



E.R. SCHIFFAHRT

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STATEMENT OF CONTINUED SUPPORT OF THE UN GLOBAL COMPACT

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

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

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

This sixth annual Communication on Progress documents the measures and results of E.R. Schiffahrt in the aforementioned four areas of the Ten Principles of the UN Global Compact. It also

describes aims in this regard for the upcoming reporting period. The report will be made accessible to all stakeholders of the company.

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



Nils Aden
Chief Executive Officer

E.R. SCHIFFFAHRT – OVERVIEW

E.R. Schiffahrt is a ship management company with more than 80 container and bulk vessels in service as of today. The diversified fleet makes E.R. Schiffahrt a strategic partner of the world's leading liner companies and bulk operators.

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

About 3.300 employees on shore and at sea are committed to provide safe, environmental friendly and reliable ship management operations to its clients.

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

- ISO 9001:2015 (quality management),
- ISO 14001:2015 (environmental management),
- BS OHSAS 18001:2007 (occupational health and safety management),
- ISO 50001:2011 (energy management)

This management system is established and maintained both on board of the operated fleet and ashore (except the energy management system which is only applicable on board). It will be audited by an external independent third party on an annual basis.

Within the reporting period E.R. Schiffahrt ,as one of the first shipping companies worldwide, completed the transformation to the latest ISO 9001:2015 and ISO 14001:2015 standard and successfully passed the renewal audits for the applicable ISO- and BS OHSAS certifications.

Maintaining the ISO certification is an essential part of the "DNV GL Excellence 5 Star" award which is held by the company.

The award was renewed successfully in 2017. It confirms that E.R. Schiffahrt complies with the highest state-of-the-art standards for the operation of container and bulk vessels in terms of Emergency Response Service,

Environmental Passport (Containerships), Ballast Water Management (Bulkers), advanced internal training schemes for employees, good PSC records (external inspections of vessels by local authorities during port calls).and as participant of the UN Global Compact.

Another important issue during the reporting period was the review and revision of the Code of Conduct for Suppliers which is obligatory for subcontractors. As part of the company's compliance programme it ensures a continuous improvement of the company's social, economic and environmental performance and enforces the efforts against corruption.

The company's entire Code of Conduct clearly refers to the ten principles of the UN Global Compact. It is available to all stakeholders of the company.

The implementation and further development of the Code of Conduct has been supported by regular meetings of the board, as well as by workshops and trainings for the responsible staff. Questions and open topics are embraced by a Frequently Asked Question form.

The separate compliance e-mail address and compliance phone number is available to all employees to either address further questions, proposals of improvement or to report any violations or non-conformities.



ISO 9001 = ISO 14001
ISO 50001 = OHSAS 18001



EXCELLENCE *****

01

HUMAN
RIGHTS

01 HUMAN RIGHTS

PRINCIPLE 1

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

PRINCIPLE 2

make sure they are not complicit in human rights abuses.

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

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

Within its management system E.R. Schiffahrt has established a reporting procedure that enables and encourages all employees to report any non-conformity or complaint with regard to the Maritime Labour Convention and other applicable national, international or internal rules and regulations. The latter also includes the declared company's policy statements available on the website of E.R. Schiffahrt. At the beginning of each year the Management Board of E.R. Schiffahrt is carrying out a thorough review of the company's policy statement. The evaluation is based on the yearly Management Review. Necessary adjustments of the policy will be instructed as deemed necessary.

Beside the Company Policy E.R. Schiffahrt provides further guidance regarding Human Rights to all stakeholders through its Code of Conduct. It has to be seen as supplement to the Code of Conduct for Suppliers which was introduced in 2015 and is an essential part of the company's procurement process.

E.R. Schiffahrt recognizes and appreciates its social responsibility and is or was engaged in the following activities within the reporting period of 2017 in this regard:

The seafarers on board of our vessels are away from their homes for several months. As it is crucial for them to be able to communicate with their families and friends while at sea, all vessels

in E.R. Schiffahrt's managed fleet are providing all crew members with internet access. In order to improve the communication the company has reviewed the latest state of the art communication equipment available on the market. A decision was taken to upgrade the communication equipment on board of most vessels to increase the bandwidth and speed for a better internet access. The upgrade project started within 2017 and shall be finished in 2018.

As a gesture of solidarity with its home city of Hamburg, every year the E.R. Group supports a different local social institution with a donation of 5,000 Euros. The employees of the company send in their suggestions and can subsequently vote for their preferred institution via intranet. The donation goes to the project with the highest number of votes. In 2017 "Hands for Children" benefited from the employees vote. The organization offers a short-term home for multiple handicapped children and their families. Since 2013 the Kupferhaus provides 12 rooms for children in need of help, 14 rooms for their families as well as therapy- and community areas, a conservatory and a great outside area. Children and parents from all over Germany can find relaxation and recreation for a few days, to gather new energy for everyday life or just to spend time with the children's healthy siblings, while a team of therapists, teachers and nurses take care of the handicapped children and young people around the clock.

Social commitment also led to physical action amongst the staff of E.R. Schiffahrt: As in the previous years, in summer 2017 numerous employees participated in "HSH-Nordbank Run", a charity run in the City of Hamburg. By their participation all runners supported the charity organization "children help children".

02

LABOUR

02 LABOUR



PRINCIPLE 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4

the elimination of all forms of forced and compulsory labour;

PRINCIPLE 5

the effective abolition of child labour; and

PRINCIPLE 6

the elimination of discrimination in respect of employment and occupation.

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

The company has established a grievance procedure which clearly defines the right of any seafarer to file a complaint arising from an alleged violation of his contractual or any other rights. The company has recorded two complaints in the year of 2016.

The employment conditions of seafarers employment agreements of the crew members on board of E.R. Schiffahrt managed vessels are based on collective bargain agreements and are in accordance with the Maritime Labour Convention of 2006 (MLC 2006), its amendments from 2014 and other applicable rules and regulations.

The aforementioned MLC 2006 governs the minimum requirements for seafarers to work on a ship and the conditions of employment, the accommodation and recreational facilities as well as food and catering on board, the health protection, medical care, welfare and social security protection of seafarers. The effectiveness of the system is continuously monitored through annual internal audits on board of each vessel since then. Furthermore, the company fully complies with the requirements of the Maritime Labour Convention amendments 2014 which are providing additional financial security for the seagoing personnel in case of repatriation or abandoning of a ship.

External crewing agencies are also audited by E.R. Schiffahrt on a yearly basis. These audits include the verification of their compliance with the MLC 2006 as well.

E.R. Schiffahrt's internal and external recruiting process ensures that underaged seafarers are not employed on board of E.R. Schiffahrt managed vessels. Personnel documents are being reviewed during various steps of the initiation of employment and also by the Master as a representative of the company on board.

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

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To fulfill this commitment, procedures to identify critical shipboard operations and to control substances hazardous to the health of employees are established within the management system of the company. All procedures are being reviewed and revised on a regular basis. Part of the review is not only the proper implementation of these procedures but also a verification of implementation by conducting internal and external audits on board and in the office. All audits are related to the company's Occupational Health and Safety Assessment Series (OHSAS) certification.

The verification in the office was carried out successfully during the reporting period of this Communication on Progress. In addition, further positive feedback and impact on the safety system was given by clients who carried out their own office and shipboard audits according to their own- or to industry standards.

In 2017 a thorough review of the safety procedures for the office staff, especially for their attendance on board during routine visits, inspections or audits took place. As a result, the company has revised the safety procedures for office staff and defined the scope of the personal protective equipment (PPE) that must be used in relation to the designated tasks. The PPE is easily available for all office staff.

Within the reporting period the company continued its approach to support and promote risk based assessments of relevant procedural changes on board and ashore, thus to strengthen its own Risk Assessment- and Management of Change procedure. To reach the goals it was decided to continue with regular trainings and workshops. The campaign to promote the identification of unsafe conditions and unsafe acts is also ongoing as the goal of the campaign is still valid: to promote a near miss reporting in order to proactively identify hazards before they will lead to incidents and accidents.

In 2017, the company continued to arrange training sessions for its employees during Fleet Officer Meetings (FOM) and briefing sessions like Group Briefings or Single Briefings. In total 152 employees participated in these three training occasions. Two FOM's took place in 2017, one in

Manila, Philippines, and one in Odessa, Ukraine. The modified content targeted on leadership, social skills and communication during one day and technical management, reporting and safety awareness during the second day. A lecture was held during the FOM in the Philippines about the most common medical findings and nutrition and a Yoga session was carried out during the FOM in Odessa in order to set an impulse how important sport activity is to balance mental wellbeing. Health Conscious Behavior has become one part of the FOM and it will be also part of the ERS Safety Campaign in the third quarter of 2018.

A review of the Performance Support Programme (PSP) took place in December 2016 and the PSP Team Members were invited to the premises of E.R. Schiffahrt to discuss and agree on the scope of the 2017 PSP.

The target of the PSP remains to train and develop the crew on board the vessels in various areas of company related subjects, like safety, occupational health and company procedures. In total, the crew of 90% of the managed fleet have been trained during the course of the year, a total number of 1.465 seafarers benefitted from the PSP.

An on shore PSP was set up in 2017 to properly train groups of newly employed seafarers. Three such sessions took place, two in Haiphong, Vietnam, and one in Constanta, Romania, where a total number of 49 seafarers received trainings on the company's management system and most important procedures.

As a founding member of the Container Ship Safety Forum (CSSF), a global business-to-business network that improves safety performance and management practices in the container shipping industry, the company has been re-elected as a member of the Steering Committee. During the reporting period the CSSF managed to attract further members. Now it consists of 17 members, all of them are major container shipping liner companies and ship owning and / or ship managing companies. These 17 companies represent about 40 percent of the worldwide TEU (Twenty Foot Equivalent Unit) container capacity. Their common objective is to create a container shipping industry with high safety standards,

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ensuring no harm is caused to people, ships, cargo, and the environment. To achieve this, CSSF members collaborate to advance the continuous improvement of safety culture and performance in the container shipping industry through measurement, reporting and benchmarking, sharing best practices, and engaging with key stakeholders to develop durable solutions.

As a part of the occupational health management ashore the company conducted a “Health Conscious Behavior Day” for all employees in Hamburg in 2017. Throughout the day the employees were invited to attend workshops, lectures and sports activities in order to learn more about how to maintain and improve their personnel well-being.



03

ENVIRONMENT

03 ENVIRONMENT



PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8

undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9

encourage the development and diffusion of environmentally friendly technologies.

E.R. Schiffahrt is clearly committed to protect the environment. This is a broader view compared with the previous approach to prevent any kind of pollution. Therefore E.R. Schiffahrt is permanently reviewing its company policy, its relevant procedures and KPIs. Consequently, the company was one of the first ship managers worldwide who revised its management system to cope with the latest ISO 14001:2015 standard. A proof for the successful revision was given during the renewal audit in May 2017.

E.R. Schiffahrt is convinced that this is a major step and a significant commitment to protect the environment, prevent pollution, mitigate and adapt the climate change and protect biodiversity and ecosystems.

All E.R. Schiffahrt employees are informed about this policy. They are regular trained to enhance their skills and abilities to environmental

protection.

This approach is reflected in all company instructions and procedures which ensure the safe operation of all vessels in regard to environmental protection, in compliance with all relevant laws and regulations and in line with the requirement of the ISO 14001:2015 standard. Further internal and external verification audits were carried out on board of several vessels of the fleet.

Also, during the reporting period covered by this CoP the ISO standard 50001 "Energy Management Systems" has been confirmed as well functioning. The energy management system of E.R. Schiffahrt aims at locating fuel saving potentials and managing energy efficiency effectively on board the vessels of the company.

In order to support the seagoing and office staff in charge, the company has revised its handbook on energy efficient vessel operation. It shall give guidance for shipboard operations with regard to propulsion, energy efficiency and fuel balance management.

Within the recent reporting period E.R. Schiffahrt has continued the successful co-operation between the office and ship staff on the one hand and with classification societies, naval architects, shipyards, research institutes, engine makers and charterers on the other hand in order to reduce fuel consumption and CO2 emissions of all vessels under management.

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Important measures are:

Operational:

Slow and super slow steaming - E.R. Schiffahrt's vessels were continuing to reduce their normal voyage speeds wherever and whenever trading pattern allowed this measure.

Training:

In 2017, 7 Masters and 5 Chief Engineers were invited to the E.R. Schiffahrt office to get trained with regard to fuel efficiency awareness and fuel consumption reduction. As an additional measurement we continued to make use of our company's own e-learning tool "Energy Efficiency on Board". By using this in-house tool we reduced the number of worldwide travels and thus contributed to an improved individual carbon footprint. In 2017, 28 Masters and 8 Chief Engineers were using this tool.

For 2018, the company will replace the e-learning tool "Energy Efficiency on Board" by "ISO 50001 Energy Management Training Course" a computer based training provided to the crews on board the vessels. This course will be mandatory for Senior Management Officers (Master, Chief Officer, Chief Engineer and 2nd Engineers). The circle of officers for this training was enlarged by the Chief Officer in order to rise the overall energy efficiency awareness.

Redesign:

Within 2017 one additional Post-Panamax vessel of the managed fleet was modified by installing a new propeller – designed for slower speed. Supplementary, a device called Boss-Cap-Fin (ESCAP) was installed. It improved the flow around the propeller boss. Associated with that the main engine of this vessel was de-rated from the nominal power output of more than 68,000kW at 102 rpm to less than 48,165 kW at 93.2 rpm. On one more vessel an ESCAP has been installed during the vessels 2nd class renewal.

Two further vessels have been equipped with variable frequency drives (VFD) for the main seawater pumps and engine room fans in 2017. Day and night time operation, manned and unmanned engine room operation, ambient and seawater temperature changes and port or at sea operation have an direct influence on the cooling and air flow requirements and are normally controlled

manually by crew. Programmed VFD control units ensure a demand related provision of cooling water and airflow provision and consequently the vessel receives significant basic load / fuel oil consumption reductions.

Since January 2015, all vessels operating in Emission Control Areas (ECAs) also referred to as Sulphur Emission Control Areas (SECA), have to ensure that their emissions are reduced. E.R. Schiffahrt started already in early 2014 to implement measures and modifications in order to meet these regulations well before the due date. Currently all E.R. Schiffahrt managed vessels calling SECAs / ECAs are fully compliant with the relevant MARPOL Annex VI regulations. Most other vessels managed by E.R. Schiffahrt, which are not sailing in those areas, are being modified proactively.

In 2017 the cylinder oil consumption has been further reduced by 3.9% at 2.4% higher running hours and higher load of the main engine. This result has been achieved by close observation of the vessels' daily operation and particularly the correct adjusted specific cylinder oil feed rate. The correct adjustments will be checked by implementation of onboard scrap down analysis for big bore main engines. On two additional vessels (following three vessels in 2016 and seven in 2015) the company has carried out a modification of propeller shaft sealing. Previously there was a potential risk of a direct oil and seawater contact. During the dry docking of these vessels the sealing has been converted into an air sealed shaft sealing. Even in case the function of the sealing fails there will be no more hazards to contaminate seawater by oil.

At locations on board where it was not possible to conduct such modification the mineral oil filling of the sealing has been exchanged by environmental friendly oil.

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Monitoring and Reporting:

During the reporting period, E.R. Schiffahrt continued to use FuelSafe, an integrated tool of the company's own Vessel Performance Monitoring Center (VPMC) installed on selective vessels representing all vessel classes under management. It enables optimal efficiency with regard to fuel consumption and asset protection. The system retrieves up to 300 measured values. It not only delivers analytical data but is also indispensable for successful monitoring: It checks the ship's operation continuously, gathering data on energy output, fuel consumption and sailing conditions on a day-by-day basis. Its reporting features reveal where steps may be taken to increase efficiency, giving the crew specific recommendations for performance improvement.

On top of that, E.R. Schiffahrt implemented a new KPI based vessel performance evaluation software improving the VPMC's guidance and support for the vessels to improve their operational efficiency.

The effectiveness of E.R. Schiffahrt's energy efficiency system is backed by benchmark systems of its customers. These systems collect and monitor data with regard to vessel performance as well. The fuel efficiency benchmark system of the market leader showed that vessels managed by E.R. Schiffahrt saved fuel in line with the TOP 3 competitors.

E.R. Schiffahrt supports and uses the Shipping Efficiency initiative, which was launched by the Carbon War Room programme. Within Shipping Efficiency E.R. Schiffahrt maintains an up-to-date record of its ships in order to get an external energy efficiency rating of its measures and to share such rating of its fleet in a transparent way with the public.

Starting from 01.01.2018, all European ports are subject to the EU Monitoring Reporting Verification (MRV) regulation, which covers CO₂ emissions. As early as 31.08.2017, all shipping companies are required to submit a plan for monitoring, reporting and verifying the resulting CO₂. This EU regulation requires the monitoring, reporting and verification of the amount of CO₂ generated per ton and mile, which is published annually on the internet. In this context, the importance of energy efficiency measures and of performance and monitoring systems becomes clear again. A weak performance in connection with the future tightened regulations also has a lasting impact on



the public reputation of a company.

Company Policy:

The Management Board of E.R. Schiffahrt reviews the environmental company's policy in regular intervals and confirms its validity. As mentioned earlier this was done in 2017 with a more broader view of the company's environmental approach

As an important part the Code of Conduct for all employees is covering the environmental aspects of E.R. Schiffahrt's business. It confirms that the protection of the environment as well as the conservation of natural resources do have a high priority.

A greater environmental responsibility is also expected from all suppliers and subcontractors all over the world. We see good trends especially in the Asian area that suppliers change their behavior towards greater responsibility. The supplier code of conduct already implemented in 2015 has been reviewed and amended end of 2017.

To monitor the supplier's performance a software based supplier rating system is in use and allows both, the office and the ship's side, to rate the quality of a product and its packaging. In 2017 the criteria for supplier evaluation have been extended to environmental aspects. Since 2015 the use of the tool has increased by 114% until end of 2017. We currently have a strong base of approx. 1,050 active suppliers. For each of these suppliers and subcontractors we have gathered on average five evaluations in the last three years. The average supplier rating (from 1=poor to 5=very good) within 2017 was 4.10. After an average result of 4.13 the year before this figure reflects the high and stable standard of the supplier performance. In addition, for more than two years E.R. Schiffahrt provides an environmental Whistle BLOWER Hotline to its employees and stakeholders. The Hotline provides a possibility to report any non-compliance with environmental rules and regulations in an anonymous way. Regular tests ensure a reporting via e-mail or telephone.

In addition to the Whistle BLOWER Hotline the company provides a dedicated e-mail address and a phone number. Both means shall serve as communication tools to contact the company regarding compliance matters.

03 ENVIRONMENT

Office:

In 2017 E.R. Schiffahrt has reviewed its environmental management system for the office. As a result, the management has revised the environmental objectives and targets.

In order to enhance the understanding and support of all employees ashore the objectives and targets are divided into three environmental aims:

- 1.) Reduction of waste
- 2.) Saving of resources
- 3.) Avoiding of pollution

All three aims are subdivided into single measures or projects. Each measure or project is clearly described and defines the responsible team / department, the status and in particular the

related risks and opportunities.

The evaluation for 2017 on how far the objectives and targets have been met is pending at the time of finalization of this report.

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

04

ANTI

CORRUPTION

04 ANTI CORRUPTION

PRINCIPLE 10

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

E.R. Schiffahrt confirmed its commitment to counteract fraud, extortion and bribery or any other form of corruption within its sphere of influence and to act in line with all relevant rules and regulations.

In order to give a detailed guidance to all employees onboard and ashore the company has addressed the following topics within the Code of Conduct:

- Attitude towards business partners and third parties
- Antitrust and fair competition
- Anti-Corruption and improper advantages
- Anti-Money Laundering
- Trade Control Regulations

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

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

These measures will be supported by E.R. Schiffahrt's Code of Conduct for Suppliers and Subcontractors which has been revised in 2017

At the same time, E.R. Schiffahrt exchanges best practice experience with its business partners and encourages them to issue their own Code of Conduct as well as to implement worldwide anti-corruption campaigns and strategies.

Furthermore, E.R. Schiffahrt supports anti-corruption initiatives which are run by business partners.

In addition, the company maintains an internal control system to ensure that business activities are checked on a regular base.

The Management Board held regular meetings to discuss topics related to anti-corruption, review the company's policy and revise its guidance to the employees, stakeholders and interested parties.