



CORPORATE SOCIAL RESPONSIBILITY AT CLIPPER

Clipper Group CSR Report 2016



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CEO STATEMENT

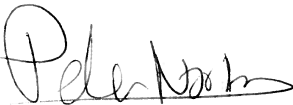
Clipper strives to make a positive impact on the surrounding communities and it is a priority to us that our business activities are based on sustainable and ethical principles. Throughout the existence of the company, we have carried out numerous activities to this effect, and in recent years, we have established a more structured process for framing these activities:

- CSR Policy adopted in 2014
- CSR Strategy with goals for progress 2015-17 developed in 2015
- Member of the UN Global Compact (UNGC) as of January 2016

In many CSR matters, we work closely together with other Danish shipowners through the Danish Shipowners' Association, and we are active members of the Association's CSR Committee.

I am proud to present this CSR report, which is our first report within UN Global Compact framework. To us, participating in UNGC does not signify a change of mindset, but rather a continuation of what we have always been doing, within a more structured process and reporting model. As a participant of the UNGC, we commit ourselves to making the UNGC principles an integral part of our business strategy, day-to-day operations, and organizational culture, and to communicate annually about the progress made.

Peter Norborg



Group CEO
Clipper Group

SUSTAINABLE DEVELOPMENT GOALS

Apart from the UN Global Compact, we have also scrutinized the ambitious Sustainable Development Goals (SDG), adopted by the UN in 2015. Shipping is an international industry with a large impact on the environment and the many societies in which we operate globally. As a shipping company, this makes the SDGs extremely relevant to us. In the present report, we will not relate specifically to the individual goals, as we wish to keep the structure and scope of our current CSR Strategy. However, we believe that these four goals are especially relevant to us:



Goal no. 2 – End hunger, achieve food security and improved nutrition and promote sustainable agriculture. Agro products such as grain are among our most important cargo types, and we do see it as our mission to facilitate world trade and global development. In 2016, agricultural products and fertilizers accounted for about 50% of the cargo we transported.



Goal no. 9 – Build resilient infrastructure, promote inclusive and sustainable economic industrialization and foster innovation. As a shipping company dealing with global trade, this goal is extremely relevant to us. On one hand, we form part of the world’s infrastructure at sea. On the other hand, we carry a number of products such as steel and cement used in the building and production industries. In 2016, steel products accounted for almost 10% of the cargo we transported.



Goal no. 13 – Take urgent action to combat climate change and its impacts. All shipping companies should involve themselves actively in the fight against climate change. Although shipping is the most environment friendly mean of mass transportation when it comes to CO2 emissions per transported ton, our industry does stand for 2.2% of global CO2 emissions. Clipper supports the climate policy developed by the Danish Shipowners’ Association, which takes an ambitious CO2 approach for the global shipping sector.



Goal no. 14 – Conserve and sustainably use the oceans, seas and marine resources for sustainable development. As with Goal no. 13, this is highly relevant to a shipping company and closely related to our general climate approach. In the present report, we report on four different environmentally related goals, comment on the present international measures concerning ballast water treatment and present our vessel performance monitoring system, COACH.



CSR ACTIVITIES AND REPORTING AT CLIPPER

CLIPPER CSR POLICY

As a significant player in the maritime industry with a global presence at sea and on shore, we recognize our social and environmental responsibility:

- We never compromise the safety of our employees at sea or ashore
- We recognize our responsibility towards the environment, and endeavor to constantly reduce our environmental footprint

We build our CSR activities upon our CSR Policy, adopted in 2014. We describe our CSR activities and set our goals in our CSR Strategy. In our 2015-17 CSR Strategy, we focus on employee issues and safety, measures to reduce fuel consumption as well as anti-corruption measures. In the following, we will report and comment on our progress within these areas.

The present report covers the four main areas of the 10 UNGC principles, which is also the structure of our CSR Strategy: Human Rights, Labor, Environment and Anti-Corruption. In our strategy, we have merged the areas Human Rights and Labor as we see these areas as very much interconnected.

HUMAN RIGHTS AND LABOR STANDARDS

Clipper supports and respects the protection of human rights, on board our vessels, in our offices and in society in general.

Human rights are an integrated part of our decision making and we have in this section provided a couple of examples illustrating this. It is furthermore vital for us that our employees' human rights are protected. This is in our opinion of special relevance for our line of business when it comes to safety, right to join trade unions, right to reasonable limitation of working hours and periodic holidays with pay, and protection against discrimination.

Working conditions for employees on shore and at sea differ significantly and we have therefore focused on different areas for those two groups.

WORKING IN CLIPPER OFFICES

Towards the end of 2016, Clipper employed 224 people in our offices in 9 countries around the world (excluding Seatruck Ferries). Of these, 125 worked at our Copenhagen

headquarters. We wish to keep Clipper an attractive workplace in every respect and for every employee, to the benefit of both the individual employees and Clipper as a company.

We offer fair and globally aligned working conditions, including competitive salaries, pension and health insurance, and in many countries more holidays than is our legal obligation.

Our managers have annual or biannual development reviews with their employees, where performance as well as personal and professional development and job motivation are discussed. To the extent possible, we support our employees in their development with training opportunities and new tasks and responsibilities.

We take pride in having a flat hierarchy, frontline decision-making and a high level of responsibility to the individual employee. In turn, we expect everybody to take charge of his/her own tasks as well as cooperation across the company.

Diversity / Women in management

Clipper believes that diversity at all levels of the organization gives us the largest possible recruitment base and creates an innovative and inclusive work environment. Encouraging diversity is about providing equal opportunities for all candidates and ensuring that the right person is always chosen for the job, based on his/her capabilities. In 2014, we adopted a Diversity Policy, published on our corporate website, clipper-group.com.

In the period 2015-17, we have focused our efforts on increasing the number of women in management, as we believe this is where Clipper has the largest improvement potential, as we believe it is important to have access to the best talent in any position. Female underrepresentation, in business and technical divisions as well as on management level, is inherent to the entire shipping industry and not only an issue for Clipper.

It is important to us to ensure that there are no barriers within our company that hinder women from joining or being promoted due to their gender. In our organizational survey, we have, therefore, included a question about "equal career opportunities regardless of gender". We have still not reached our goal of a 9.0 rating (on a 1-10 scale) but obtained in 2016 a score of 8.3, indicating to us that there are no grave problems with equal gender opportunities in Clipper. The gap between men's and women's perception is lower than in 2014, but slightly higher than in 2015, and women still rate the question lower than men (7.9 vs 8.5).

We follow our action plan, developed in 2014, for increasing the number of women in management.

CLIPPER DIVERSITY POLICY

- We believe that diversity at all levels of the organization gives us the largest possible recruitment base and creates an innovative and inclusive work environment
- We therefore always take diversity into account when recruiting and promoting employees
- Encouraging diversity is also about providing equal opportunities for all candidates and ensuring that the right person is always chosen for the job, based on his/her capabilities and without taking his/her gender, sexual orientation, nationality, religion, race or political opinion into consideration



Action plan: Trainees	Action plan: Chartering & Operation Managers	Action plan: Managers & Leaders
<p>Goal</p> <ul style="list-style-type: none"> • Take in the same number of male and female trainees, on average <p>Attraction</p> <ul style="list-style-type: none"> • Wording and visuals in job ads etc. less masculine <p>Retention</p> <ul style="list-style-type: none"> • Present an alternative to locker room culture: Hook up female trainees with other female employees (same floor/ office), until critical mass is obtained • Introduce alternative staff club events 	<p>Goal</p> <ul style="list-style-type: none"> • Create a critical mass of female Chartering/Operations Managers <p>Attraction</p> <ul style="list-style-type: none"> • Wording and visuals in job ads etc. less masculine • When recruiting, at least one female candidate should be invited to first interview <p>Retention</p> <ul style="list-style-type: none"> • Kill the myth: Shipping is a business for (true) men • Present an alternative to locker room culture: Hook up female trainees with other female employees (same floor/ office), until critical mass is obtained • Introduce alternative staff club events 	<p>Goal</p> <ul style="list-style-type: none"> • Percentage of female managers should equal percentage of female employees <p>Attraction</p> <ul style="list-style-type: none"> • When recruiting for management or board positions, at least one female candidate should be invited to first interview <p>Retention</p> <ul style="list-style-type: none"> • Mentoring scheme • Active role models (when such exist)

We have set the ambitious goal that 25% of our people managers shall be female by the end of 2017, but so far, we have not seen progress, and the share of female people managers in Clipper is still only 12%. This should be compared to the overall share of female employees in Clipper, which end 2016 was 28% (a reduction from 32% in 2015, which we attribute to a number of new hirings in our Bulk and Fleet Management departments, which are traditionally male-dominated).

As a medium-sized company currently with only little growth, we have few natural changes at management level, and we do not believe it is possible for us to achieve our ambitious goal by 2017. We do, however, believe it is important to keep focus on increasing the number of female employees at entry level positions in our line of business, notably among trainees. We are content that one out of three hired shipping trainees in 2016 was female as well as one out of three graduated shipping trainees.

We aim to provide female mentors for female trainees, and through our global recruiting policy we commit to invite both male and female applicants for first interviews in all recruitment processes – if at all possible, and especially in regard to management positions. In addition, we have included gender distribution in our monthly HR reports, and we have introduced a new staff culture club. Clipper also participates in the Danish Shipowners' Association's "Women in Leadership" group, where a mentoring scheme for female talents across companies are being prepared.

Female board members

In accordance with Danish legislation, the shareholders and board of Clipper Group A/S have set the goal that one female board member shall be appointed before the end of year 2016. The board currently consists of 4 male board members. The goal has not been fulfilled as there has not been a need to replace any of the 4 board members during the target period.

Clipper Group A/S has in 2016 adopted a recruitment policy for board members. The policy states that the Chairman shall propose at least one female candidate for vacant board positions. The chairman of the board has throughout the target period had meetings with potential female candidates in order to be better able to propose a female candidate for the shareholders once a board position becomes vacant.

The shareholders and the board of Clipper Group A/S have decided that the target period for appointing 1 female board member shall be extended to the end of 2018.

Trainee education

Clipper participates in the shipping trainee education managed by the Danish Shipping Academy under the Danish Shipowners' Association, and we are represented on the steering committee of the Academy. In September 2016, three trainees graduated from Clipper and were all hired in full-time positions, one in Chartering and two in Operations. At the same time, we took in three new trainees, who are now following a rotation program in various departments in Clipper as well as their education within the Danish Shipping Academy.

For the first time in 2016, a student from the new Bachelor in International Shipping & Trade at Copenhagen Business School started an internship with Clipper, working mainly in Business Controlling & Reporting. In addition, we hired one finance trainee and one IT trainee, who will both complete their education at Clipper simultaneously with attending school. Entering 2017, we had all in all three male trainees, two female trainees and one male CBS intern. We have hired three new shipping trainees commencing September 2017, one female and two male.

Employee satisfaction

We focus on attraction and retention of highly skilled and motivated staff, and to make our ambitions credible and effective, we need to know the opinion of our employees. Therefore, we measure employee satisfaction in Clipper on an annual basis.

The results of the organizational survey in 2016 were very positive and at the same high level as in 2015. All main objective indicators (satisfaction, loyalty, engagement, reputation) scored well above our ambitious goal of 8.0. We are very content to be able to keep a highly motivated and dedicated workforce, despite the challenging market situation and many changes to our organization.

Employee retention rate

Retention rate is another important measure of employee satisfaction and engagement. It can vary quite substantially from month to month, team to team and country to country. In December 2016, Clipper's overall retention rate was 91.1%, meaning that only 8.9% of our employees chose to leave in 2016. This is a slight decrease from 2015 (93.8%) but still satisfactory and well above our goal of 90%.

The retention rate measures the percentage of employees still working for Clipper after 12 months, and thereby how large a part chooses to resign from Clipper (employment contracts terminated by Clipper are not included in this count).

WORKING ON CLIPPER VESSELS

Vessels in scope of this report

Clipper's fleet consists of vessels that are either owned, chartered or managed by Clipper Group. In addition to these, Clipper Fleet Management has a number of vessels in technical management that are owned by third party owners and not in commercial management by Clipper (9 out of 34 vessels).

When it comes to safety, retention rates at sea and environmental issues, this report covers all vessels in Clipper's technical management.

Clipper is responsible for the crew on all the vessels that we have in technical management with Clipper Fleet Management. By the end of 2016, this amounted to 34 vessels, and all in all nearly 1,400 seafarers worked on our vessels. These seafarers were employed through crewing agencies located in Russia, Ukraine and the Philippines, and were mainly of Russian, Ukrainian, Chinese and Philippine nationalities.

We support the personal and professional development of our crew through systematic feedback as well as shore-based and onboard training. Frequent communication between land and sea is essential to our success, and we

encourage a work environment which facilitates knowledge sharing and communication. We provide daily news feeds from the crew members' national spheres and are in progress of installing crew internet on board our vessels.

We continuously train and advise our crew through safety campaigns and seminars and wish to create a culture where everyone takes responsibility for the well-being of himself as well as of his colleagues.

Crew members have the right to be organized, which is arranged under our collective bargaining agreement and paid for by Clipper. The collective bargaining agreement is negotiated between IMEC (International Maritime Employers' Council) and ITF (International Transport Workers' Federation).

Seafarers' retention rate

The retention rate among seafarers improved through 2016 at all levels and is extremely high among both Senior Officers (96%), Junior Officers (99.6%) and Ratings (90%). We are very satisfied with this high retention rate, which we believe is due to a combination of the general worldwide employment trend and Clipper's maintained focus on the personal and professional development of our crew. The retention rate measures the percentage of seafarers still working for Clipper after 12 months, and thereby how large a part chooses to resign from Clipper (seafarers whose contracts were terminated by Clipper are not included in this count).



During 2016, we introduced a new Personal Performance Feedback system to all seafarers. The intention was to create increased focus on individual development and performance and thereby improve the general job satisfaction.

In September 2016, we held the annual Senior Officers' Conference at Clipper in Copenhagen with 55 Senior Officers and a number of office staff from Clipper Fleet Management participating. The aim of these conferences is to train the officers in our systems and processes, but even more importantly to strengthen cooperation and communication between vessels and office. Focus in 2016 was on safety issues and the Personal Performance Feedback system. We were pleased to see that the officers rated the conference 4.71 on a 1-5 scale.

Safety and reporting culture

We want our crew to maintain high safety standards by adopting our safety culture both while on board and ashore. Clipper vessels should be as safe workplaces as Clipper offices, and we constantly work to minimize events and incidents. For the last couple of years, we have worked with a campaign focusing on five basic safety rules ("Take Five"). In 2017, we will substitute this campaign with the so-called Safety Delta concept, which entails a survey of the safety culture on board the individual vessel, followed by a score and relevant tools and games to improve any weak spots.

The **reporting of events** is a good indicator of a healthy safety culture, and we have therefore set high goals for event reporting (minimum 6 events reported per vessel per month). An increase in reported events is not indicative of a decrease in safety, but illustrates potential safety hazards and concerns and allows us to address these proactively. Compared to 2015, we have unfortunately seen a decrease in event reporting: 63% of our vessels reported minimum 6 events in 2016, compared to 77% in 2015. This decrease can be explained by fact that we have taken in a large number of vessels (13) during 2016 and have started collaboration with a new crewing manager. Right after takeover of a vessel, reporting is typically given less priority than solving immediate vessel issues. However, our goal is to reach 100% and we expect a significant increase in event reporting during 2017 once the Clipper safety and reporting culture have been more deeply rooted on board our new vessels.

While we aim for a high number of event reports, we naturally aim for as few serious incidents as possible. We are therefore pleased that our **incident frequency** has decreased significantly since 2015 (1.33 down from 1.72). We measure the so-called lost time incidents, where seafarers have been unable to perform their work for more than 24 hours, and this number signifies the number

of events per million man hours. We have had very few serious incidents on board our vessels in 2016, which is very satisfactory.

The last indicator we have chosen for safety standards is **port state control deficiencies** per inspection. Port state controls are internationally agreed inspections of foreign vessels. The investigations involve checking compliance with the requirements of international conventions, checking that the vessel is manned and operated in compliance with applicable international law, and verifying the competency of the vessel's master and officers, and the vessel's condition and equipment. Port state controls thus cover both environmental, work environmental and safety matters and is a sound overall indicator of how responsibly Clipper Fleet Management is performing. We are satisfied to have seen a small decrease in deficiencies, going down from 0.88 to 0.82 deficiencies per inspection.

OTHER HUMAN RIGHTS RELATED CONSIDERATIONS

A note on Western Sahara

Clipper has in 2016 looked carefully into the situation in Western Sahara, a "non-self-governing territory" south of Morocco.

The political situation in Western Sahara is full of conflicts and largely unresolved since 1975. However, we believe that it is for politicians, not private companies, to resolve the conflict. We have followed the Danish Ministry of Foreign Affairs' recommendations that encourage private companies to "exercise special care when engaging in areas of undetermined sovereignty such as Western Sahara, and ensure that their commercial activities do not harm the local population" (motion to resolution V79, 31 May 2016). We have entered into a dialogue with our partners to verify that the extraction of phosphate rock (and thus the transport of it) benefits the local population. We have met with the mining company in Western Sahara, visited the mine and studied the documentation made by third parties. Our studies have convinced us that the mining activities and the company's social activities do indeed benefit the local area.

We continue to monitor the situation in Western Sahara and observe any changes in the recommendations of the Foreign Ministry, in close cooperation with the Danish Shipowners' Association.

Responsible ship recycling

We wish to ensure that any recycling of Clipper's vessels is done in a responsible way safeguarding the environment and the workers working on the recycling. Following our experience with the recycling of the multipurpose vessel M/V Clipper Concord in 2015, we formulated a Recycling Policy in December 2015 for future reference. The policy is published on our website, clipper-group.com.

Clipper operates a modern fleet and the recycling of the M/V Clipper Concord was an exceptional case. We do not expect to recycle any more vessels in the near future. However, we continue to participate actively in discussions about

recycling within the Danish Shipowners' Association, and we are pleased to see that the Danish government has decided to ratify the Hong Kong Convention, which we fully support. We are also following closely the development in the EU, where a number of ship recycling yards are in the process of being approved on the so-called EU whitelist.

ENVIRONMENT

Although shipping is the most eco-friendly form of mass long-distance transportation, Clipper does acknowledge that our environmental footprint is substantial. Our objective is to constantly increase energy and fuel efficiency for all vessels in our technical management. At the same time, we need to closely follow the international environmental regulations and prepare for any changes needed on board our vessels or in our processes.

We maintain a high-quality fleet and every vessel has an individual maintenance schedule, managed through our Plant Maintenance Schedule system (PMS). One important part of the maintenance of a vessel is the drydocking, carried out at least every five years. Here the technical manager has the opportunity to meticulously survey and improve the vessel according to its individual maintenance plan.

During 2016, Clipper Fleet Management took in 13 new vessels in technical management, whereas 9 vessels left our care. We have put a lot of effort into scrutinizing the new vessels' machinery performance and improve it where needed. 4 of the 13 new vessels were drydocked during 2016 along with 2 vessels already in Clipper's technical management.

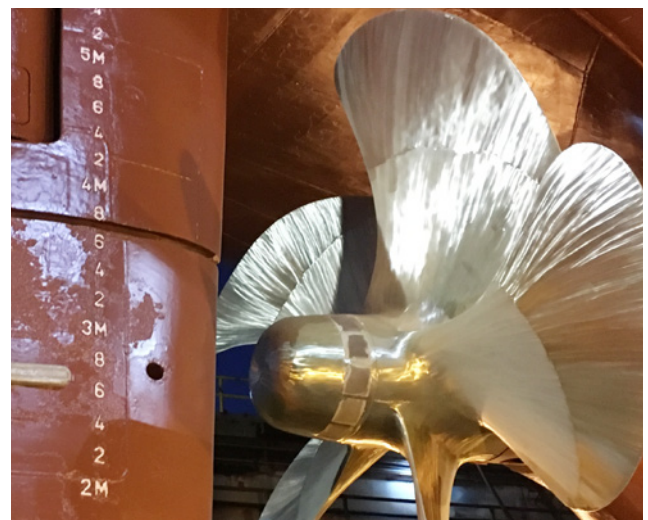
Climate Policy by Danish Shipowners' Association

During 2016, we participated actively in the development of the Danish Shipowners' Association's Climate Policy, which was presented in December 2016, and which we fully support. The policy is based on a detailed study entitled "CO2 Emissions from Global Shipping – possible reduction targets and their associated pathways", commissioned by the Shipowners' Association and undertaken by the London-based consultancy agency UMAS.

According to this policy, international shipping must reduce its absolute CO2 emissions in pace with the rest of the global economy. Shipping's emissions should be reduced sufficiently to ensure that the sector's share of global emissions is kept below the current level of 2.2%, thereby contributing with its "fair share" to the Paris Agreement's goal of staying below a 2-degree temperature rise. It should be the task of IMO (International Maritime Organization within the UN) to ensure the regulation and enforcement of this goal.

In 2017, we will spend time preparing for the new EU reporting system for CO2 emissions, MRV (Monitoring, Reporting, Verifying). Vessel-specific plans must be submitted by August 2017, and we will use our vessel performance monitoring system, COACH, for the reporting.

We hope that CO2 reporting will become global, not EU-specific, in the future.



Ballast Water Convention ratified

Apart from CO2 emission goals, ballast water treatment was at the top of the environmental agenda in shipping in 2016, and will continue to be so in 2017.

The IMO Ballast Water Convention was ratified in 2016 and will be brought into effect in September 2017. This means that all vessels in drydock after September 2017 must have ballast water treatment systems installed in order to minimize the global spreading of invasive species. Only a few systems have been approved so far and future investments are considerable. A few Clipper vessels already have ballast water systems on board. As for the rest, we are analyzing each vessel individually, including 3D scanning of engine rooms, and are in the process of making individual plans for each vessel, dependent on existing equipment, docking plans etc.

Fuel efficiency

The fuel used for propulsion is the single largest contributor to our vessels' environmental footprint. It is our aim that our vessels operate at optimal speed at all times, i.e. consuming as little fuel as possible while taking cost vs. available time into consideration. Our vessels' speed and consumption are closely monitored by COACH, which is installed on all vessels in Clipper's management and pools. Apart from speed and consumption, many additional parameters are monitored in COACH, allowing us to identify abnormally high energy use and take appropriate actions.

Fuel efficiency does not come down to just technical improvements, such as paint or ship design. Communication, processes and people play a huge role in increasing efficiencies. We continuously measure our performance, experiment with new ways of increasing fuel efficiency and keep in close dialogue with the officers and seafarers on board our vessels.

Clipper Fleet Management is certified in ISO 50001 (Energy) and 14001 (Environment). Among the environmental focus areas included and controlled in our ISO certification and vessel specific SEEMP plans (Ship Energy Efficiency Management Plan) are:

- Voyage planning (speed setting)
- Ship handling (trim optimization, ballast optimization, heating on bunker tanks/storage tanks, heating on settling and service tanks, auto pilot setting)
- Machinery and equipment (diesel engine performance monitoring, auxiliary engine load, exhaust gas boiler/economizer, cooling water pumps, main engine lubrication oil pump, engine room ventilation, cargo hold ventilation, incinerator usage, lights, navigational equipment)
- Hull and propeller (anti-fouling, underwater polish)



In our 2015-17 CSR Strategy, we have chosen to set specific goals for three areas, namely speed percentage, electricity consumption and trim optimization.

Review of speed percentage

By monitoring the daily reporting of speed and consumption (speed percentage), we can ensure that we note and can react upon any deviations in a vessel's performance. Such deviations can for example be an indication of a fouled hull or a misaligned engine. The average speed percentage in 2016 was 95.0%, which is lower than 2015 (96.4%). Notably some of the vessels taken into technical management during 2016 show a lower speed percentage, and we expect the average to increase again in 2017.

A new or newly drydocked vessel has a speed percentage of 100%, and the closer the speed percentage is to 100%, the better the vessel is performing. In Clipper, we use COACH to monitor speed percentage.

Consumption of electricity on vessels

By monitoring the daily electrical load on board our vessels, we can train our staff to switch off equipment when not needed. This is a tangible way to ensure that our staff has high focus on reducing our environmental footprint.

In 2016, the consumption of electricity on our vessels regrettably increased by 1.11%. We have observed that some of the newly added vessels have a significantly larger electricity consumption than expected. However, we expect this to change once the crew have become more familiar with these vessels.

Trim optimization

A vessel is designed for a given draft condition and any deviation from this draft might increase the fuel consumption. By using trim optimization, vessels can save fuel e.g. by moving ballast or fuel or loading the cargo differently. Not all vessel types benefit equally from frequent trim optimization, which is primarily done on multipurpose vessels, due to many different cargo types that these vessels carry. On bulk vessels, it is difficult to control trim, and the effect of trim optimization is minimal.

The target set in our 2015-17 CSR Strategy was to perform minimum one trim optimization per voyage, but we have chosen to cease measuring on this target. This is due to the fact that the nature of our fleet has changed significantly since we developed the strategy in 2014. At that time, we had mainly multipurpose vessels in our technical management, while our focus by the end of 2016 had

shifted to bulk vessels. It therefore no longer makes sense to set an average target for trim optimization for the entire fleet.

Improved vessel performance with COACH

COACH is a vessel performance monitoring system developed by Clipper. It tracks performance and monitors individual vessels with the purpose of improving fuel consumption.

The set-up is simple and no hardware is installed. Once a day, the crew on board the vessel reports data such as position, bunkers and consumption to COACH. In 2016, COACH made several improvements to its calculation modules, and especially the accuracy of wind- and wave resistance was improved by adding hourly positions to the algorithms. Assisted by a monitoring team onshore, COACH analyses the vessel's performance and compares it to a mathematical ship model and weather conditions. Comparing data with other vessels using COACH makes it possible to look for patterns and deviations. For example, it is possible to calculate potential gain in fuel efficiency after a longer port stay if the vessel had its hull cleaned of fouling before the next voyage.

In 2016, the Danish Shipowners' Association launched navigatingresponsibly.dk, a portal promoting industry solutions to environmental and climate challenges. COACH was selected as a best-practice example for using data to improve vessel performance and optimize energy efficiency at sea. In 2016, COACH also joined Green Ship of the Future, a dedicated network of shipping companies, aimed at making shipping even more environmentally friendly through innovation and technology.

Case: Clipper Lasco

In summer 2016, COACH performance reporting and speed percentage parameters revealed poor main engine performance and worsened hull condition on Clipper Lasco, a 28,000 dwt logger from 2004. This prompted a visual inspection of the underwater hull which revealed layers of fouling and damages to the hull's anti-fouling coating.

Hull cleaning and propeller polishing were arranged, but following many idling days, COACH alerted of a dropping speed percentage again, and another hull cleaning was arranged. With the help of COACH, we have identified the problem very precisely, can monitor the running conditions of the engine, and can plan the right procedure for getting Clipper Lasco back on track.

ANTI-CORRUPTION

As an international shipping company sailing worldwide, Clipper is exposed to requests for facility payments and similar corrupt practices. An anti-corruption policy was adopted by the Clipper Board in August 2012. The policy confirms that Clipper has a zero tolerance towards traditional bribery such as kickbacks.

Facility payments (small payments for services that the company is already entitled to) are a separate challenge, and given some of the areas we operate in, Clipper is not yet able to implement a zero tolerance policy in this regard. In some areas of the world, facility payments are an integrated part of the social structure and a zero tolerance policy would create a number of irresolvable deadlock situations.

Anti-corruption training program

It is a high priority for Clipper to actively fight facility payments in whatever form or shape those appear. In 2015, we therefore commenced a global anti-corruption training program for all our employees on shore as well as Senior Officers. This program continued in 2016, where we trained 22 Senior Officers and 42 office staff, including the Clipper Fleet Management, Chartering and Operations teams. We expect to complete the first round of the training in 2017, but will ensure continuous training of new employees going forward. The training material and an online test were developed by the Maritime Anti-Corruption Network (MACN), of which Clipper continues to be an active member.

Fighting corruption in Argentinian ports

MACN is a global business network currently consisting of around 75 members within the maritime industry who work towards a maritime industry free of corruption, enabling fair trade to the benefit of society at large. Clipper has been a member since the foundation in 2012.

An example of MACN's work, in which Clipper has participated, is an initiative in Argentina, commenced in 2014. Bulk ship owners, operators and agents have for years experienced significant demands for facilitation payments in Argentinian ports in relation to the clearing process of cargo holds for loading of agricultural products. This clearing process entails an inspection by the SENASA (Agricultural State Agency), based on which SENASA will give permission to load the cargo. It has shown to be extremely difficult to obtain this permission without paying considerable amounts of cash to SENASA, or, alternatively, facing delays of several days, costing even more.

Seeing that collective action was needed to solve the issue, MACN decided to partner with the Argentinian law firm Governance Latam. So far, this project has resulted in several reform actions targeting the SENASA inspection system, and new regulation has been submitted that includes improvements such as: creating a new Technical Appeals Tribunal for digital complaints, establishing a trustworthy whistleblower hotline and defining objective criteria for rejecting holds. Although the new regulation has not yet entered into force, these measures have already had a huge effect, and the demands for facilitation payment have almost disappeared, for Clipper as well as for our partners in MACN. In February 2017, it was furthermore decided that private companies should inspect cargo holds instead of SENASA inspectors.

New demands and corruption issues will undoubtedly appear as this one has disappeared, but we do see it as an important victory in MACN's fight against corruption.



CLIPPER GROUP CSR GOALS 2015-17

UN GLOBAL COMPACT

Sign up for UN Global Compact during 2015
2015: Membership prepared
2016:

Joined Jan 2016

Prepare format for and file annual communication on progress in 2015, 2016 and 2017.
2015: Format prepared
2016:

Filed May 2017



WE SUPPORT

HUMAN RIGHTS AND LABOR STANDARDS: ON SHORE

DIVERSITY/WOMEN IN MANAGEMENT

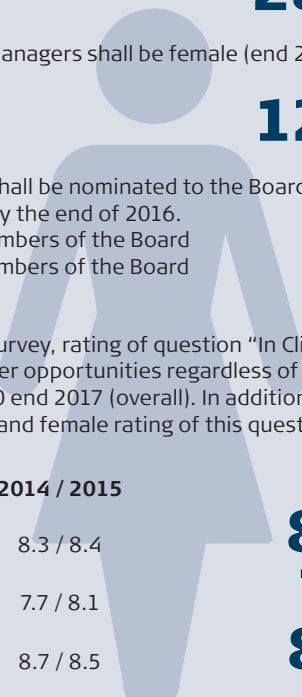
33% of all employees shall be female (end 2017).
2014: 33%
2015: 32%
End 2016: **28%**

25% of all people managers shall be female (end 2017).
2014: 12%
2015: 14%
End 2016: **12%**

1 female member shall be nominated to the Board of Clipper Group A/S by the end of 2016.
2014: 0 female members of the Board
2015: 0 female members of the Board
End 2016: **0**

In Organizational Survey, rating of question "In Clipper, we have equal career opportunities regardless of gender" shall increase to 9.0 end 2017 (overall). In addition, the gap between male and female rating of this question shall decrease.

	2014 / 2015	2016
All employees	8.3 / 8.4	8.3
Female	7.7 / 8.1	7.9
Male	8.7 / 8.5	8.5




EMPLOYEE SATISFACTION

Carry out organizational surveys in 2015, 2016 and 2017.
2014: Carried out Oct 2014
2015: Carried out Sep 2015
2016: **Carried out Sep 2016**

Maintain ratings of above 8.0 on all 4 objective indicators.

	2014 / 2015	2016
Satisfaction	8.0 / 8.2	8.3
Loyalty	8.1 / 8.2	8.3
Engagement	8.9 / 9.1	9.0
Reputation	8.1 / 8.5	8.5



RETENTION RATE ON SHORE

On shore employee retention >90 in 2015, 2016 and 2017.
2014: 88.6%
2015: 93.8%
End 2016: **91.1%**

TRAINEE EDUCATION

Hire min. 2 shipping trainees/year of which min. 1 female
2014: 3 hired, 1 female
2015: None hired in 2015
2016: **3 hired, 1 female**

All admitted shipping trainees must graduate
2014: 3 out of 3 trainees graduated Sep 2014
2015: 1 of 2 trainees graduated Sep 2015
2016: **3 of 3 trainees graduated Sep 2016**



HUMAN RIGHTS AND LABOR STANDARDS: AT SEA

RETENTION RATE AT SEA

Senior officer retention >90 in 2015, 2016 and 2017.

2014: 93%
2015: 93.3%
End 2016:

96.0%

Junior officer retention >85 in 2015, 2016 and 2017.

2014: 81%
2015: 98%
End 2016:

99.6%

Rating retention >80 in 2015, 2016 and 2017.

2014: 85%
2015: 89%
End 2016:

90.0%

SAFETY/LOST TIME INCIDENTS

Lost time incidents frequency rate to decrease in average for each of the years 2015, 2016 and 2017.

2014: 1.9 frequency rate
2015: 1.72 frequency rate
2016:

1.33
frequency rate

SAFETY/PORT STATE CONTROL DEFICIENCIES

Port state control deficiencies to be below 1.0 for all relevant vessels in average during 2015, 2016 and 2017.

2014: Deficiencies/inspection 1.05
2015: Deficiencies/inspection 0.88
2016:

0.82
deficiencies/inspection

SAFETY/EVENT REPORTING

Ensure that all vessels report at least 6 events per month in average.

2014: 24%
2015: 77%
2016:

63%
of all vessels

SHIP RECYCLING POLICY

Prepare and adopt ship recycling policy during 2015.

2014: In progress
2015: Approved Dec 2015
2016:

Adopted

ENVIRONMENT

REVIEW OF SPEED PERCENTAGE

Continue to monitor, analyze and take action on deviations in the speed percentage at any time.

2014: 95.5%
2015: 96.4%
2016:

95.0%
speed percentage

ANTI-CORRUPTION

ANTI-CORRUPTION TRAINING

Carry out training of all employees on shore and senior officers on vessels in our technical management.

2014: Outstanding
2015: 33 employees trained
2016:

64
employees/senior officers trained

CONSUMPTION OF ELECTRICITY

Average consumption of electricity on vessel to decrease for each of the years 2015, 2016 and 2017.

2014: 2% reduction per year
2015: 2.22% reduction
2016:

1.11%
increase

MACN MEMBERSHIP

Continue active membership of MACN.

2014: Active membership
2015: Active membership
2016:

**Active
membership**

TRIM OPTIMIZATION

Perform minimum one trim optimization per voyage.

2014: 85% of all voyages
2015: 68.6% of all voyages
2016:

Target closed
due to change in fleet composition

BIMCO ANTI-CORRUPTION COMMITTEE

Continue participation in BIMCO sub-committee on anti-corruption.

2014: Active participation
2015: Clause adopted Dec 2015
2016:

Completed