement in a comprehensive educational programme in Somalia led by Save the Children. The aim is to restore schooling for 45.000 students at 240 schools in Somalia and thereby reduce the incentive to engage in piracy activities. The foundation has previously funded a similar project focusing on building technical schools for older students in Somalia.



Greenship of the Future

Green Ship of the Future is a partnership, by which companies across the Danish Maritime Cluster collaborate to develop and test climate friendly technologies that increase energy efficiency and reduce operational costs.



Nanyang Technological University Singapore

Since 2014, NTU has offered a bachelor degree in Maritime Studies focusing on shipping, business, management, maritime science and technology, building up the expertise of the local shipping industry. D/S Orients Foundation supports annual scholarships to students at NTU.



Sustainia – Plastic Change Project

During 2016, D/S Orients Foundation supported a research voyage in the Pacific Ocean documenting plastic content in the marine environment. Additionally, the foundation has supported the 'Plastic Change Challenge' 2017, which is a competition that encourages initiatives to reduce the extensive plastic pollution of the oceans.



Independent Assurance Report

To the Stakeholders of Dampskibsselskabet NORDEN A/S (NORDEN)

We have undertaken a limited assurance engagement of the CSR data stated on page 30 in the NORDEN CSR Report 2016. A multi-disciplinary team including assurance practitioners, engineers and other experts conducted this engagement.

Management's Responsibility

The Management of NORDEN is responsible for the preparation of the consolidated CSR data in accordance with Group CSR accounting policies. NORDEN's CSR accounting policies are available on www.ds-norden.com/public/dokumenter/CSRrep2016/AccountingpoliciesCSRreport2016.pdf. This responsibility includes design, implementation and maintenance of internal controls relevant to the preparation of the consolidated CSR data and information ensuring that data are free from material misstatement, whether due to fraud or error.

NORDEN's CSR accounting policies contain Management's reasoning for the selection of topics and indicators as well as define reporting scope for each data type.

Our Independence and Quality Control

We have complied with the "Code of Ethics for Professional Accountants" issued by the "International Ethics Standards Board for Accountants", which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PwC applies "International Standard on Quality Control 1", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is, based on the procedures we have performed and the evidence we have obtained, to express a limited assurance conclusion:

- Whether NORDEN's CSR Report 2016 supports the 10 principles of UN Global Compact, and
- Whether the consolidated CSR data stated on page 30 in the NORDEN CSR Report 2016 are prepared in accordance with the CSR accounting policies.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information". The standard requires that we plan and perform this engagement to obtain limited assurance about whether the consolidated CSR data and information are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of NORDEN's use of stated accounting policies as the basis for the preparation of the NORDEN consolidated CSR data. Furthermore, it involves assessing the risks of material misstatement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances and evaluating the overall presentation of the consolidated CSR data. Furthermore, procedures we performed were based on the circumstances of the engagement and our professional judgement and included:

- Inquiries regarding methods, procedures and internal control, observation of processes performed and selected interviews with data and reporting responsible personnel;
- Checking data on a sample basis to underlying documentation, and evaluation of the appropriateness of quantification methods and compliance with stated non-financial accounting policies;
- Assessment of how NORDEN has reported upon the 10 principles of the UN Global Compact.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we express a limited assurance conclusion.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us not to believe that

- NORDEN's CSR Report 2016 support the UN Global Compact principles, and
- that the consolidated non-financial data presented on page 30 in the CSR Report 2016 are prepared, in all material respects, in accordance with the stated accounting policies.

Copenhagen, 1 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Bo Schou-Jacobsen

State Authorised Public Accountant

Jens Pultz Pedersen

M.Sc.(Eng.)

CSR Performance 2016

CSR performance data

	2012	2013	2014	2015	2016
Environmental performance					
Energy and fuel consumption (1,000 mt)					
Intermediate fuel oil (owned and operated vessels)	219.3	98.0	116.0	125.7	114.9
Marine diesel oil and marine gas oil (owned and operated vessels)	9.4	2.7	5.9	19.6	25.3
Intermediate fuel oil (other operated dry cargo vessels)	654.1	809.8	675.2	649.9	715.1
Marine diesel oil and marine gas oil (other operated dry cargo vessels)	14.3	14.5	18.5	50.8	49.8
Intermediate fuel oil (other operated tankers)	140.7	133.2	131.7	107.2	102.6
Marine diesel oil and marine gas oil (other operated tankers)	9.3	7.7	8.5	38.3	19.1
Fuel consumption total (owned and operated vessels) ^(a)	1,047.1	1,066.1	955.8	991.5	1,026.8
Transport work (mio. metric tonne of cargo sailed 1 mile)^(b)					
Owned vessels	56,581	35,797	39,154	45,891	38,845
Other operated dry cargo vessels	238,701	312,983	271,659	278,407	296,487
Other operated tankers	25,538	29,451	27,401	28,846	24,023
All operated vessels	320,820	378,231	338,214	353,144	359,355
CO₂ emissions (1,000 mt)^(c,d)					
Owned vessels	716.4	314.1	380.0	454.3	439.0
Other operated dry cargo vessels	2,093.0	2,568.7	2,162.0	2,186.9	2,386.6
Other operated tankers	470.1	439.7	437.5	456.7	380.8
Direct CO ₂ emissions (Scope 1 GHG protocol)	716.4	314.1	380.0	454.3	439.1
Indirect CO ₂ emissions (Scope 2 GHG protocol)	0.4	0.4	0.4	0.5	0.5
Other indirect CO ₂ emissions (Scope 3 GHG protocol)	2,566.9	3,011.6	2,602.8	2,646.5	2,807.1
Other discharge					
SOx emissions (1,000 mt) (owned and operated vessels)	48.4	46.5	40.7	40.1	43.7
NOx emissions (1,000 mt) (owned and operated vessels)	99.7	102.3	90.7	86.7	91.6
Waste (average pr. owned vessel per month) (m ³)	2.8	5.5	5.3	4.4	5.1
Spills > 1 barrel (owned vessels)	n/a	n/a	n/a	0	0
Spills < 1 barrel (owned vessels)	n/a	n/a	n/a	2	0
Social performance					
People					
Employees on shore	274	280	305	288	284
Employees at sea	884	805	673	689	642
Women in onshore workforce (%)	n/a	n/a	n/a	n/a	33
Women in leadership (%)	n/a	n/a	n/a	n/a	22
Share of female board members (%)	16	16	16	20	20
Nationalities represented	n/a	n/a	n/a	21	24
Retention rate employees at sea (%)	81	96	95	94	91
Retention rate employees on shore (%)	90	85	87	84	90
Rest hour non-conformity per FTE (%) (owned vessels)	0.46	0.62	0.86	0.43	0.39
Fatalities (owned vessels) ^(e)	1	1	0	0	0
Lost time injury frequency ^(f) (mio. working hours) (owned vessels)	1.31	0.74	1.13	0.88	0.89



(a) Energy consumption from owned vessels and vessels operated by NORDEN.

(b) Transport work expresses the mass of cargo moved times the distance. Compared with the amount of CO₂ emitted it provides a picture of fleet efficiency.

(c) Calculated from the fuel quantity consumed on a voyage times the duration of the voyage times the CO₂ emissions factor for each bunker type (for residual fuel oil 3,114 and 3,206 for marine diesel oil and marine gas oil) (2nd IMO GHG Study 2009).

(d) Scope 1 includes owned cars and owned vessels operated by NORDEN. Scope 2 includes NORDEN's offices (excl. Annapolis, Santiago and Melbourne). Scope 3 includes chartered vessels, business travel by air transport and leased company cars.

(e) Excludes external personnel and any fatalities resulting from an act of crime or own will.

(f) Measures the frequency of work related accidents, which caused a seafarer to be unable to work for more than 24 hours.



Covered by PwC's 2016 report
on non-financial data

CSR Accounting Policies

Boundary setting

The CSR report boundary includes assets and employees in the parent company and in subsidiaries, as well as assets in joint ventures (JVs).

Assets in JV's include vessels owned by NORDEN together with partners in the company NORD SUMMIT Pte. Ltd. NORDEN owns 50% of the JV Polar Navigation Pte. Ltd that holds assets in the form of chartered vessels. Common to the vessels in JVs is that they are managed and operated by NORDEN, but all material decisions regarding the commercial, operational and technical management of the vessels are made in agreement with the partners.

The reporting boundary includes:

- Owned vessels
- Operated vessels
- Employees on shore
- Employees at sea
- NORDEN site offices

Operated vessels refer to vessels that NORDEN is the operator for but not necessarily the owner. Operates comprises coordination of the voyage, arranging for support and port calls.

Owned, operated vessels refer to vessels that NORDEN owns and operates. Both conditions must be fulfilled to be in scope, leaving out vessels in external management.

Owned and operated refer to vessels that NORDEN either owns or operates or both, but exclude vessels that are on time-charter to other shipowners.

Data quality and collection

In collecting information and data on NORDEN's CSR performance, the reporting principles of balance, clarity, accuracy, reliability, timeliness and comparability have been applied. Where possible, data has been presented with comparative data from the past 5 years. Some data do not have historical data dating back 5 years.

Significant changes in data are explained in the relevant section of the CSR report. The CSR assurance provider PwC provides independent assurance on NORDEN's CSR performance indicators.

Changes to reported CSR data in 2016

In 2015, NORDEN decided to discontinue with the reporting standard Global Reporting Initiative (GRI). This decision has led to changes in the indicators presented in the CSR report 2016.

In 2016, the following CSR indicators have been excluded from the CSR report:

- Active core fleet table: Owned vessels, Dry cargo fleet, Tanker fleet, Chartered vessels with purchase option, Dry cargo fleet, Total active core fleet
- # Onshore part-time/full-time employee by gender and region
- # Onshore, permanent fixed contracts by gender and region
- Rate of new employees hired
- Employee turnover by age group, gender and region

- Employment level by gender and region
- % workforce represented in formal health and safety committees
- Climate Action Plan
- # Near-miss reporting per owned vessel
- # Onshore/sea based employees to complete anti-corruption training
- # Observations of third party vessels
- Onshore energy consumption

In 2016, NORDEN includes the following new indicators in the CSR Report:

- Total tax contribution (new)
- Gender distribution of leaders (% females of total pool of onshore leaders) (scope adjusted)
- First tier suppliers engaged in RSCM programme since 2013 (new)
- Gender distribution in total workforce (% based on FTE) (scope adjusted)
- Retention rate senior officers (new)

Find the complete CSR Accounting Policies at NORDEN's corporate website under the CSR section.

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