

Eimskip Ísland ehf.

Sustainability Statement

(ESG)

2018

Eimskip Íslands ehf.
Korngörðum 2, 104 Reykjavík
Kt. 421104-3520

Contents

	Page.
Statement by the CEO	1
Assessment Report	2
ESG Highlights 2018	3
ESG Accounting	4
Notes	8

Statement by the CEO

The Sustainability Statement reflects the ESG guidelines issued by Nasdaq Iceland and the Nordic countries in March 2017. These guidelines are based on recommendations made in 2015 by the United Nations, the Sustainable Stock Exchange Initiative and World Federation of Exchange. Reference is also made to the GRI Standard (Global Reporting Initiative, GRI100-400) and its Reporting Principles (P1-10) of the United Nations Global Compact (UNGC).

The information presented in this statement covers the period 1 January 2018 to 31 December 2018. The statement presents statistical information, from the year 2015 which allows us to assess the scope, position and potential impact of core activities, in relation to environmental aspects, social aspects and governance. On the basis of this report, on the other hand, a basis is created for guiding the development of these issues in coming years.

Eimskipafélag Íslands hf. uses the environmental software Klappir Core to make the Sustainability Statement that covers the operation of Eimskipafélag Íslands hf., Eimskip Ísland ehf. and Faroe Ship.

The software is used to ensure the traceability, transparency and efficiency in the collection and dissemination of environmental information. Data on fuel consumption, electricity consumption and use of hot water and use of cold water are automatically collected. The origin of data can then be traced back to the supplier.

The Board of Directors and the CEO hereby confirm the Company's Sustainability Statement for the period from 1 January to the 31 December 2018.

28. March 2018



Vilhelm Már Þorsteinsson

CEO, Eimskipafélag Íslands hf.

The Assessment Report

The Board of Directors and the CEO of Eimskipafélag Íslands hf. are responsible for the preparation and presentation of the statement in accordance with an international standards. We have reviewed the Sustainability Statement (ESG) for Eimskipafélag Íslands hf. for the period January 1 to December 31, 2018.

The environmental solution of Eimskipafélag Íslands hf. is a digital data collection and environmental compliance solution, covering energy, waste and water management of vessel fleet, truck fleet, terminal assets, warehouses and office space. Of the bases of the assessment, the environmental management solution is found to be in compliance with the Nasdaq guidelines, Icelandic law and regulations, the IMO MARPOL Annex I to Annex VI for the vessel fleet and EU MRV for the vessel fleet as follows:

Energy management compliant to MARPOL Annex I, Annex VI, EU MRV and local law including:

- Data transparency, accuracy and accountability on fuel receiving of vessel fleet, truck fleet and terminal assets
 - Data transparency, accuracy and accountability on electricity use and use of district heating for terminal assets, warehouses and offices

Waste management compliant to MARPOL Annex V and local law including:

- Data transparency, accuracy and accountability on waste sorting and disposal of vessel fleet
 - Data transparency, accuracy and accountability on waste sorting, recycling and disposal of terminals, warehouses and offices

The statement comprises of Environment, Social and Governance accounting and notes for the company. The review of the companies sustainability includes queries, especially for managers, along with analyzes and other exploratory actions. In my opinion, the ESG statement gives a true and fair picture of the companies ESG metrics.

I hereby confirm the Company's Sustainability Statement (ESG) for the period from 1 January to 31 December 2018 with my signatures.

28. March 2018

A handwritten signature in black ink is written over a rectangular stamp. The stamp contains the text "KLAPPIR" in a bold, sans-serif font, with "Íd. 630914/1080" printed below it. The signature is a cursive-style name, likely "Jon Agust Thorsteinsson".

Dr. Jon Agust Thorsteinsson
CEO, Klappir Green Solutions hf.

ESG Highlights 2018

Eimskip was established in Reykjavik in 1914 and has since then connected Iceland and the rest of the world with its transportation services. The Company has played an important role in Iceland's history and the fight for its independence. It realizes its responsibility and is committed to maintaining its presence and services.

The Company operates an efficient and responsible transportation system in the North Atlantic and offers worldwide forwarding services. Its mission is to be a leading transportation company in the North Atlantic with connections to international markets and to be specialized in worldwide freight forwarding services.

Eimskip vision is excellence in transportation solutions and services. To attain this, Eimskip strives to provide its customers with the most efficient and sustainable transportation solutions combined with outstanding services, while securing a good return for its shareholders and being responsible towards its employees and the society, including the environment.

Eimskip defines society as one of its stakeholders. Other stakeholders are the Company's shareholders, customers and employees. Corporate social responsibility plays a large role in its operations and environmental matters are important. Eimskip's values are Achievement, Cooperation and Trust. These are the employees guiding principles in the Company's endeavour to work for a better society, preserve and protect the environment and to be a role model when it comes to responsibility and trust.

In 2018, Eimskip has made its biggest strides yet in improving relevant data collection and analysis on most aspects of its operation in terms of emissions and waste disposal, and, at the same time, increase the transparency of its ecological footprint throughout the supply chain. In 2019 digital recording of the vessels sludge, grey- and black water and more was added to the vessels digital recording system and is now presented in the statement. All employees domestic business flights have now been added to our statement and number of other data sources within Scope 3 emissions have been prepared for data collection and will be presented in the 2019 statement.

The focus in 2019 will be on continued monitoring of emissions and waste from the supply chain by collecting electronic data from all emitting sources and streaming it automatically to a common data warehouse. Digitalization of emission and waste-registration data from the supply chain enables continuous monitoring of measures and provides reliable and transparent information on the status. In January 2017, Eimskip signed a contract with a shipyard in China on building two 2,150 TEU ice class Polar Code container vessels, with expected delivery next fall. These vessels are built in line with environmental standards and are designed to be fuel-efficient.

Eimskip is a registered participant of the UN Global Compact, the United Nation's initiative for social responsibility with respect to human rights, labor, environment and anti-corruption. The Company has committed to manage its business operations so that the UN Global Compact and its Ten Principles become a part of the Company's strategy, culture and day-to-day operations.

Operational Parameters

KEY FIGURES	Unit	Fiscal Year			
		2015	2016	2017	2018
Total revenue	m€	338,0	347,1	393,1	415,5
Total equity	m€	-	-	-	-
Number of full-time equivalent employee	FTEe	842	865	916	896
Total space for own operation	m ²	-	-	-	-
Total Carbon Tax (ESR)	mISK	24,38	26,12	27,96	41,47
Total Carbon Tax (ETS)	mISK	0,00	0,00	0,00	0,00
Share of renewable energy	%	2%	3%	3%	3%
Transported cargo	ton	1.866.665	1.981.899	2.127.978	2.262.791
Transported passangers	no	302.322	338.479	344.351	339.442

ESG Accounting

The following table provides an overview of our performance over time and includes ESG data for Eimskipafélag Íslands hf., Eimskip Ísland ehf. and Faroe Ship.

Environmental Accounting KEY FIGURES	Unit	Fiscal Year			
		2015	2016	2017	2018
Direct and Indirect GHG Emissions (E1 UNGC GRI 305-1 to 305-4)					
Scope 1	tCO ₂ e	235.139	229.695	238.575	253.169
Scope 2 (market-based)	-	-	293	265	289
Scope 2 (location-based)	-	2.526	-	-	-
Scope 3	-	259	313	332	410
Total Emissions Scope 1, 2 [market based] and 3	tCO₂e	237.924	230.301	239.171	253.868
Emissions neutralized by carbon offset projects	-	0	0	0	0
Net operational carbon emissions	tCO ₂ e	237.924	230.301	239.171	253.868
Carbon Intensity (E2 UNGC GRI 305-4)					
Carbon Intensity per megawatt-hour consumed	tCO ₂ e/MWh	0,27	0,27	0,26	0,26
Carbon Intensity per full-time equivalent (FTEe) employee	tCO ₂ e/FTEe	282,57	266,24	261,10	283,33
Carbon Intensity per unit of revenue	tCO ₂ e/m€	703,92	663,50	608,42	610,99
Carbon Intensity per transported cargo	tCO ₂ e/transp.ton	0,127	0,116	0,112	0,112
Development of the KPI from base year	%	0,0%	-8,8%	-11,8%	-12,0%
Direct & Indirect Energy Consumption (E3 UNGC GRI 302-1, 302-2)					
Total energy consumption	kWh	894.499.341	864.989.212	913.839.389	970.497.536
Of which energy from fuels	-	870.592.915	835.948.595	887.918.080	941.810.991
Of which energy from electricity	-	16.011.963	16.697.207	16.349.975	16.232.611
Of which energy from hot water	-	7.894.463	12.343.410	9.571.334	12.453.934
Energy Intensity (E4 UNGC GRI 302-3)					
Energy Intensity per full-time equivalent (FTEe) employee	kWh/FTEe	1.062.351	999.988	997.641	1.083.145
Energy Intensity per unit of revenue	kWh/m€	2.646.448	2.492.046	2.324.700	2.335.734
Energy Intensity per square meter	kWh/m ²	-	-	-	-
Primary Energy Source (E5 UNGC GRI 302-1)					
Primary Energy Source	Type	Fossil Fuel	Fossil Fuel	Fossil Fuel	Fossil Fuel
Renewable Energy Intensity (E6 UNGC-P7,P8,P9 GRI 302-1)					
Share of renewable energy	%	2,2%	3,4%	2,8%	3,0%
Share of renewable electrical energy	-	71%	100%	100%	100%
Water Management (E7 UNGC GRI 403-5)					
Total water consumption	m ³	-	39.192	207.122	268.738
Of which cold water	-	-	39.192	42.099	54.015
Of which hot water	-	-	-	165.023	214.723
Waste Management (E8 UNGC GRI 306-2)					
Total waste generated annually	kg	666.083	777.119	881.345	1.109.366
Of which sorted waste	kg	330.293	396.841	451.731	708.733
Of which unsorted waste	-	335.790	380.278	429.614	400.633
Waste performance (E8 UNGC GRI 306-2)					
Sorted	%	50%	51%	51%	64%
Unsorted	-	50%	49%	49%	36%
Landfill/Disposal	-	-	-	-	53%
Recycled/Recovered	-	-	-	-	47%
Waste per unit of revenue	kg/m€	1.970,7	2.238,9	2.242,0	2.670,0
Environmental Policy (E9 UNGC GRI 103-1 to 103-3)					
Has the company implemented an environmental management system?	Yes/No	Yes	Yes	Yes	Yes
Does the company publish and follow an Environmental Policy?	-	Yes	Yes	Yes	Yes
Environmental Impacts (E10 UNGC GRI 307-1)					
Did the company bear any legal/regulatory responsibility for an environmental impact?	Yes/No	Yes	Yes	Yes	Yes
Paper Management (E11 UNGC GRI 103-2)					
Total amount of printed paper	pages	-	2.859.527	2.268.509	2.479.106
Share of colour print	%	-	12,6%	10,9%	13,8%
Share of black/white print	-	-	87,4%	89,1%	86,2%
Duplex	-	-	-	-	-

Society (S)	Fiscal Year				
		Unit	2015	2016	2017
KEY FIGURES					
Employees (S3 UNGC GRI 401-1)					
Total annual turnover	%	18,8%	22,3%	24,3%	24,7%
Left voluntarily	no.	88	114	137	143
Left due to dismissal	-	27	35	39	34
Retired	-	16	8	10	17
Employee Turnover by gender	-	151	182	209	215
Woman	%	9%	15%	20%	17%
Men	-	91%	85%	80%	83%
Employee Turnover by age:					
20-29	no.	57	62	90	92
30-39	-	25	41	43	40
40-49	-	21	29	25	25
50-59	-	18	26	19	22
60-69	-	24	17	16	29
Gender Diversity (S4 UNGC GRI 405-1)					
Total number of FTEs	no.	842	865	916	896
Women	%	18%	20%	21%	21%
Men	-	81%	80%	79%	79%
Number of part-time employees	no.	23	20	32	23
Women	%	65%	55%	53%	48%
Men	-	35%	45%	47%	52%
Number of managers	no.	59	59	64	59
Women	%	20%	24%	27%	25%
Men	-	80%	76%	73%	75%
Temporary Worker Ratio (S5 UNGC GRI 102-8)					
Total number of Full-Time Positions	no.	842	865	916	896
Full-Time positions	%	94%	93%	95%	92%
Full-Time Positions held by Part-Time Workers	-	2%	2%	2%	2%
Full-Time Positions held by Temp Workers	-	4%	5%	3%	6%
Non-Discrimination Policy (S6 UNGC GRI 103-1 to 103-3)					
Does the company publish and follow a non-discrimination policy?	Yes/No	Yes	Yes	Yes	Yes
Injury Rate (S7 UNGC GRI 403-9)					
Employee accidents at work	no.	83	57	51	51
Employee accidents to and from work	-	4	4	1	4
Global Health & Safety (S8 UNGC GRI 103-1, 103-2)					
Does the company publish and follow a policy for occupational and global health issues?	Yes/No	-	-	-	Yes
Absence from work due to long-term illness as share of total working hours of all employees	%	-	-	-	-
Absence from work due to short-term illness as share of total working hours of all employees	-	-	-	-	-
Total employee absence from work as share of all employee working hours	-	-	-	-	-
Child & Forced Labour Policy (S9 UNGC P4,P5 GRI 103-1, 103-2)					
Does the company prohibit the use of child labour throughout the supply chain?	Yes/No	-	-	-	Yes
Does the company prohibit the use of forced labour throughout the supply chain?	-	-	-	-	Yes
Human Rights Policy (S10 UNGC P1,P2 GRI 103-1, 103-2)					
Does the company publish and follow a human right policy?	Yes/No	-	-	-	Yes
Human Rights Violations (S11 UNGC P1,P2 GRI 103-2)					
Number of grievances (or judgements) filed	no.	0	1	0	0
Due to bullying	-	0	0	0	0
Due to harassment or/and gender based discrimination	-	0	0	0	0
Due to sexual harassment	-	0	0	0	0
Due to ignorance	-	0	1	0	0
Other grievances	-	0	0	0	0
Number of grievances (or judgements) addressed	-	0	1	0	0
Number of grievances (or judgements) resolved	-	0	1	0	0
Board Diversity (S12 UNGC GRI 405-1,102-24)					
Number of board members	no.	5	5	5	5
Women	%	40%	40%	40%	60%
Men	-	60%	60%	60%	40%

Governance (G)		Fiscal Year			
KEY FIGURES	Unit	2015	2016	2017	2018
Board-Separation of Powers (G1 UNGC GRI 102-23)					
Does the CEO sit on the board?	Yes/No	No	No	No	No
Does the CEO act as chairman of the board?	-	No	No	No	No
Does the CEO lead committees?	-	No	No	No	No
Board-Transparent Practices (G2 UNGC GRI 102-18, 102-19)					
Are board outcomes made public?	Yes/No	No	No	No	No
To the CEO?	-	Yes	Yes	Yes	Yes
To verifiers?	-	Yes	Yes	Yes	Yes
Is voting by each member of the board made public?	-	No	No	No	No
To the CEO?	-	Yes	Yes	Yes	Yes
To verifiers?	-	Yes	Yes	Yes	Yes
Incentivized Pay (G3 UNGC GRI 102-35)					
Are company executives formally incentivized to perform on ESG?	Yes/No	Yes	Yes	Yes	Yes
Regarding environmental issues?	-	Yes	Yes	Yes	Yes
Regarding social issues?	-	Yes	Yes	Yes	Yes
Regarding governance issues?	-	Yes	Yes	Yes	Yes
Fair Labour Practices (G4 UNGC P3 GRI G4;HR4)					
Does the company support the collective organization of workers?	Yes/No	Yes	Yes	Yes	Yes
Employees in labour unions	%	95,2%	95,2%	95,2%	95,7%
Employees outside labour unions	-	4,9%	4,8%	4,8%	4,3%
Supplier Code of Conduct (G5 UNGC P3 GRI 407-1)					
Does the company publish and follow a SC	Yes/No	No	No	In progress	In progress
That covers environmental issues?	-	No	No	In progress	In progress
That covers human rights issues?	-	No	No	In progress	In progress
That covers ethnicity?	-	No	No	In progress	In progress
That covers possible corruption?	-	No	No	In progress	In progress
That covers agents?	-	No	No	In progress	In progress
Ethics-Code of Conduct (G6 UNGC P3 GRI 102-38)					
Does the company publish and follow an EC?	Yes/No	Yes	Yes	Yes	Yes
That has been approved by the board of directors?	-	Yes	Yes	Yes	Yes
That has been introduced to employees?	-	Yes	Yes	Yes	Yes
Anti-Bribery / Anti-Corruption (G7 UNGC P10 GRI 102-16, 205-1 to 205-2)					
Does the company publish and follow a BAC?	Yes/No	No	No	In progress	Yes
That has been approved by the board of directors?	-	No	No	In progress	Yes
That has been introduced to employees?	-	No	No	In progress	In progress
That has been introduced publicly?	-	No	No	In progress	Yes
Is an appropriate response plan in place?	-	No	No	In progress	In progress
Are there appropriate procedures in place?	-	No	No	In progress	In progress
Do employees have access to the response plan and procedures?	-	No	No	In progress	In progress
Tax Transparency (G8 UNGC GRI 201-1, 103-1 to 103-2)					
Does the company publish and follow a tax policy that is overseen by the board of directors?	Yes/No	-	-	-	-
Does the company prepare country-by-country tax reports?	-	Yes	Yes	Yes	Yes
Does the company calculate its tax-footprint?	-	Yes	Yes	Yes	Yes
Sustainability Report (G9 UNGC GRI 102-50, 102-54 to 102-56)					
Does the company publish a sustainability report?	Yes/No	No	No	In progress	Yes
Other Framework Disclosures (G10 UNGC GRI 102-31)					
Does the company publish a GRI, CDP, SASB, IIRC or UNGC report?	Yes/No	In progress	In progress	Yes	Yes
External Validation & Assurance (G11 UNGC GRI 102-56)					
Are the company's ESG disclosures assured or validated by a third party?	Yes/No	Yes	Yes	Yes	Yes

Notes

Notes	Unit	Fiscal Year			
		2015	2016	2017	2018
BREAKDOWN OF KEY FIGURES					
Direct and Indirect GHG Emissions (E1 UNGC GRI 305-1 to 305-4)					
Total emissions	tCO2e	237.924	230.301	239.171	253.868
Emissions from business travel	-	-	-	-	11
Of which flights	-	-	-	-	11
Of which taxis	-	-	-	-	-
Emissions due to commuting	-	-	-	-	-
Emissions due to waste	-	-	-	332	399
Emissions due to fuel use	-	-	-	238.575	253.169
Emissions due to electricity	-	-	-	180	174
Emissions due to hot water	-	-	-	85	110
Primary Energy Source (E5 UNGC GRI 302-1)					
Petrol	litre	-	52.843	51.579	41.325
Diesel	-	-	4.306.737	4.393.514	4.352.212
HFO	-	-	21.375.006	27.677.201	31.001.239
IFO	-	-	9.025.549	9.557.547	9.716.597
MGO	-	-	37.116.158	39.449.610	40.822.980
Methane	-	-	0	0	0
Hydrogen	kg	-	0	0	0
Electricity	kWh	16.011.963	16.697.207	16.349.975	16.232.611
Hot water	m ³	-	-	165.023	214.723
Primary Energy Source (E5 UNGC GRI 302-1)					
Primary Energy Source	Type	Fossil Fuel	Fossil Fuel	Fossil Fuel	Fossil Fuel
Fuels	%	97,3%	96,6%	97,2%	97,0%
Electricity	-	1,8%	1,9%	1,8%	1,7%
Hot water	-	0,9%	1,4%	1,0%	1,3%
Renewable Energy Intensity (E6 UNGC-P7,P8,P9 GRI 302-1)					
Energy from electricity	kWh	11.368.494	16.697.207	16.349.975	16.232.611
Energy from district heating	-	7.894.463	12.343.410	9.571.334	12.453.934
Energy from fuels	-	0	0	0	0
Emissions neutralized by carbon offset projects					
Emissions neutralized by forestry	tCO2e	0	0	0	0
Emissions neutralized by wetland restoration	-	0	0	0	0
Emissions neutralized by other means	-	0	0	0	0

Notes

1. Fiscal year

The company's fiscal year runs from January 1 to December 31. Unless otherwise specified, reported data is global.

2. Accounting method

We use a closed-loop energy management system (Klappir) that collects most data and performs calculation automatically. For further information see www.klappir.com. The collection of data related to Social and Governance is collected manually and added to the Statement.

3. Direct and Indirect GHG Emissions (E1)

GHG emissions are calculated according to WRI's Greenhouse Gas Protocol. For more information on our methodology, see the environmental report 2018.

Carbon dioxide equivalent (CO₂e) is a quantity that describes, for given mixture and amount of GHG, the amount of carbon dioxide (CO₂) that would have the same global warming potential (GWP), i.e. the ability of a gas to trap heat in the atmosphere when measured over specified timescale (generally 100 years).

4. Carbon and energy Intensity (E2)

Carbon intensity figures are based on our combined Scope 1, Scope 2 (market-based) and Scope 3 (business travel, employee commuting and services to our activity).

We use two main KPI's to track our annual performance compared to the reference year 2015. It is the share of renewable energy and tCO₂e / transported unit.

5. Direct & Indirect Energy Consumption (E3)

Total energy consumption represents the total Scope 2 (electricity and hot water from geothermal sources) plus total Scope 1 (use of fossil fuel). Calculation of GHG from use of hot water and electricity are based on Icelandic constant provided by the power companies. The calculation is based on fully renewable (100%) energy. In 2017 the local grid (location-based) was 58% from fossil fuel, 29% atom power and 13% renewable. Scope 3 emissions are indirect emissions from other sources in our value chain, such as business travel, commuting and suppliers (services provided to us) .

6 . Water Management (E7)

Includes all water consumed in office and production facilities.