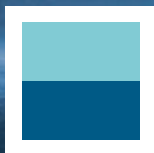




SUSTAINABILITY REPORT 2019

UN GLOBAL COMPACT
 The Norwegian Shipowners' Association
 Communication on Engagement (COE)



Norges
 Rederiforbund
 Norwegian
 Shipowners'
 Association



WE SUPPORT



Photo: Kilian Munch

Letter from the CEO

As representatives of a major global industry that makes its living from the sea, the Norwegian Shipowners' Association and our members have a fundamental interest in securing sustainable development of the ocean. In order to achieve this, we need to make sure that actions taken by the shipping and offshore industry today do not hinder future generations from meeting their needs, but rather have a lasting, positive impact on society.

In a changing world faced with political unrest, climate change, and increasing polarization, companies need to act responsibly. Today, the role businesses must play in finding solutions to the challenges addressed by the UN Global Compact in their Ten Principles on human rights, labour standards, the environment, and anti-corruption, cannot be overstated.

The maritime industry constitutes an important and indispensable part of the solution for sustainable global development. Ships carry more than 80% of world trade, the oceans provide food for billions and contain large amounts of minerals and metals, and there is a growing interest in renewable, emission-free energy from offshore wind, waves, currents and tides.

As customers, investors and politicians show increasing interest in the sustainability and ethical impact of investments in companies and businesses, there is no longer any doubt that those companies offering sustainable solutions will be the winners of the future.

But being part of the solution also means that we need to acknowledge and identify challenges and risks. Zero-emission shipping, responsible ship recycling, and removing plastic from the ocean are some of the areas where the Norwegian Shipowners' Association (NSA) aims to make a difference.

Already in 2008 we adopted an ambitious climate vision stating that "Norwegian shipping shall have no harmful emissions to sea or air". With the Paris agreement and increasing focus on sustainability, this work has continued to gain momentum throughout the years, and we are certain that it will be a key focus for business and society at large in the years to come.

Harald Solberg
CEO

Norwegian Shipowners' Association

Our engagement with the UN Global Compact

Action Platform on Sustainable Ocean Business

To increase knowledge and accelerate business action in supporting the ocean resources and the SDGs, a group of partners, spearheaded by the Norwegian Shipowners' Association and the UN Global Compact, have created a new Action Platform on Sustainable Ocean Business.

The platform was formally launched in June 2018, and brings together business, leading experts, civil society, governments and UN partners to solve complex and interconnected issues, explore new market opportunities and innovate around the SDGs. The Action Platform for the Ocean focuses on growth, innovation and sustainability, and explores how to best protect the health of the ocean. It aims to mobilize the private sector to take tangible action, make investments, and form partnerships to leverage the ocean as a resource in delivering the Global Goals.

The Norwegian Shipowners' Association is actively engaged in the work of the platform, participating in all workshops and meetings and providing valuable inputs into the discussions.

Since its launch, the platform has produced reports on *Ocean Regulations* as well as *The Ocean Opportunities report, to which NSA contributed*. The report on opportunities outlines the linkages between a healthy, productive, and well-governed ocean and the 17 Sustainable Development Goals. The report further elaborates on how private sector innovation and investment, together with strong public and private governance frameworks, could exponentially increase the amount of sustainable ocean resources, including healthy food, affordable clean energy, and more efficient and lower-carbon transport.



During the UN General Secretary's Climate Summit on the 23rd of September 2019, the UN Global Compact Ocean Platform launched **nine principles for a Sustainable Ocean**. These were developed in consultation with more than 300 stakeholders worldwide, in order to emphasize the responsibility of businesses to take necessary actions for securing a healthy and productive ocean. The nine principles cover three areas: climate change, ocean health and productivity; governance and engagement; and data and transparency.

The NSA was one of the first to subscribe to the principles, and during 2019 we have also promoted the principles to our members, with a recommendation to them to sign up individually.

2019 saw the establishment of a local Norwegian Global Compact Ocean Network. the NSA is part of this network, with the aim of working together with Norwegian companies making their living from the sea, and and prove the merit of cooperating on realising sustainable seas.

Nine principles for a Sustainable Ocean

OCEAN HEALTH AND PRODUCTIVITY

Principle 1: Assess the short- and long-term impact of their activities on ocean health and incorporate such impacts into their strategy and policies.

Principle 2: Consider sustainable business opportunities that promote or contribute to restoring, protecting or maintaining ocean health and productivity and livelihoods dependent on the ocean.

Principle 3: Take action to prevent pollution affecting the ocean, reduce greenhouse gas emissions in their operations to prevent ocean warming and acidification, and work towards a circular economy.

Principle 4: Plan and manage their use of and impact on marine resources and space in a manner that ensures long-term sustainability and take precautionary measures where their activities may impact vulnerable marine and coastal areas and the communities that are dependent upon them.

GOVERNANCE AND ENGAGEMENT

Principle 5: Engage responsibly with relevant regulatory or enforcement bodies on ocean-related laws, regulations and other frameworks.

Principle 6: Follow and support the development of standards and best practices that are recognized in the relevant sector or market contributing to a healthy and productive ocean and secure livelihoods.

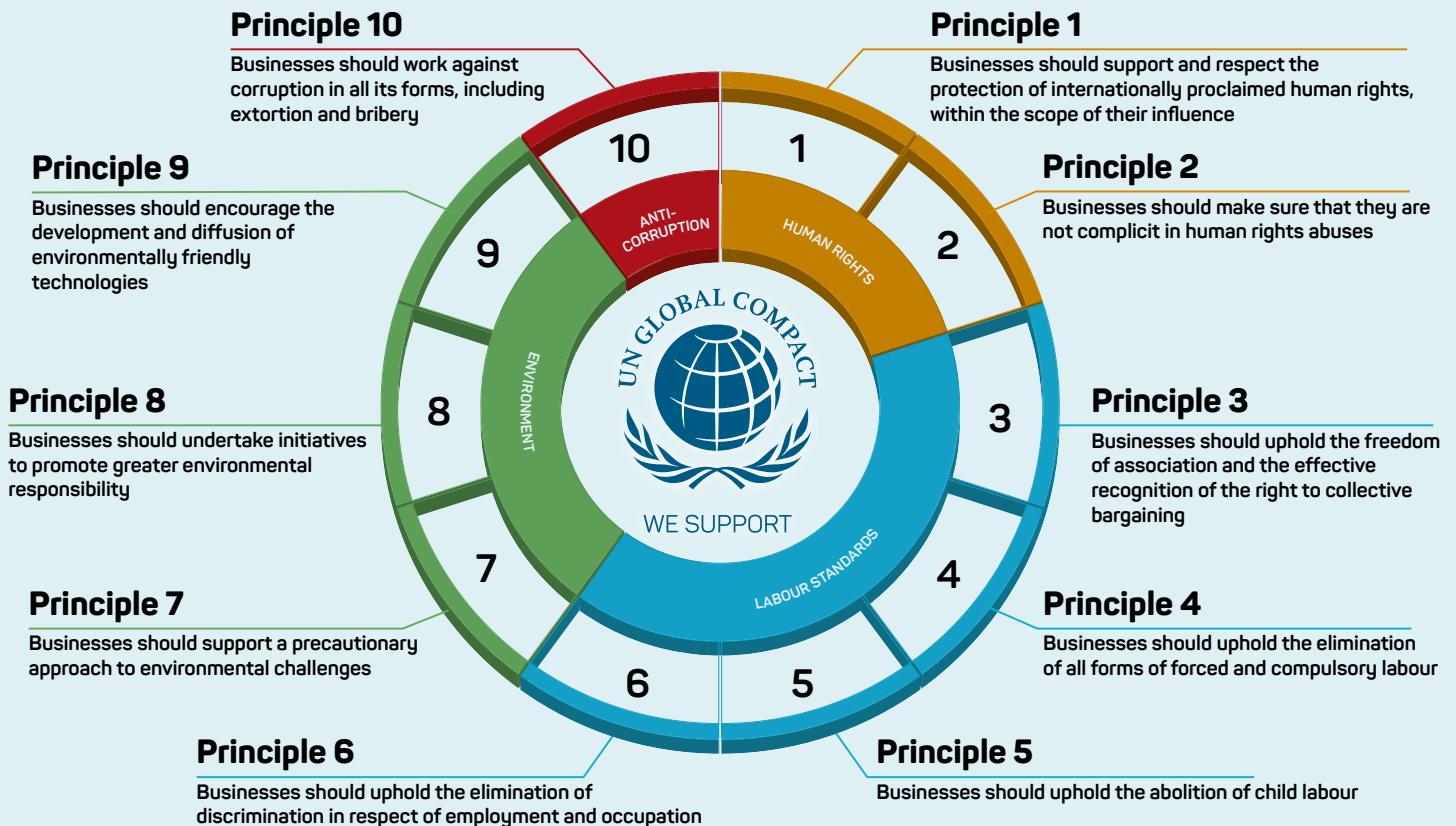
Principle 7: Respect human-, labour- and indigenous peoples' rights in the company's ocean- related activities, including exercise appropriate due diligence in their supply-chain, consult and engage with relevant stakeholders and communities in a timely, transparent and inclusive manner, and address identified impacts.

DATA AND TRANSPARENCY

Principle 8: Where appropriate, share relevant scientific data to support research on and mapping of relevance to the ocean.

Principle 9: Be transparent about their ocean-related activities, impacts and dependencies in line with relevant reporting frameworks.

The UN Global Compact's 10 principles



Responsible businesses enact the same values and principles wherever they have a presence, and they know that good practices in one area do not offset harm in another. By incorporating the Global Compact principles into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.

The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.



Human rights

1

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights.

2

PRINCIPLE 2: Businesses should make sure that they are not complicit in human rights abuses.

Our approach: The fundamental basis for all business activities must be a genuine respect for human rights and the individual. We approach this topic from two perspectives. Firstly, by action to avoid infringing on Human Rights as laid down by the UN. Secondly, by pursuing the true spirit of the Human Rights Declaration by actively undertaking and promoting efforts to help people in need and improve their lives and well being. Below we have listed some examples of our engagement:

UN World Food Programme

We have established a partnership agreement between the World Food Programme (WFP), and we will work to renew this agreement in 2020. Through the agreement the NSA has assisted the WFP on several occasions over the last years, particularly during escalation of the conflict near Tripoli in April 2019. We are also in dialogue with the WFP to assist further if the situation in Yemen deteriorates further.

Crises support and humanitarian assistance

Assisting persons in distress at sea continues to be a fundamental principal for our seafarers and members. Since 2015, fewer people have risked their lives by attempting to cross the Mediterranean in small and unseaworthy boats. This development, as well as an increase in the number of search and rescue assets in the area, has led to a steady drop in the number of merchant vessels called upon to assist in rescue operations in the Mediterranean.

The association assists Norwegian authorities in identifying ships that can be used in international

operations. An example of this is operation RECSYR. The mission of the operation was to move chemical weapons out of Syria. The vessel "Taiko" was identified as suitable by the NSA, and the ship joined the operation as soon as it was adapted for the mission, which was ultimately successful.

The Rafto Foundation: Mind the Gap tour

The Rafto Foundation for Human Rights, in partnership with the Institute for Human Rights and Business (IHRB) and the Danish Institute for Human Rights (DIHR) met with the shipping industry in several Norwegian maritime cities to promote the UN Guiding Principles on Business and Human Rights, and the importance of human rights due diligence and risk mapping.

The Norwegian Shipowners' Association contributed to the sessions in Stavanger and during Nor-Shipping with lectures focusing on human rights risks associated with ship recycling in South Asia.



The Norwegian Shipowners Association visiting ship recycling yards in Alang, India, in the autumn of 2019, to encourage further improvements at the yards and to meet with regional and national authorities.



Labour and working conditions

3

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4

PRINCIPLE 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Our approach: The Norwegian Shipowners' Association is one of the shipping world's largest employer organisations, representing Norwegian controlled shipowning companies and offshore contractors. We support the tripartite cooperation between trade unions, employers' organisations and authorities, and we actively promote safe working conditions for seafarers.

Frameworks for safety and working conditions through international and legally binding instruments

We work thorough international organisations such as IMO and ILO, as well as our own bargaining agreements, to secure good working and living conditions on board our vessels. We are proud to be part of the tripartite dialogue, and we have well-established frameworks for safety and working conditions through international and legally binding instruments. We acknowledge that fatality rates on board ships are higher than the average for all industries, and this drives us to focus even harder on implementing and consciously improving regulatory framework and requirements.

NSA Collective Bargain Agreements (CBA)

Our CBAs represents companies employing about 50,000 seafarers from more than 50 countries. Our agreements are established with Norwegian and foreign trade unions covering seafarers from all nationalities and applicable for all ships in international trade. Our agreements are well above the minimum standards set by the ILO and address important labour and human right principles such

as safe and healthy working conditions, freedom to join a seafarer's union, no forced labour and access to P&I coverage, social security, and for some nationalities, a pension scheme. With our support, Norway has implemented the Maritime Labour Convention, SOLAS and other relevant conventions.

ILO Joint Maritime Commission

The ILO has a joint Maritime Commission for the shipping industry consisting of an equal number of employees' representatives from the International Transport Federation (ITF) and employers' representatives from the ICS. The NSA is represented in the Commission on the strength of the large Norwegian fleet. The Commission is central to ILOs work among other reasons because it conducts negotiations on ILO Standard minimum wages for seafarers, last negotiated in the spring of 2018. The tripartite cooperation plays a very important role in developing international legally binding instruments with the aim of securing decent working conditions to seafarers from all nations.

5

PRINCIPLE 5: Businesses should uphold the effective abolition of child labour.

6

PRINCIPLE 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

The Maritime Labour Convention (MLC) and SOLAS

To our knowledge, no other industry has more extensive international rules and regulations protecting its workers than the shipping industry. MLC-2006 and SOLAS are the most important examples of conventions regulating working conditions, health, and safety issues for seafarers. Within the tripartite structure, MLC is under continuous development.

The convention stipulates that following the inspection of a ship, the flag state shall issue a ship certificate with reference to seafarer working conditions on board, confirming that the ship meets the requirements of the convention. Terms of employment shall also be subject to port state control. If the check reveals a serious breach of occupational safety requirements, the ship may be detained until the breaches are corrected.

It is our opinion that the MLC has been a success in securing higher standards for seafarers, regardless of flag state.

Norwegian Maritime Training Centre (NTC) in the Philippines

The Norwegian shipping industry employs a large number of Filipino crew, and the NTC was established by the Norwegian Shipowners Association to provide relevant and qualified training for seafarers serving on member vessels.

Under the coordination of NTC and with contribution from the NSA-ATEP Foundation, around 6000 young men and woman have received full scholarships and a maritime education degree at four maritime schools around the Philippines. Over the last 30 years, more than 100,000 seafarers have been trained at NTC.

Environment



PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges.



PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility.

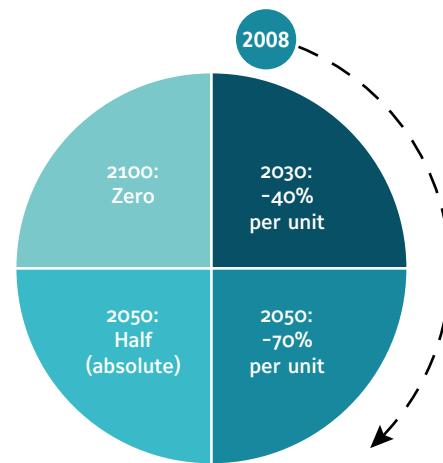
Our approach: We have an ambitious vision of zero harmful emissions to air and sea. Identifying ways to mitigate risks and minimize our impact on the environment through energy efficiency and reduction in carbon emissions is a key priority for the industry.

Shipping is part of the climate solution:

Shipping is of great importance to world trade, and remains the most energy efficient option for transporting large volumes of cargo. The industry is working diligently to reduce its emissions. Greenhouse gases (GHG) and other exhaust gases such as nitrous oxide (NOX), sulphur oxide (SOX), particles, and black carbon comprise the main environmental footprint from shipping. Other environmental concerns include invasive species, oil spills from accidents and operations, and garbage.

Global warming and Greenhouse gases

In April 2018, the 174 flag states in the IMO reached a landmark agreement to reduce greenhouse gas emissions. The Initial IMO Strategy on reduction of GHG emissions from ships ([MEPC resolution 304\(72\)](#)) consists of four elements.



The first element of the strategy covers measures that can be implemented quickly, notably operational measures and improvements to the existing fleet. We see many examples of this in the Norwegian fleet. International shipping is well on track toward achieving the target of emission reductions of up to 30%.

The second and third elements will require more substantial changes, including combining optimized newbuildings with novel machinery

* Guide to Corporate Sustainability

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PRINCIPLE 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

and low or zero emission fuels, in addition to operational measures.

Research and innovation is crucial to finding new and environmentally friendly solutions. The NSA contributes to various research and development projects such as Smart Maritime, coordinated by Sintef Ocean and NTNU, and the Green Shipping Programme, coordinated by DNV GL.

The seaway is the green way

Seaborne transportation is the most energy efficient and environmentally friendly transport mode, and the only practical way to move large volumes of cargo. The Norwegian Shipowners' Association notes and welcomes the progress made by other transport modes, especially in Norway where heavy-duty vehicles will likely become emission free over the next decade. The short sea shipping sector must and will work hard to reduce emissions further. In 2019, we see the first signs of a significant greening of the short sea shipping fleet, with multiple orders for new vessels with optimised hull forms, efficient machinery, and use of natural gas and battery power. On selected routes, such ships have cut emissions by 20-40% compared to their predecessors. The NSA welcomes this fleet renewal.

Local air emissions

Although 85% of emissions come from international shipping, roughly half the shipping

activity takes place closer than 50 nautical miles from shore. This explains why local pollutants from shipping have an impact on human life, flora and fauna. There are many ways to reduce SOX emissions in addition to low sulphur marine gas oil and exhaust gas cleaning systems. Our members are now conducting trials with LNG, LPG, methanol and biogas. The NSA believes that shore power and alternative low and zero carbon fuels will be necessary to reduce local pollutants and greenhouse gas emissions.

Electric shipping

A small production footprint and minimal transmission loss combine to make electricity a good power source for ships with limited energy needs, generally smaller ships on shorter routes. A second prerequisite for successful electrification is fixed routes with suitable infrastructure including power supply and high intensity charging. While shore power can contribute to reduced emissions, particularly local pollutants of concern to humans, nature, and wildlife, electricity can only cover a fraction of the energy needed on our members' vessels. The NSA is therefore working to further other low and zero emission fuels.

Recycling of ships

Responsible recycling has been a central concern of the NSA for many years. We regret that the Hong Kong Convention, completed in 2009, still

lacks sufficient support, and we are working actively with authorities and associations to promote the convention's earliest ratification.

Since our last COE report, we have revised our guidelines for responsible recycling of ships to encourage members to take additional and specific measures to ensure adherence to the Hong Kong Convention while waiting for it to enter into force.

We have established a working group of shipowners who meet regularly to discuss what the industry can do to further ensure proper recycling, using a set of best practices, checklists and contractual clauses to help members realise their sincere intention of recycling ships responsibly.

We also work with shipbreaking yards to support them and help improve their working environment. The NSA visited Alang, India, in the autumn of 2019 to encourage further improvements at the yards and to meet with regional and national authorities. It is promising to note that over the last few years, shipbreaking yards have started to improve working conditions and have made efforts to reduce the risk of spills.

Plastics in the ocean

Every year over 8 million tonnes of plastic ends in the oceans. Acknowledging that plastics in the ocean are a fundamental threat to sustainability, resource utilisation, and life on earth, we took the initiative to establish the Circular Cleanup project in partnership with the World Wildlife Fund in early 2018.

The project brought together a variety of actors across sectors, both public and private. The goal is to find better solutions for both prevention and clean up. In the spring of 2019, 13 concepts were launched on how to help clean up and prevent plastic from ending up in the ocean. We showcased three strategies for three perspectives: cities, coasts and global. The goal of these strategies is to make collection of plastic garbage more efficient and circular, and establish Norway as a leader in the work for cleaner oceans. We are currently working on bringing some of these concepts forward and aim to pilot one of the ideas during the course of 2020.



CEO Harald Solberg was among hundreds of volunteers helping environmental activist Afroz Shah to clean the Versova beach in India.



Anti-corruption

10

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Our approach: Corruption raises the cost of doing business and hinders growth, investment and job creation. Strengthening global and national maritime institutions is important in restricting the spread of corruption and bribery. Cooperation between governments, local partners and industry is key to combating illicit practices.

The Maritime Anti-Corruption Network (MACN)

The NSA was one of the founders of the MACN and we are very happy to report that the network has in a very few years become the most acknowledged and effective anti-corruption and integrity initiative in shipping, through promotion of industry participation and global outreach. The network continued to make significant progress in 2018 and 2019, with collective actions, e-learning training programmes and a unique anonymous reporting system.

The MACN works towards the elimination of all forms of maritime corruption by raising awareness of the challenges, implementing the MACN Anti-Corruption Principles and co-developing and sharing best practices, collaborating with governments, non-governmental organizations, and civil society to identify and mitigate the root causes of corruption, and creating a culture of integrity in the maritime community.

MACN members represent the entire maritime industry, from shipowners, managers, and cargo owners, to port agents, constantly increasing the network's collective power and leverage. On the Collective Action front, there was a 90% decrease in reported incidents in Argentina following the development and implementation of a new regulation initiated by the MACN and its local partners. By the end of 2018, MACN had trained over 1000 port and government officials in Nigeria and had prepared the ground for the launch of MACN's first Collective Action in India. Issues involving the Suez Canal have also been actively addressed and mitigated.

During 2019, MACN also received substantial support from the IMO for its work, including the establishment of maritime corruption as a regular work item on the IMO agenda, with many countries and international organizations endorsing a proposal to develop guidelines to assist all stakeholders in embracing and implementing anti-corruption practices and procedures. The IMO will now work on a guidance document to address maritime corruption.



MACN have inspired and delivered increased participation in the Suez Canal Say No campaign. Photo: Mohamed Hossam / EPA / NTB scanpix

Sustainability reporting and transparency

Sustainability reporting, including climate reporting, is important for several reasons. It creates awareness within companies about how they affect the environment, and makes it easier for investors to see which companies are at risk and which are well prepared for the challenges that climate change represents.

More than 230 standards for sustainability reporting currently exists and many reporting standards overlap. This have led to a tremendous reporting burden for companies. Moreover, the sustainability information produced is of questionable value. To make reporting easier and more targeted for our members we have initiated work on a *"Guidance for reporting on ESG and climate risk in the maritime industry"*. This will increase transparency and accountability in the shipping industry and better fulfil the demands from different stakeholders. The Guidance will be finalised in January 2020.

The NSA also supports Transparency International Norway.

Sustainable business practices and supply chain management

Making sure that vessels are equipped with all necessary supplies and services at all times is a

complex task for shipping and offshore companies, and involves suppliers across the world. The NSA promotes due diligence assessment and the establishment of Suppliers Code of Conduct. Through the application of such codes, companies can requires suppliers to observe high ethical environmental and social standards. Human right issues such as child labour, forced labour, discrimination and freedom of association are included in the assessment, and suppliers are scrutinized through due diligence processes.

A matter of Principle - stakeholder initiatives

In 2019 the Poseidon Principles were introduced by 11 major financial institutions to help cut carbon pollution from the fleets they finance. At the heart of the principles is a clear and simple idea: each institution will use available data from every ship in its portfolio to calculate total carbon emissions, and that total will then be cut year on year, in alignment with the IMO's 2050 "absolute target" for the financing of greener ships. This initiative shows how the finance industry can influence and assist improvements in business. The building block on which the principles are based is the data shipowners are now obliged to collect and report to the IMO on their vessels fuel consumption. The NSA welcomes this initiative to help reduce carbon emissions.

Highlights

- The NSA is actively engaging in the work of the UN Global Compact Ocean Platform. We participate in all workshops and meetings and provide valuable inputs to the discussions. We have also contributed to the reports on Ocean Regulations and Ocean Opportunities.
- We have signed the UN Global Compact Ocean Action Platform's nine principles for healthy and sustainable oceans, with a recommendation to our member companies to sign up individually as well.
- In April 2018, the IMO adopted an ambitious initial strategy for the reduction of greenhouse gases (GHG) from international shipping. The NSA aims to be a driving force in making proposals to achieve 40% lower carbon intensity by 2030 and a 50% cut in emissions by 2050.
- We have revised our guidelines for responsible recycling of ships to encourage members to take additional and specific measures to ensure the enforcement of the Hong Kong ship recycling convention. The NSA visited Alang in India in October 2019 to encourage further improvement at yards and to meet regional and national authorities.
- The NSA has initiated a Circular Clean-up project bringing together forces across industries, local government, research and non-governmental organisations to create new initiatives for cleaner oceans.
- We continue to support and promote the Maritime Anti-corruption Network (MACN), and we are pleased to note that more Norwegian shipowners and cargo owners have joined the network in 2018/19. Another important milestone from 2019 is the formal recognition of MACN by the IMO. Developing guidelines to combat maritime corruption is now established on their agenda.
- The NSA has initiated work on a guideline for sustainability reporting in shipping. This will contribute to increasing transparency and accountability on Environmental, Social, and Governance (ESG) in the shipping industry.



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