



Protecting ocean industries

**SKULD
SUSTAINABILITY
REPORT 2019**

CONTENTS

01	EXECUTIVE SUMMARY	4
02	MESSAGE FROM THE PRESIDENT AND CEO	7
03	SKULD SUSTAINABILITY PLATFORM	8
04	ABOUT THIS REPORT	9
05	MATERIALITY AND STAKEHOLDERS	13
06	ALIGNMENT WITH UN SUSTAINABLE DEVELOPMENT GOALS	18
07	UN GLOBAL COMPACT PARTICIPATION	20
08	SUSTAINABILITY ACHIEVEMENTS IN 2019	21
09	CORPORATE GOVERNANCE	23
10	TRANSPARENCY AND INTEGRITY	27
11	RISK MANAGEMENT	28
12	ENERGY AND EMISSIONS	31
13	WASTE AND RECYCLING	35
14	CRISIS RESPONSE	36
15	(CREW) HEALTH AND WELL-BEING	38
16	SUSTAINABLE INVESTMENTS	39
17	NEW, SUSTAINABLE REVENUE STREAMS	42
18	EMPLOYEE DIVERSITY AND INCLUSION	44

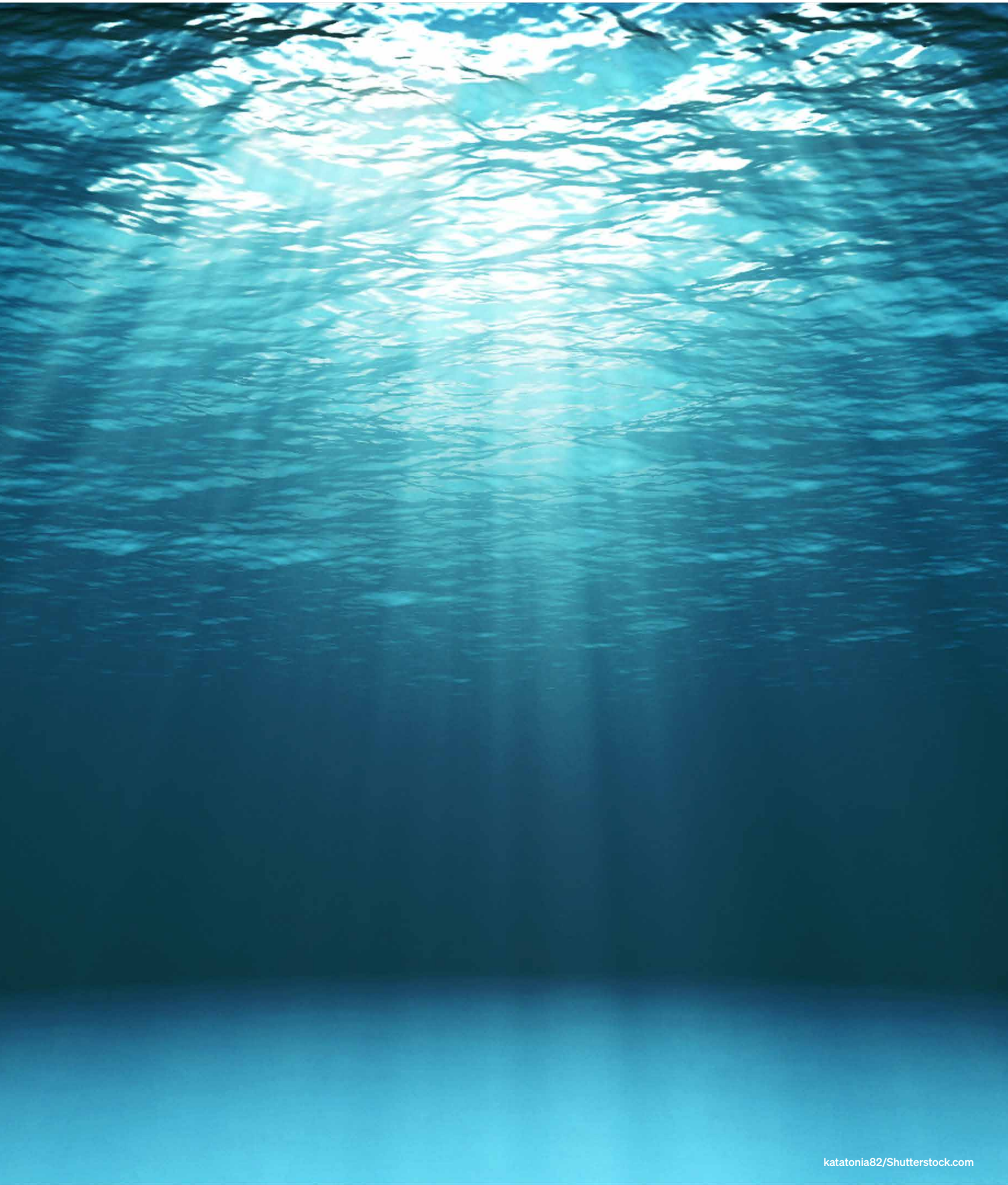
FIGURES

Figure 1	Skuld Sustainability Platform.....	8
Figure 2	Skuld organisation chart.....	9
Figure 3	Skuld Materiality Matrix 2019.....	13
Figure 4	UN Global Compact COP.....	20

TABLES

Table 1	GRI Index.....	12
Table 2	Material Topic description.....	15
Table 3	Impact Day status.....	22
Table 4	Energy consumption.....	32
Table 5	Emission factors.....	33
Table 6	Business travel breakdown.....	33
Table 7	Estimated number of unique tickets.....	34
Table 8	Estimated CO2 emissions.....	34
Table 9	The Seven Women's Empowerment Principles and Skuld's initiatives.....	46





[katatoria82/Shutterstock.com](https://www.shutterstock.com/user/katatoria82)

01 EXECUTIVE SUMMARY

Skuld's commitment to our members, clients and brokers, to the world's ocean industries, and to global society is underlined in our purpose statement, 'protecting ocean industries'. That commitment includes awareness of climate challenges and the imperative to pursue sustainable development. We have embraced sustainability as a strategic initiative.

Skuld's sustainability programme incorporates development targets and focussed activities within all relevant operational areas. It is supported by Skuld's board and management and it is integrated in our core business process areas: claims, loss prevention, underwriting, finance, human resources, and communications.

ADAPTING TO A SUSTAINABLE FUTURE

Today, the shipping industry faces social, environmental, and technological challenges, shedding special light on the case for sustainability. The professional expertise within Skuld benefits society every day, because it fosters and supports our customers' precautionary approach to foreseeable health, safety, and environmental impacts arising from the ocean industries. We will continue to build on that important foundation, and to assist our members, clients, and brokers as they adapt to global sustainability.

Skuld will add value by identifying and addressing areas in which our organisation has material environmental and social impacts. We are committed to UN Sustainable Development Goals (SDGs). Our ambition is to exert expertise and influence within our sector to ensure positive impacts at sea.

ACCOMPLISHMENTS AND GOALS

2019 was an exciting year. We strengthened and formalised our commitment to sustainability. Skuld's portfolio of innovations and improvements expanded alongside employee engagement, which together will help us prepare for and protect the future.

SUSTAINABILITY ACHIEVEMENTS 2019

- UN Global Compact signed
- Skuld's cross-functional sustainability Working Group established
- Global Maritime Forum's Getting to Zero 2030 Coalition joined
- UN Women's Empowerment Principles adopted
- High-impact areas for intensified effort identified, defined, and targeted
- Ocean Farm 1, the world's first sustainable offshore fish farm, insured
- Skuld Impact Day launched
- Skuld's sustainability goals for 2020 finalised under Focus 2020

FOCUS 2020

Our 2020 sustainability focus is the implementation of planned activities and the transparent presentation of outcomes. We will build internal competences, engage actively with sustainability throughout our organisation, and pursue the initiatives outlined below.

CORPORATE GOVERNANCE

- Maximise the number of employees competent in areas including Skuld's Code of Conduct, financial crime like anti-money laundering regulations, whistleblowing, responsible procurement, and the General Data Protection Regulation
- Improve identification, escalation, and follow-up of compliance shortfalls

TRANSPARENCY AND INTEGRITY

- Share Skuld's sustainability expectations with key stakeholders
- Raise internal awareness of Skuld's commitment to UN SDGs
- Lead in the promotion of sustainability through our participation in industry organisations
- Reinforce third-party assurance of Skuld's sustainability reporting

RISK MANAGEMENT

- Extend Skuld's understanding of climate-change risks and their impacts
- Intensify Skuld's efforts to establish climate-change risk measurement

ENERGY AND EMISSIONS

- Map global emissions-related fines
- Rationalise Skuld's business travel policy
- Include all Skuld offices in future Scope 2 emissions reporting
- Deepen cooperation with the International Group of P&I Clubs and the Nordic Association of Marine Insurers (Cefor)

WASTE AND RECYCLING

- Establish office recycling stations

CRISIS RESPONSE

- Optimise organisational resources to mitigate the impact of ocean casualties
- Educate employees about Skuld's business continuity plan

(CREW) HEALTH AND WELL-BEING

- Enhance crew wellbeing through Skuld's Ship Survey Programme
- Strengthen Skuld's measures for crews' health, wellbeing, and stress management

SUSTAINABLE INVESTMENTS

- Expand Skuld's understanding of ESG
- Incorporate SDGs into Skuld's investment policy
- Develop a framework to assess external managers' sustainability approach

NEW REVENUE STREAMS

- Increase Skuld's underwriting support for renewable ocean industries, including offshore aquaculture, floating windfarms, and electric ferries

EMPLOYEE DIVERSITY AND INCLUSION

- Promote an inclusive and diverse leadership culture
- Foster gender equality
- Maintain unbiased and objective recruitment



SKULD: A P&I CLUB, A MARINE INSURER, AN ADVISOR

At Skuld's core is an organisation known as a Protection & Indemnity (P&I) Club. Such clubs are independent, not-for-profit mutual insurance associations which cover their members against third-party liabilities arising from their operation of ships. Skuld caters to the needs of shipowners, the offshore and energy sector, charterers and traders and the superyacht community. Skuld is owned and overseen by its members.

Skuld P&I insures against a wide range of our members' liabilities to third parties, from crew personal injury to pollution clean-up. With 12 other clubs, Skuld is a member of the International Group of P&I Clubs, which cooperates to procure mutual reinsurance, and to pursue the joint goals and interests of our collective membership. Together

the International Group clubs insure more than 90% of the world's commercial shipping.

Skuld also acts as a commercial insurer. Through Skuld Hull, we insure many of our members and many other clients against physical damage to marine property, and against machinery breakdown. Our clients and our members combined are sometimes referred to together as Skuld's customers.

Skuld's day-to-day operations are handled by experienced professionals and a global network of corresponding marine services specialists. Skuld delivers high quality claims handling services and comprehensive loss prevention advice to all customers. This advisory role is critical to the reduction of injuries and loss incidents, to the mitigation of marine accidents, and to the reduction of emissions, and therefore to sustainability.

02 MESSAGE FROM THE PRESIDENT AND CEO



Together with Skuld's members we have defined our organisation's purpose as 'protecting ocean industries'. It is a commitment we take very seriously.

Because our primary role is as a marine insurer, part of the financial services sector, we do not operate vessels, let alone manufacturing plants, mines, or other facilities which contribute to the world's sustainability challenge. But our role places Skuld within the community of ocean industries, and we feel very much part of it. That positioning allows our commitment to sustainability to be exercised in two ways.

First, like any organisation, we have a direct impact on global sustainability. Through multiple initiatives described in this, our first formal sustainability report, we are working very hard to reduce that impact in areas which range from employment practices to air travel. Second, and more importantly, we are using our role as a financial services provider within the ocean industries community to promote and influence the sustainability of our unique global sector.

Some of this is achieved directly through the normal course of our business. Like all P&I clubs, an essential part of our job is to provide customers with loss-prevention expertise and support that informs and improves their own comprehensive risk management work. We help them, for example, to minimise the likelihood of vessel casualties, and to mitigate impacts when they do occur. We educate

and encourage members to introduce on-board practices which reduce personal injuries among their seafarers. We adopt policies and offer advice which encourage or compel customers to adopt the highest emissions standards. This risk management advice and support, especially among P&I members of Skuld where our influence is greatest, naturally improves sustainability.

Some of our members and clients are involved in the production or distribution of fossil fuels. Here our loss prevention work is even more critical. As the world continues its transition to a zero-carbon economy, we work diligently to ensure their operations reach the maximum level of sustainability through the prevention of accidents at sea. When such measures fall short and accidents occur, we double-down our effort to minimise their impact. In this way we contribute to sustainability within these still-critical areas of the global economy.

We do so too through support of emerging green alternatives. These currently include insurance for organisations pursuing exciting new sustainable technologies such as electric ferries, offshore wind generation and aquaculture. In this way, Skuld plays a key role in the transition to a carbon-neutral world.

However, many of the key challenges that the shipping industry is facing cannot be solved by individual organisations alone but require a broad coalition of partnership to reach the goals. We are in close collaboration with industry partners like International Group and Cefor in order to collectively impact the sustainability agenda.

As this report shows, we have begun to engage every individual at Skuld with our sustainability agenda, from the boardroom to all levels of the organisation. Their enthusiasm is tangible. When members, clients and brokers ask about our sustainability programme, as they do with increasing frequency, we are able to explain our multiple, broad initiatives, and to encourage them to expand their own. When we meet with potential new, young recruits, we find our energised sustainability focus has great appeal to them. Our effort is for them and their peers, the future generations who will inherit our Earth. We wish to leave them with a planet and societies which are no longer threatened.

STÅLE HANSEN
President and CEO

03 SKULD SUSTAINABILITY PLATFORM

Skuld sustainability platform supports our purpose statement ‘protecting ocean industries’ and our firm commitment to future sustainable global ocean industries.

Our principles and commitments in the platform reflect the governing elements of sustainability at Skuld, including selected Sustainable Development Goals, the UN’s Global Compact and Women’s Empowerment Principles, and the Global Reporting Initiative. The Skuld Sustainability Platform highlights the main areas of our work.



Figure 1 Skuld Sustainability Platform

1 The 17 UN Sustainable Development Goals (SDGs) constitute a universal call to action to end poverty, protect the planet, and improve the lives and prospects of everyone, everywhere. As part of our commitment to sustainability, Skuld focuses on five key SDGs:

- **SDG 3, GOOD HEALTH AND WELLBEING.**
Skuld ensures health and safety at work, on-shore and off-shore.
- **SDG 10, REDUCED INEQUALITIES.**
Skuld promotes diversity internally and externally.
- **SDG 13, CLIMATE ACTION.**
Skuld integrates climate change measures in its strategy, decision-making, and investment practices.
- **SDG 14, LIFE BELOW WATER.**
Skuld encourages resource-sensitive behaviours.
- **SDG 16, PEACE, JUSTICE AND STRONG INSTITUTIONS.**
Skuld acts against corruption and bribery in all their forms.

2 Skuld commits voluntarily to the Global Reporting Initiative (GRI), supports the Ten Principles of the UN Global Compact (UNGC) on human rights, labour, the environment, and anti-corruption, adheres to the seven UN Women’s Empowerment Principles, and reports to the SHE Index.

3 In cooperation with members, clients, brokers, employees, correspondents, authorities, industry organisations, and suppliers, Skuld contributes to multiple sustainability initiatives.

4 Skuld’s Sustainability Working Group is dedicated to various sustainability projects and activities, internal and external.

5 Skuld conducts continuous internal assessment of Environmental, Social, and Governance (ESG) risks.

6 Skuld complies with all mandatory ESG risk assessment and reporting requirements.

04 ABOUT THIS REPORT

This report's content was compiled following a materiality assessment conducted in 2019 by Skuld's Sustainability Working Group (see Section 8). It covers activities during the calendar year 2019 and refers to areas of material importance to Skuld and our stakeholders. We aim with this report to provide more information about Skuld's approach to sustainability to everyone interested in or affected by our activities. The information it contains is based on data acquired from different parts of the organisation and is as accurate and complete as possible.

REPORTING BOUNDARY

All Skuld units lie within the boundaries of this report, although for energy consumption and emissions we have chosen to focus on selected units due to data quality.

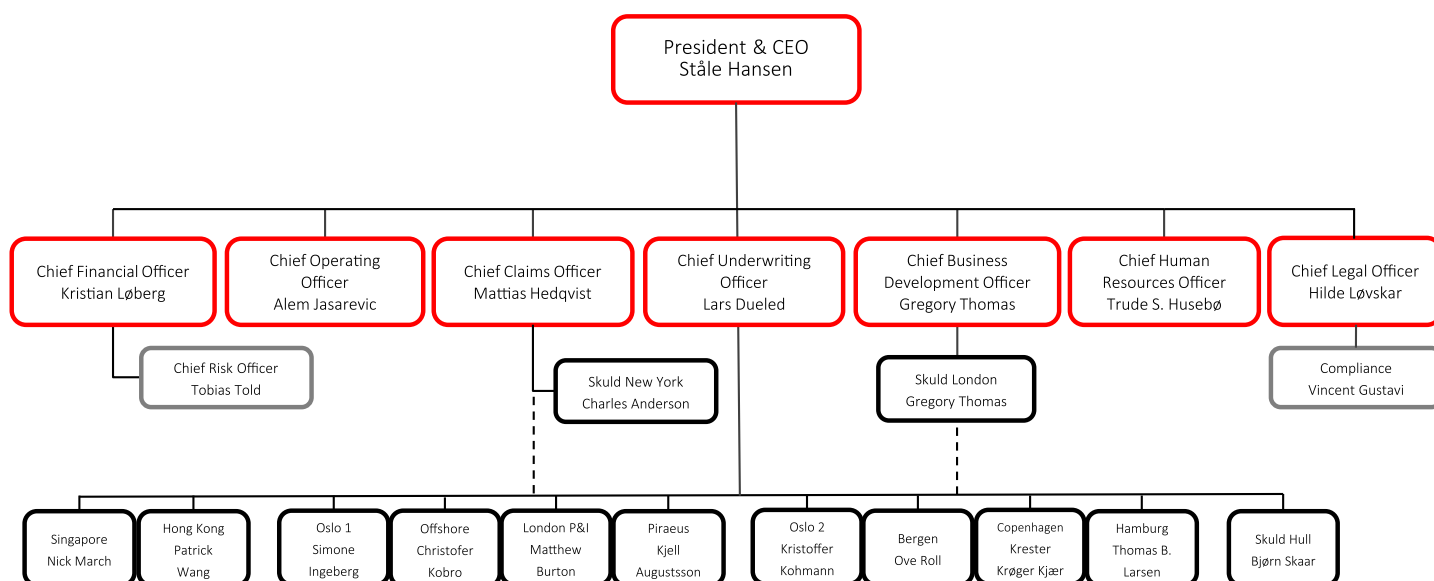


Figure 2 Skuld organisation chart



As this is Skuld's first substantial sustainability report, and the first to follow Global Reporting Initiative Standards, the majority of the effort focusses on Skuld's Oslo headquarters, where most of our business is managed.

GRI STANDARDS

This report has been prepared in accordance with Core GRI Standards. Skuld's internal auditor has reviewed and confirmed the document and its contents.

The table which follows indexes this report against GRI reporting guidelines, and in some instances refers to pages of the Skuld Annual Report 2019/20 or Skuld.com.

GRI INDICATOR	DISCLOSURE TITLE	DISCLOSURE	DESCRIPTION	SDG	UNGC
GRI GENERAL STANDARD DISCLOSURES					
102 - 1	Name of the organization	Assuranceforeningen Skuld (Gjensidig)	Fully	-	-
102 - 2	Activities, brands, products, and services	skuld.com/about/facts--figures/ skuld.com/products/ skuld.com/about/service/	Fully	-	-
102 - 3	Location of headquarters	Oslo, Norway	Fully	-	-
102 - 4	Location of operations	skuld.com/about/facts--figures/ skuld.com/contacts/	Fully	-	-
102 - 5	Ownership and legal form	Skuld statutes skuld.com/about/governance/	Fully	-	-
102 - 6	Markets served	skuld.com/about/facts--figures/	Fully	-	-
102 - 7	Scale of the organisation	skuld.com/about/facts--figures/financial-reports/	Fully	-	-
102 - 8	Information on employees and other workers	skuld.com/about/facts--figures/financial-reports/	Fully	8	3
102 - 11	Precautionary Principle or approach	Sustainability report/Risk Management	Fully	-	-
102 - 12	External initiatives	skuld.com/about/sponsorships/ Sustainability report/Transparency and integrity	Fully	-	-
102 - 13	Membership of associations	skuld.com/about/sponsorships/ Sustainability report/Transparency and integrity	Fully	15, 17	-
102 - 14	Statement from senior decision-maker	Sustainability report/Message from the President and CEO	Fully	16	1
102 - 16	Values, principles, standards, and norms of behaviour	skuld.com/about/purpose-vision-and-values/ skuld.com/about/code-of-conduct/	Fully	16	10
102 - 17	Mechanisms for advice and concerns about ethics	Sustainability report/Corporate governance skuld.com/about/compliance/complaint-handling-procedure/	Fully	16	10
102 - 18	Governance structure	Sustainability report/Governing elements skuld.com/about/governance/	Fully	16	10
102 - 19	Delegating authority	Sustainability report/Governing elements	Fully	16	10
102 - 20	Executive-level responsibility for economic, environmental, and social topics	Skuld Sustainability Working Group	Fully	16	10
102 - 21	Consulting stakeholders on economic, environmental, and social topics	Sustainability report/Materiality and stakeholders	Fully	16	10
102 - 22	Composition of the highest governance body and its committees	Skuld statutes skuld.com/about/governance/	Fully	16	10
102 - 24	Nominating and selecting the highest governance body	Skuld statutes	Fully	16	10
102 - 26	Role of highest governance body in setting purpose, values, and strategy	Sustainability report/Governing elements	Fully	16	10
102 - 29	Identifying and managing economic, environmental, and social impacts	Sustainability report/Governing elements Skuld statutes	Fully	16	10
102 - 40	List of stakeholder groups	Sustainability report/Materiality and stakeholders	Fully	16	10
102 - 42	Identifying and selecting stakeholders	Sustainability report/Materiality and stakeholders	Fully	16	10
102 - 43	Approach to stakeholder engagement	Sustainability report/Materiality and stakeholders	Fully	16	10
102 - 44	Key topics and concerns raised	Sustainability report/Materiality and stakeholders	Fully	16	10
102 - 45	Entities included in the consolidated financial statements	Skuld annual report	Fully	16	10
102 - 46	Defining report content and topic boundaries	Sustainability report/About this report	Fully	16	10
102 - 47	List of material topics	Sustainability report/Materiality and stakeholders	Fully	16	10

GRI INDICATOR	DISCLOSURE TITLE	DISCLOSURE	DESCRIPTION	SDG	UNGC
GRI GENERAL STANDARD DISCLOSURES					
102-48	Restatements of information	No restatements	Fully	-	-
102-49	Changes in reporting	First report – no changes	Fully	-	-
102-50	Reporting period	Calendar year 2019	Fully	-	-
102-51	Date of most recent report	No previous report	Fully	-	-
102-52	Reporting cycle	Annual	Fully	-	-
102-53	Contact point for questions regarding the report	Chief Human Resources Officer - Trude S. Husebø, E-mail: trude.husebo@skuld.com	Fully	-	-
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option. No external assurance.	Fully	-	-
102-55	GRI content index	Sustainability report/About this report	Fully	16	-
102-56	External assurance	Sustainability report/About this report	Fully	-	-
103-1	Explanation of the material topic and its boundary	Sustainability report/Materiality and stakeholders	Fully	16	-
103-2	The management approach and its components	Sustainability report/Materiality and stakeholders	Fully	16	-
103-3	Evaluation of the management approach	Sustainability report/Materiality and stakeholders	Fully	16	-
GRI ECONOMIC DISCLOSURES					
201-1	Direct economic value generated and distributed	skuld.com/about/facts--figures/financial-reports/ Most figures are reported, however not set up as required by GRI due to business complexity	Partially - information unavailable	12	-
201-2	Financial implications and other risks and opportunities due to climate change	Sustainability report/Risk management Sustainability report/Sustainable investments	Fully	12, 13	7
201-3	Defined benefit plan obligations and other retirement plans	skuld.com/about/facts--figures/financial-reports/	Fully	8	3
205-1	Operations assessed for risks related to corruption	Sustainability report/Corporate Governance Sustainability report/Risk management All business areas conducts risk analysis on compliance. However, we are not currently able to provide the percentage of operations which have been assessed.	Partially - information unavailable	16	10
205-2	Communication and training about anti-corruption policies and procedures	Sustainability report/Corporate Governance Partially due to not broken down by business partners.	Partially - information unavailable	16	10
205-3	Confirmed incidents of corruption and actions taken	Sustainability report/Corporate Governance	Fully	16	
GRI ENVIRONMENTAL DISCLOSURES					
302-1	Energy consumption within the organisation	Sustainability report/Energy and Emissions	Partially - information unavailable	10, 13	7, 8, 9
302-3	Energy intensity	Sustainability report/Energy and Emissions	Fully	10, 13	7, 8, 9
302-4	Reduction of energy consumption	Sustainability report/Energy and Emissions	Fully	10, 13	7, 8, 9
305-1	Direct (Scope 1) GHG emissions	Sustainability report/Energy and Emissions	Fully	10, 13	7, 8, 9
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability report/Energy and Emissions	Partially - information unavailable	10, 13	7, 8, 9
305-3	Other indirect (Scope 3) GHG emissions	Sustainability report/Energy and Emissions	Partially - information unavailable	10, 13	7, 8, 9

GRI INDICATOR	DISCLOSURE TITLE	DISCLOSURE	DESCRIPTION	SDG	UNGC
GRI GENERAL STANDARD DISCLOSURES					
305-4	GHG emissions intensity	Sustainability report/Energy and Emissions	Fully	10, 13	7, 8, 9
305-5	Reduction of GHG emissions	Sustainability report/Energy and Emissions	Fully	10, 13	7, 8, 9
308-1	New suppliers that were screened using environmental criteria	Sustainability report/Corporate Governance Sustainability report/Waste and recycling Partially reported due to lack of data for all business segments.	Partially - information unavailable	13	7, 8
GRI SOCIAL DISCLOSURES					
401-1	New employee hires and employee turnover	skuld.com/about/facts--figures/financial-reports/ Sustainability report/Employee diversity and inclusion	Partially - information unavailable	8	6
403-1	Occupational health and safety management system	Sustainability report/(Crew) health and wellbeing		8, 10, 14	1, 2, 4
403-6	Promotion of worker health	Sustainability report/(Crew) health and wellbeing	Fully	8, 10, 14	1, 2, 4
403-9	Work-related injuries	Non reported	Fully	8, 10, 14	1, 2, 4
403-10	Work-related ill health	Non reported	Fully	8, 10, 14	1, 2, 4
404-1	Average hours of training per year per employee	Sustainability report/chapters 12 – 21 All training is a mix of online and in-person activities. Average hours per employee is not yet calculated.	Fully	4, 5, 8, 10	1, 2, 4, 6
404-3	Percentage of employees receiving regular performance and career development reviews	All Skuld employees receive regular performance and career development reviews at twice a year. Sustainability report/chapters 12 - 21	Fully	4, 5, 8, 10	1, 2, 4, 6
405-1	Diversity of governance bodies and employees	Sustainability report/Employee diversity and inclusion	Partially - information unavailable	10	1, 2, 4, 6
414-1	New suppliers that were screened using social criteria	Sustainability report/Corporate Governance	Partially - information unavailable	13	1, 2, 10
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability report/Corporate Governance	Fully	16	10

Table 1 GRI Index

 Related information:
[GRI Standards >>](#)

05 MATERIALITY AND STAKEHOLDERS

MATERIALITY ASSESSMENT 2019

Skuld's Sustainability Working Group has undertaken a materiality assessment to help prioritise areas for action. Ten material areas were identified and targeted for Skuld's sustainability activities during 2020. Figure 3 reveals these areas and maps their relative impact on Skuld and our stakeholders. Each is linked to one of the five UN SDGs that the Sustainability Working Group has selected to adopt.

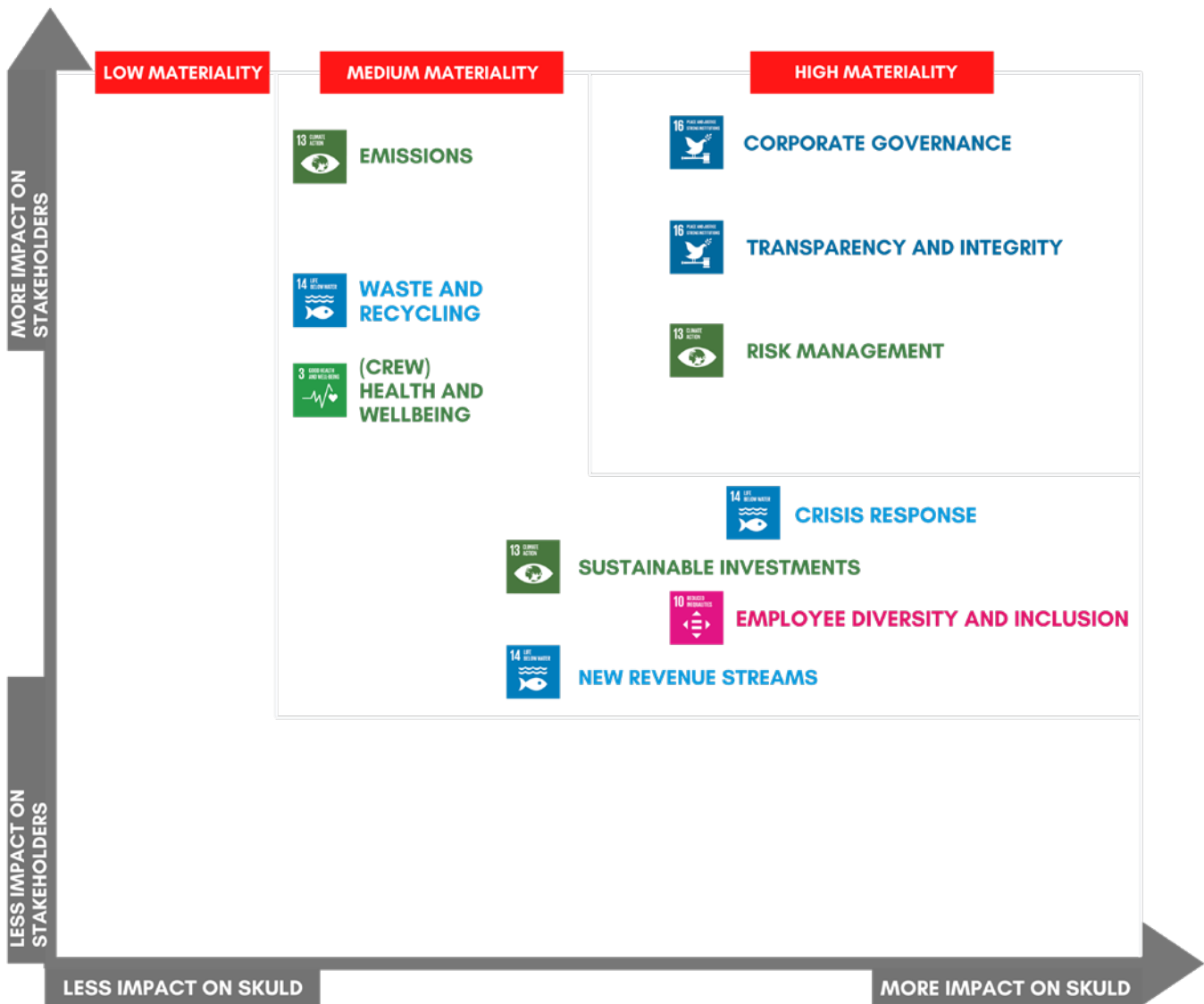


Figure 3 Skuld Materiality Matrix 2019

MATERIAL TOPIC	WHAT THE TOPIC COVERS	WHY IS THE TOPIC MATERIAL	TOPIC BOUNDARY
CORPORATE GOVERNANCE	Zero tolerance of financial crimes including, corruption, facilitation payments, money laundering, and bribery.	This initiative aligns with SDG16, compliance with mandatory regulatory requirements, and implementing the industry's best practice while reducing reputational risk.	All of Skuld, including all offices and subsidiaries
TRANSPARENCY AND INTEGRITY	Ensure ethical commitments and requirements. Set expectations for personal conduct and sustainable business practices.	Insurance buyers and other stakeholders increasingly expect Skuld to behave sustainably. We can make the greatest impact by influencing customers' operations and behaviours. Skuld requests information and presents our clear expectations of customers' sustainability areas including emissions, risk management, and crew treatment.	Skuld's underwriting, claims, and loss prevention functions
RISK MANAGEMENT	Make informed decisions about risks related to underwriting and risk management.	Climate change, environmental degradation, and social risk issues all affect Skuld, potentially increasing insured loss potential. The transition to a carbon-neutral economy will bring substantial costs to shipowners. Enforcement of new regulation could disrupt the shipping industry. Falling behind in the general development and being perceived to have insufficient measures in place with regard to sustainability will increase reputational, regulatory, and financial risk.	Skuld's general risk management framework; the measurement of financial, reputational, operational, and regulatory risk; underwriting policy
EMISSIONS	Drive decarbonisation through collaboration and measurement.	Shipping is a highly energy-efficient form of transport yet yields significant emissions due to its volume. Skuld contributes to emissions reduction by refusing to insure fines for non-compliance with emissions regulations.	All Skuld offices, and particularly claims and loss prevention
WASTE AND RECYCLING	Promote and encourage resource-sensitive behaviours.	A substantial volume of consumables is received on ships each year. Inadequate planning and poor choices sometimes result both in wastage and in excessive handling and incorrect disposal of packing materials.	All Skuld offices
DISASTER RESPONSE	Maintain and develop sufficient resources, structures, and unobstructed lines of communication to support fast and efficient casualty (ship loss) responses.	Improved responses limit the impacts of marine casualties to safeguard life and health, protect the environment, and preserve financial assets.	All Skuld offices, and particularly claims, loss prevention, and Casualty Response Teams
(CREW) HEALTH AND WELLBEING	Ensure health and safety at work, onshore and offshore.	A ship can be a challenging workplace a long way from home. Making on-board life safer and healthier will benefit all those on board, and their families at home, who are impacted when seafarers suffer health issues. Skuld also ensures a safe and healthy workplace for our own employees.	All Skuld offices, and particularly claims, loss prevention, facilities management, HR
SUSTAINABLE INVESTMENT	Integrate UN SDGs in investment decision-making.	Sustainable investment aligns with SDG 13, while risk and return impact may be substantial.	Skuld's investment portfolio
NEW REVENUE STREAMS	Develop products and services to protect customers in sustainability-focussed sectors.	Supporting global demand for renewable and environmentally friendly energy and sustainable food production aligns with SDG 14, and fits Skuld's underwriting ambitions and policies.	All Skuld offices, particularly underwriting
EMPLOYEE DIVERSITY AND INCLUSION	Promote and support diversity in recruitment and career development.	In alignment with SDG10 and compliance with regulatory requirements, the wellbeing, health, and safety of Skuld employees, and the opportunities we grant to them, are of high importance to Skuld. A diverse and inclusive culture is essential to achieve our strategic goals.	All of Skuld, including offices and subsidiaries

Table 2 Material Topic description

STAKEHOLDERS

Our main stakeholders – identified based on our frequency of interaction – are our members, clients, brokers, employees, correspondents, regulatory authorities, industry organisations, and suppliers. Many of these groups are interdependent, and already comply with sets of common rules such as those of the International Group of P&I Clubs, the International Maritime Organisation, and others.

We are convinced that neither individual companies nor regulatory authorities and the governments they represent are able, acting alone, to effect maximum beneficial change to the rules which govern ocean industries. Instead, regional and global organisations must help to set the rules. Only when consensus has been reached at the sectoral level will regulatory authorities be able to introduce the regulations necessary to enforce sustainable behaviours. Skuld will exercise its influence and promote sustainable behaviours beyond our direct stakeholders through the organisations to which we belong. Meanwhile we will work actively to build sustainability among our direct stakeholders through our day-to-day actions.

MEMBERS AND CLIENTS

Our customers – P&I club members and commercial insurance buyers – are the consumers of Skuld's insurance-related products and services. They comprise companies which represent the spectrum of ocean industries. By engaging the necessary expertise, Skuld has worked actively and successfully to broaden our customer base to include organisations active in emerging green technologies, from offshore wind generation facilities to electric ferries. Our role is to provide them, through insurance, with contingent capital which will allow them to survive and continue when their typically emerging technologies and activities collide with certain obstacles. In this way, Skuld enables low-carbon and other sustainable industries to develop.

Skuld's greatest impact on sustainability is through the normal course of our work with customers. A critical component of this is to foster loss-prevention best practice. This directly reduces, for example, ship casualties and crew injuries. Further, Skuld improves the remediation of accidents when they occur, for example by financing sustainable wreck removal or the rapid, thorough clean-up of spills. We maintain a dialogue with customers to inform them of our sustainability work, and to influence their sustainability behaviours. In some cases, the terms of Skuld's cover-

age give teeth to our influence. For example, we will not cover fines levied against customers for breaches of emissions limits.

BROKERS

Brokers are the agents of Skuld's customers and play a critical role in our commercial relationships. We rely on them to source much of our business, and to provide feedback on customers' interests, concerns, and the risks they face – including sustainability risks.

Much of Skuld's work to influence customers' behaviours is facilitated by the brokers with whom they work. We rely on these intermediaries to position Skuld among their clients as a sustainable insurance partner, and to help raise awareness of the imperative of our approach. This often includes, for example, working to ensure that brokers, and therefore their ship-owning customers, understand that sustainability encompasses far more than emissions control. This too is a dialogue: we are asked increasingly by brokers to discuss our sustainability focus and are proud to describe our advancing accomplishments.

EMPLOYEES

Skuld and its customers rely on the expertise, actions, and commitment of our employees. Their activities are the foundation of Skuld's differentiated offering, which is bolstered by their professional competence in multiple areas. These include Skuld's sustainability activities, the success of which will be limited only by our employees' ability and enthusiasm to deliver them.

We have structured processes in place to measure engagement and competence, and to develop our employees. Through annual work environment surveys measuring both employee engagement and leadership, we receive valuable feedback from all employees. A common feedback both internally and externally is the importance of the Skuld values and the way we live them. We work constantly to sustain Skuld's workplace culture, to see that it is imbued with a sustainability outlook, and to ensure staff wellbeing. Employees in Skuld are regularly updated on the sustainability initiatives through or intranet, information meetings and leadership gatherings. We also focus on sustainability as a key message when branding Skuld as an attractive employer in recruitment processes where we acquire feedback from external candidates who apply for vacancies in Skuld.

CORRESPONDENTS

Ocean industries may require assistance at any

hour, anywhere in the world. To provide this essential support, Skuld maintains a network of highly experienced, independent corresponding firms that provide emergency and other services to our customers. These may include cargo surveys, major catastrophe responses, support for injured crewmembers, and even dealing with stowaways.

Given this role, correspondents are part of Skuld's front-line work to minimise the impacts of any loss-related incidents which impact sustainability. As organisations which operate as part of Skuld's extended enterprise, we expect them to apply the same high standards of business and personal ethics which Skuld consistently follows across our global operations, and in all our business dealings, including in matters of sustainability. We maintain regular dialogue with these organisations to share best practices, discuss new local regulations, and ensure that we operate sustainably.

REGULATORY AUTHORITIES

We maintain an open dialogue with regulatory authorities in the various world-wide jurisdictions in which Skuld operates and is regulated. We monitor and of course implement the various regulatory requirements which arise.

Through these dialogues we work to advance and improve sustainability regulation. Acting alone or as

part of wider industry associations, we sometimes share insightful data with regulators. We believe our role is to contribute to and even lead formation of the wide consensus required to improve regulation. Meanwhile, Skuld actively encourages, and sometimes requires, customers to follow the sustainability regulations, guidelines and other non-statutory advice set out by international authorities such as the International Maritime Organisation.

INDUSTRY ORGANISATIONS

Skuld cooperates with international industry organisations such as the International Group of P&I Clubs, Cefor, and the Getting to Zero 2030 Coalition to follow and influence regulatory changes, share information on cutting-edge loss prevention techniques and other topics of importance to Skuld and our stakeholders, and to improve the behaviours of our stakeholders and peers. Through this collective activity we have tangible impact on sustainability beyond our stakeholder groups.

SUPPLIERS

Skuld relies upon a wide range of suppliers. We have increased our work to ensure that suppliers to Skuld behave in sustainable ways, and our determination to engage, when feasible, only with companies that proffer the best green credentials.



Tawansak/Shutterstock.com

06 ALIGNMENT WITH UN SUSTAINABLE DEVELOPMENT GOALS

The United Nations' 17 Sustainable Development Goals (SDGs) are the blueprint to achieve a better and more sustainable future for all. Adopted by world leaders in 2015, the SDGs address the global challenges faced by everyone on the planet and help us to understand how our efforts will make a difference.

Skuld has selected five SDGs to be the current focus of our ongoing commitment to sustainability. They were chosen based on an assessment of their relevance to the marine insurance industry, their impact on Skuld's customers and employees, and our ability to begin contributing immediately to their realisation. We have initiated a systematic approach to implementation which connects Skuld's business strategies with the five selected SDGs and the UNGC's Ten Principles.



SDG 3: GOOD HEALTH AND WELL-BEING

Skuld ensures health and safety at work, onshore and offshore.

We will measure crew health and wellbeing, share the knowledge gained, and advise our customers and the wider ocean-industries community on areas for improvement.

Information and education directed towards seafarers about workplace health and safety contribute not only to safe and sustainable operations at sea, but also to local communities, as seafarers bring their knowledge and good practices shore-side and into their homes. Skuld will deploy risk-based analysis methodology to measure health and safety risks, carry out vessel condition and targeted loss prevention surveys, and assess customers' technical management skills.

One goal of this activity is to reduce the frequency of workplace personal injuries and accidents. Skuld will promote initiatives which go beyond regulations, in part through lectures and seminars for customers. These include crew and officer conferences which focus on injury, illness, and environmental topics. The aim of these events is to raise awareness and contribute to a reduction of incidents at sea by building a robust health and safety culture among our clients and the wider sector.



SDG 10: REDUCED INEQUALITIES

Skuld promotes diversity internally and externally.

Skuld will promote and support diversity in recruitment and career development. Diversity is integrated with our culture and leadership-development programmes, and with our recruitment practices and career-development paths. Skuld recognises that an inclusive culture is important both to secure a future talent pool and to achieve our strategic goals and will share this understanding with customers and other stakeholders both by example, and through knowledge-sharing tactics. Skuld is also a signatory to the UN Women Empowerment Principles.



SDG 13: CLIMATE ACTION

Skuld will integrate climate-change measures in strategy and decision-making.

Skuld will integrate climate change measures into our operational functions including investments, business practices, and underwriting.

To reduce the climate-change impact of our investment activity, Skuld will evaluate external fund managers' approaches to sustainable investing, and apply a framework for recording, monitoring, and reporting on their sustainability actions. Skuld will assess the impact



Milan Gonda/Shutterstock.com

of the low-carbon transition on our investment portfolio and decide how to adapt to the new exposures and regulations it brings. Based on the conclusions we reach, Skuld will structure our investment portfolio to contribute most effectively to climate change reduction.

All Skuld offices will focus on the carbon emissions of their day-to-day business practices, and introduce measures including in-house recycling and reduced use of plastics. Skuld will evaluate its travel choices, reduce flight frequency whenever possible, and choose hotels with a green profile.



SGD 16: PEACE, JUSTICE, AND STRONG INSTITUTIONS

Skuld acts against corruption and bribery in all their forms.

Skuld will continue to act against corrupt practices by refusing to participate in them and actively promoting knowledge of relevant regulations among our employees and partners. The principles which govern employees' individual judgements and choices are set out in our Code of Conduct, which describes our ethical commitments and requirements. The Code sets expectations for personal conduct and sustainable business practise based on Skuld's culture, core values, global policies and guidelines as well as legal requirements. The Code applies to everyone at Skuld world-wide, and to all those businesses and individuals who provide services on Skuld's behalf.



SDG 14: LIFE BELOW WATER

Skuld will promote resource-sensitive behaviours.

Skuld will measure, share, and advise members on ship recycling practices and sulphur dioxide emissions. Seafarers' knowledge and expertise are paramount to safeguard the high seas against pollution, protect ocean habitats, and preserve life below water. Ship recycling practices and the use of low-sulphur fuels – mandated under the International Maritime Organisation's Sulphur Cap 2020 – are global issues in shipping sustainability. Skuld will advise customers on applicable regulations and compliance and encourage and support best practice. We will evaluate our underwriting policies and assess opportunities to introduce incentives that influence and encourage environmentally sensitive behaviour. We will continue to promote and adopt the most environmentally efficient casualty response methodologies where possible.

Skuld will develop and market new products and services within emerging ocean industries which deliver a positive climate-change impact. We see opportunity in expanding sustainability initiatives and are exploring the development of products and services to support, for example, offshore aquaculture and offshore wind farms. In more traditional ocean industries, we will strive constantly to help customers reduce their climate change impacts through the imposition of strict health and safety measures and environmental controls.

07 UN GLOBAL COMPACT PARTICIPATION

Skuld committed in 2019 to make the UN Global Compact and its principles part of our corporate strategy, culture, and day-to-day operations. Skuld supports the Ten Principles of the UN Global Compact on human rights, labour, environment, and anti-corruption.

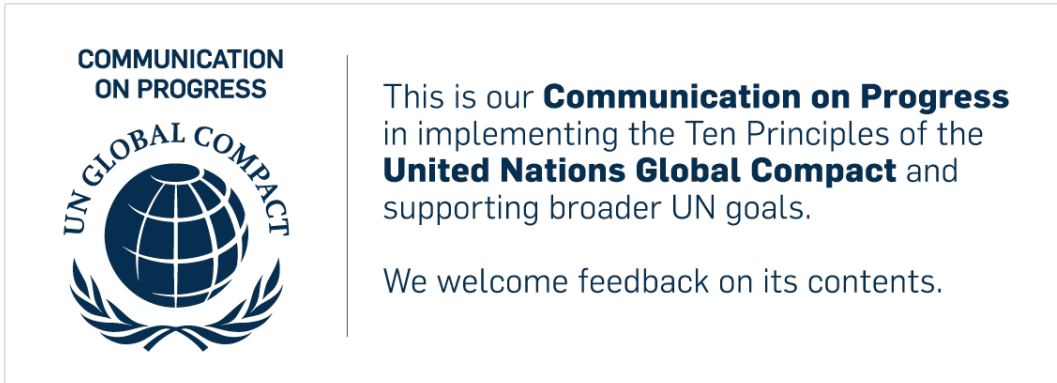


Figure 4 UN Global Compact COP

This report serves as our first Communication on Progress towards implementing the Ten Principles and marks our continued commitment to them. The principles are:

■ HUMAN RIGHTS

- PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- PRINCIPLE 2: make sure that they are not complicit in human rights abuses.

■ 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.

■ 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.

■ ANTI-CORRUPTION

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

 Related information:
[Skuld's participation profile at UNGC >>](#)



Ryan Loughlin/Unsplash.com

08 SUSTAINABILITY ACHIEVEMENTS IN 2019

UN GLOBAL COMPACT

Skuld became a signatory of the UN Global Compact (UNGC) in September 2019. This signals our resolve to conduct our business responsibly and sustainably by aligning our strategies and operations with the Ten Principles of the UNGC on human rights, labour, environment, and anti-corruption. We will take strategic actions to advance broader societal goals such as the UN SDGs, with emphasis on collaboration and innovation. See Section 7.

SKULD SUSTAINABILITY WORKING GROUP

The Skuld Sustainability Working Group was formed in 2019. It comprises representatives from all core business processes. Its membership includes participants from Skuld's management, and from Operations, Human Resources, Claims, Loss Prevention, Underwriting, Investment, Enterprise Risk Management, Legal, Marketing & Communication and Compliance. The Working Group mandates the directions of Skuld's sustainability activities, guided by the Ten Principles of the UNGC, the GRI, and the UN's SDGs and WEPs.

GETTING TO ZERO 2030 COALITION

Launched at the 2019 UN Climate Action Summit held at UNHQ in New York City, the Coalition is a partnership between the Global Maritime Forum, the Friends of Ocean Action, and the World Economic Forum. It is a powerful alliance of more than 90 companies within the maritime, energy, infrastructure, and finance sectors.

The Coalition's ambition is "to have commercially viable zero emission vessels (ZEVs) operating along deep sea trade routes by 2030, supported by the necessary infrastructure for scalable zero-carbon energy sources including production, distribution, storage and bunkering. The coalition is defined by this ambition and a set of core principles that all members share. Delivery of these shared objectives will require collaboration and commitment from the broad range of stakeholders that form the Coalition."

"In Skuld we are dedicated to protecting ocean industries. As a marine insurer we support our members and clients in their sustainable shipping initiatives. We are now delighted to join the Global Maritime Forum's Zero 2030 Coalition to contribute to achieving decarbonised shipping for the future."

Skuld President and CEO Ståle Hansen





UN WOMEN'S EMPOWERMENT PRINCIPLES

Skuld has signed the UN Women's Empowerment Principles (WEPs). By adopting the seven principles, Skuld signals its pledge to support the advancement of equality between women and men within our organisation and in wider society. See Section 18.

THE SHE INDEX

Skuld believes transparency is an important part of any commitment to enhance gender equality and diversity. We therefore report on gender equality at Skuld under the SHE Index. The index acts as a catalyst for companies to focus on achieving gender equity, equal compensation, and work-life balance among their leadership and workforce. The 2019 report was launched in March 2020, and shows an improved score since 2018, rising from 39 to 54 points. See Section 18.

“At Skuld we promote an organisational culture which values gender equality and diversity. Providing equal employment and career development opportunities and increasing the percentage of women in managerial and key positions, are closely linked to our strategy for the future.”

Skuld President and CEO Ståle Hansen



PerryGrone/Unsplash.com



SKULD IMPACT DAY

Skuld Impact Day is an important part of our sustainability initiative. It raises internal awareness of Skuld's commitment to SDGs and works to build an inclusive culture at Skuld. Impact Day connects people and fosters a sustainable mindset among colleagues at work and in their homes and wider communities.

Each employee is invited to spend one paid day per year contributing to an external charity or cause in their local community. Each office worldwide has selected a cause to support, one which reflects either Skuld's purpose,


protecting ocean industries, or one of our selected SDGs. Activities chosen for the upcoming Impact Day vary from beach-cleaning to establishing bee hotels and nest boxes.

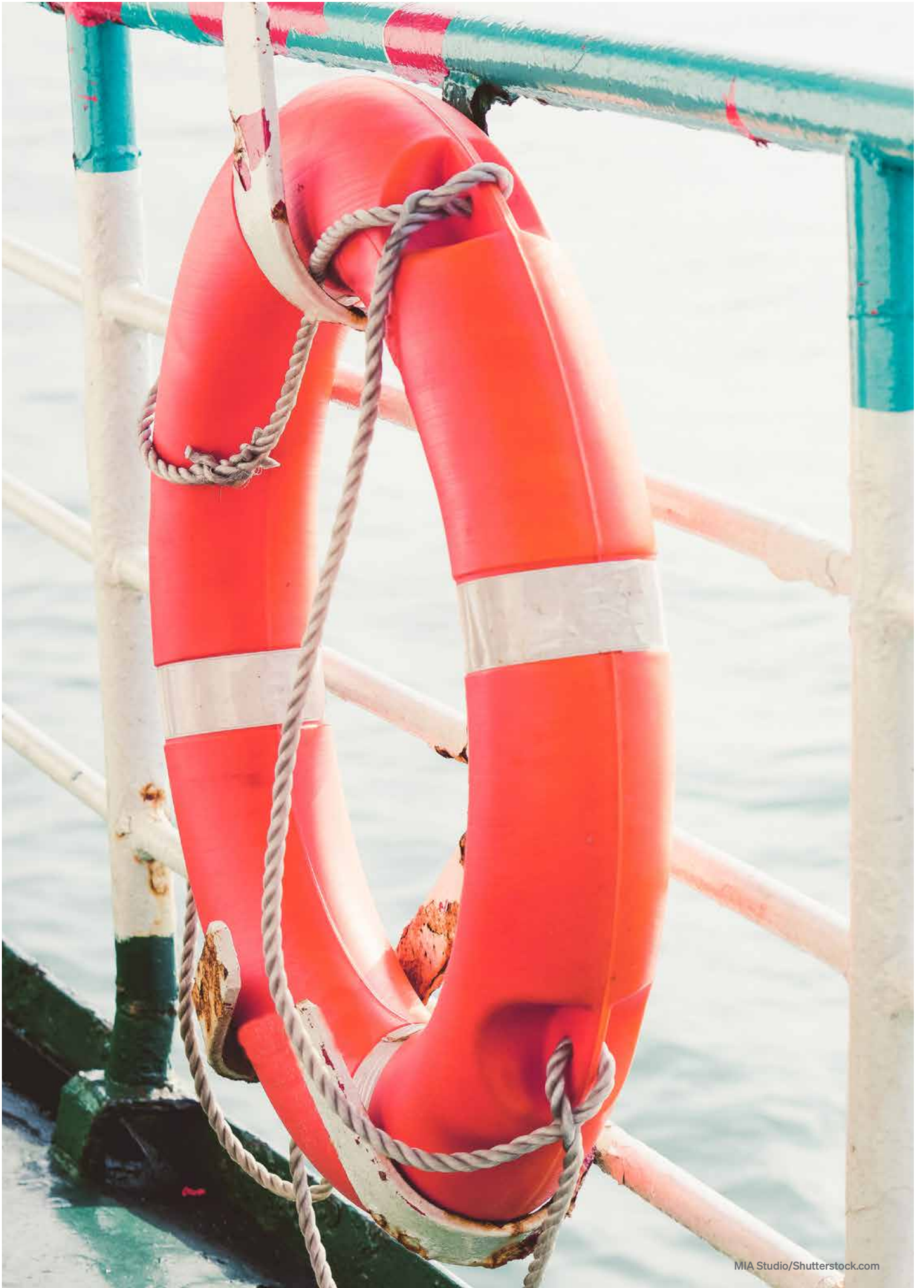
During the first Impact Day activity, held in December 2019, Skuld's Hamburg colleagues spent the day supporting Hanseatic Help, a local charitable organisation which aims to improve the lives of people in need. Unfortunately, global measures to stem the spread of the Covid-19 virus required remaining scheduled 2020 Impact Day activities to be postponed.

OFFICE	ORGANISATION	ACTIVITY	SDG
HAMBURG	Hanseatic Help e.V.	Assisted in setting up their Christmas market	16
OSLO	The Norwegian Society for Sea Rescue	Beach clean and 'Elias club' workshop*	14
COPENHAGEN	-	Canal clean up and rubbish removal*	14
SINGAPORE	The Soup Kitchen	Prepare, cook and distribute meals to people in need*	3
BERGEN	-	Set out 10 nest boxes and 3 insect hotels and place them in Bergen city centre.	13
PIRAEUS	Hellenic Marine Environment Protection Association	Beach clean-up*	13, 14
NEW YORK	TBD	Planting of sea grass to avoid beach erosion or beach clean-up - TBD*	13, 14
HONG KONG	Hong Kong Shipowners Association or Seaman Union -TBD	TBD*	3
LONDON	Marine Conservation Society - TBD	Beach clean-up*	13, 14
BERMUDA	-	Speaker at the Bermuda City Hall celebration of UN's International Woman's Day Marine piloting and boat safety course for woman*	10

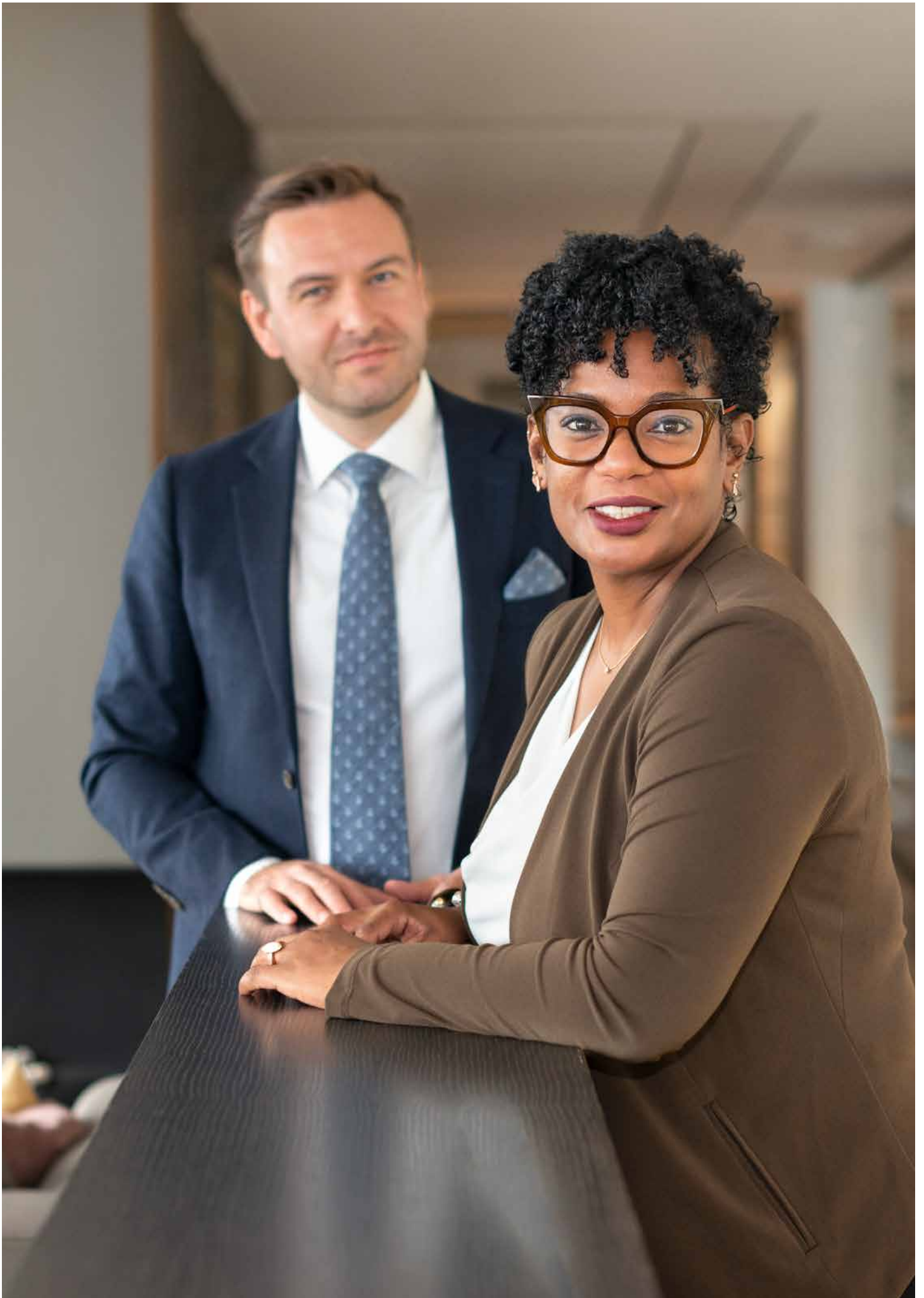
Table 3 Impact Day status

*Activities postponed due to Covid-19

 Related information:
[Getting to Zero 2030 Coalition >>](#)
[UN Women's Empowerment Principles >>](#)
[SHE Index >>](#)



MIA Studio/Shutterstock.com



09 CORPORATE GOVERNANCE

Skuld has operated under high standards of governance since it was established in 1897. Our Purpose Statement, protecting ocean industries, and our values, Accurate, Bold, Caring, Dedicated, are practised at all levels of Skuld to ensure a holistic approach to sustainability. By implementing and living our purpose and values in day-to-day operations, we demonstrate our commitment to sustainable solutions that create value and protect our customers and stakeholders.

THE STATUTES

The document central to understanding Skuld's governance is its Statutes, which set out the structure and roles of Skuld's governing bodies, election procedures, and scopes of authority. In addition, Skuld has created a comprehensive system of internal regulations. It includes:

- Policies approved by the Board of Directors
- Instructions which are the responsibility of a member of Skuld's executive management team
- Guidelines for specific areas of Skuld's operations

These 'living' documents provide detailed guidance on various important subjects and are updated from time to time.

THE GENERAL MEETING

The annual ordinary General Meeting (GM) of Skuld's members – our owners – is the organisation's highest authority. The members in attendance elect Skuld's Election Committee and its Members' Committee, and approve updated Statutes, financial reports, and the closing of policy years.

THE BOARD

The Board of Directors is responsible for strategic decisions related to Skuld's operations. Board members are elected among the members of the Association, and are closely involved in operations and initiatives. They appoint the President and CEO, decide on general premiums, and approve Skuld's Rules. The Board oversees strategic development, which includes both a clear focus on sustainability and ensures a robust Code of Conduct.

THE EXECUTIVE MANAGEMENT

Skuld's President and CEO, together with other members of senior management, form the Executive Management. They ensure that the instructions, guidelines, and recommendations of other governing bodies are carried out, and that Skuld operates efficiently. This team is vital to the

realisation of Skuld's vision in its day-to-day operations, and therefore in the execution of Skuld's sustainability activities.

INTERNAL GOVERNANCE SYSTEM

All of Skuld's governing bodies have expressed their firm commitment to sustainability, which they see as central to Skuld's governance system and all of our activities. However, the responsibility extends further. Good corporate governance involves accountability, transparency, fairness, and effective engagement between all internal and external stakeholders. It is therefore critical for internal standards and rules to be maintained throughout the organisation. Skuld's employees are our sustainability front line.

Skuld's comprehensive system of internal governance is detailed and available to all employees through Skuld Port, our intranet. Core elements of the system, such as Skuld's Code of Conduct, are shared with customers and other stakeholders through skuld.com. Regular training and information meetings update employees on important developments and changes to standards and expectations.

To ensure Skuld's governance and sustainability principles are met, several lines of control have been established. Leaders of departments and business units are the primary line, supported through independent controls operated by Skuld's Compliance Officer. These controls are reviewed by Skuld's Internal Audit function, according to a plan agreed with the Board.

GOVERNANCE AND SDGS

Working towards Skuld's selected SDGs and the creation of sustainability in general is an ongoing process. Our materiality assessment, objectives, and internal governance documentation are therefore subject to continuous internal review.

CODE OF CONDUCT

Our Code of Conduct, mandated by the Board of Directors and introduced in 2019, outlines Skuld's ethical commitments, and our expectations of Skuld people. The Code highlights the principles that guide our business behaviours, and compiles our policies, instructions, guidelines, and legal requirements. It applies to all directors, leaders, employees, and others who perform services for Skuld.

Relevant internal governance documents link the Code to detailed regulations on specific areas including anti-harassment, conflicts of interest, and gifts and hospitality. The Code is reviewed at least annually. In 2020 it was amended to underline Skuld's commitment to equality and diversity, and to add a new instruction on alcohol consumption.

The Code was developed with input from the Human Resources, Compliance, Legal, and Risk Departments, and was reviewed by the Employees' Representatives Committee. Roll-out was accompanied by extensive work to ensure all employees are familiar with its principles. First the Skuld leadership team, then each department, held 'dilemma training' on the Code as part of our Personal Development Programme. New employees are expected to read, understand, and adhere to its contents.

CODE OF CONDUCT GOALS

Living the Code is of utmost importance to Skuld. To ensure it is followed, we have set ambitious goals and performance measurement metrics.

- 100% of new employees receive training in the Code
- The number of Code breaches detected annually and reported through the many channels Skuld has established is to be zero

MONEY LAUNDERING, CORRUPTION, AND BRIBERY

Skuld believes that the finance of terrorism, money laundering and corruption are closely connected. We have therefore established common standards – Skuld's AML regulations – to eliminate such practices. These standards meet or exceed relevant regulatory requirements such as the 5th EU Money-Laundering Directive.

Skuld has zero tolerance of money laundering and terrorist financing. AML policy has been established at board level as a Global Policy that is reviewed annually. Executive Management is responsible for its implementation, which is followed up through regular AML Risk Assessments that evaluate potential risks and operational exposures and defines risk-based controls

To further strengthen the AML regulations and ensure Group-wide compliance, Skuld introduced an AML Instruction approved by the Executive Management and implemented in February 2020. The Instruction will be adapted and/or amended in light of any regulatory changes. The AML Instruction requires:

- Underwriters to document their due diligence process. From 21 February 2020 they are required to complete Know Your Customer documentation for all clients and potential clients, even before issuing price quotations
- All Skuld employees who may encounter AML issues to complete and pass an online training programme, provided by an external party, that teaches them to recognise potential AML attempts, and to deal with them correctly
- AML implementation to be verified by key-function reporting to Skuld's compliance officer. A combined report is submitted to the Nominated Officer responsible for external AML reporting by Skuld.

The importance of compliance is clearly understood by the Board, which in Q1, 2020 approved an extensive internal audit focused on AML and the related area of sanctions. Any deficiencies uncovered will be remediated before 2021.

AML GOALS

Skuld aims to meet the following AML goals and performance measures consistently:

- 100% of relevant employees are to be trained in AML
- The number of AML breaches detected through quarterly compliance monitoring is to be zero
- The internal AML audit will deliver its findings before year-end 2020
- Know Your Customer due diligence is to be conducted throughout underwriting operations during the 2020-21 underwriting year

PERSONAL DATA PROTECTION

The introduction in 2018 of common EU rules to protect personal data, known as the General Data Protection Regulation (GDPR), was an important milestone in the effort to secure individuals' rights over the use of their personal information.

Skuld's extensive and ongoing global project to ensure we adequately protect personal data and comply with the GDPR began with:

- Development of internal governance documents, an encryption mechanism for e-mails, and data protection agreements implemented internally between Skuld companies and externally with third parties.
- Establishment of the role of Data Protection Officer (DPO)
- Incorporation of sessions on personal data privacy and privacy-dilemma decision-making into Code of Conduct training

Skuld's compliance with GDPR has been internally audited twice, most recently in 2019, to confirm overall compliance. The results were presented to the Board of Directors. To ensure ongoing correct handling of personal data, the Compliance officer, together with the Human Resources and Claims departments, implements regular controls. We continue to enhance our personal data protection regime, most recently to strengthen the protection of data about current and former Skuld employees.

PERSONAL DATA PROTECTION GOAL

- Skuld aims to record no GDPR breaches

WHISTLEBLOWING

Skuld's Instruction on Whistleblowing was updated significantly in early 2020. The new Instruction was distributed to employees via Skuld's intranet and explained during a global meeting of staff by the President and CEO in February 2020.

The goal is to enable all employees to raise serious concerns and report offences confidentially with guaranteed non-retaliation. The Instruction details multiple reporting channels including an anonymous route supported by an external provider. Non-compliance with most of the requirements of Skuld's Code of Conduct can now be reported through these whistleblowing channels. In addition, Skuld has a complaint-reporting channel for external parties. Detailed complaints-handling procedures, including submission requirements and response deadlines, are explained on skuld.com.

WHISTLEBLOWING GOALS

- Skuld aims to process 100% of internal and external complaints fairly and objectively, in compliance with our Instruction
- Skuld will permit no retaliation against whistle-blowers

RESPONSIBLE PROCUREMENT

Skuld has introduced a corporate Instruction governing all significant purchases. It is intended to ensure a standardised and diligent assessment of all acquisitions throughout the organisation. The Instruction includes sustainability requirements when dealing with third-party vendors.



Related information:

[Skuld's Corporate Governance web pages >>](#)

[Skuld's Code of conduct >>](#)

[Skuld's external complaints procedures >>](#)

RESPONSIBLE PURCHASE OF OFFICE SUPPLIES

In January 2020 Skuld signed an agreement with Office Management (certified under ISO 14001:2015, Energy Star, Blue Angel, and ECO flower) to increase our facilities management team's access to green products. Our 2020 goal is to ensure all new office supplies carry the Nordic Swan Ecolabel (Svanemerket) or the local equivalent.





10 TRANSPARENCY AND INTEGRITY

Skuld's customers increasingly express their expectations of our sustainability efforts. Because our organisation can make the greatest impact through the operations of our members and clients, we must be in a position to request information about areas such as their emissions, risk management, and crew treatment. Similarly, we must have and explain clear expectations of the sustainability of their performance.

SUSTAINABILITY REPORTING

This document is Skuld's first dedicated sustainability report to UNGC. It reflects ongoing and continuous improvement to our reporting process, which will be increasingly visible through the quality of data reported in the years ahead.

We aim to identify and disclose economic, environmental, and social impacts regardless of their size or importance, and to make this report our key platform to communicate Skuld's sustainability performance and impacts – whether positive or negative. We will continue to strengthen and explain the links between our governance model, strategy, and sustainability.

EXTERNAL INITIATIVES

The most important social charters, principles, or other initiatives to which Skuld subscribes or endorses are:

- UN Global Compact
- UN Global Sustainable Development Goals (SDGs)
- Global Reporting Initiative (GRI)
- The Women's Empowerment Principles (WEPs)
- SHE Index
- Getting to ZERO 2030 Coalition

MEMBERSHIP OF ASSOCIATIONS

- The International Group of P&I Clubs (IGP&I)
- The Nordic Association of Marine Insurers (Cefor)
- Maritime Cluster Northern Germany (Maritimes Cluster Norddeutschland)

SPONSORSHIPS

Skuld is dedicated to protecting ocean industries and promoting sustainability world-wide. One way we aim to meet this commitment is through sponsorship and support initiatives which contribute to marine humanitarian causes, safety at sea, and marine education and heritage.



Related information: [Skuld's sponsorships>>](#)

11 RISK MANAGEMENT

Skuld constantly monitors the risk universe to understand our risk profile and assess and adjust Skuld's appetite for all relevant quantifiable risks.

We distinguish between four primary risk types:

- strategy risks
- preventable risks
- external risks
- emerging risks

STRATEGY RISKS are those which Skuld accepts in order to create value for our members. These strategic and financial risks are the main risks we assume, and include underwriting risk, market risk, counterparty risk, and liquidity risk. Our main mitigation objective for these risks is to reduce their likelihood and impact.

Strategy risks are controlled primarily through strategy documents, accompanying guidelines, and risk appetite statements. The main tool deployed to manage underwriting, market, and counterparty risks is risk capital calculations, while stress tests are performed to manage liquidity risk. All strategy risks are considered in Executive Management's regular risk assessments.

Since Skuld's core business is marine insurance, underwriting risk is Skuld's main risk. Well-functioning risk selection and adequate risk pricing are important processes to ensure the financial wellbeing of any mutual insurance organisation. Skuld's risk-based selection of vessels is subject to condition surveys for vessels new to Skuld, and routine condition surveys of existing members' vessels.

Skuld invests insurance premiums received from members and clients, so is exposed to financial risks comprising market risk, counterparty risk, and liquidity risk. Skuld evaluates fund managers' approaches to sustainable investing, and is developing a framework for recording, monitoring, and reporting on external fund managers' sustainability performance (see Section 16).

PREVENTABLE RISKS encompass those risks which Skuld does not wish to take. They are internal risks arising within the organisation which are considered material, but which generate no strategic benefit. The category includes operational, compliance, and reputational risks.

The main mitigation objective for preventable risks is to avoid or eliminate their occurrence, primarily through

active prevention. This follows risk assessment by risk owners who consider compliance and reputational risks, as well as these risks' potential impacts on Skuld's objectives.

EXTERNAL RISKS arise from events outside Skuld's influence or control. External fraud, political risk, and regulatory risk are relevant in this category. Our main mitigation objective is to reduce their potential impact. External risks are controlled mainly through identification, followed by evaluation of their potential severity through scenario planning and stress testing. Risk assessment by Executive Management is the main risk management tool.

EMERGING RISKS are new or future risks which have not yet matured. Their hazard potential is not yet reliably known, and their implications are difficult to assess. They may be completely new risks never before seen, or previously known risks that are evolving in unexpected ways to present unanticipated consequences. Mitigation objectives, risk management, and control tools are the same as those deployed for external risks.





SUSTAINABILITY RISK

Sustainability risk is the emerging risk which includes uncertainties over Skuld's ability to maintain operations or growth due to negative externalities such as environmental degradation, the manifestation of social risks, and climate change.

Skuld treats sustainability risk as an external risk and is working towards the full integration of sustainability risk into our risk management framework. However, this risk category is complex. Sustainability risk may also be viewed as a preventable risk to which Skuld could be exposed directly as a consequence of our own insufficient sustainability measures. It also has characteristics of strategy risk, since factors such as climate change pose the risk of financial loss arising from its adverse impacts on, for example, underwriting and investment risks.

Sustainability also has impacts as a preventable risk and a strategy risk. Businesses in all sectors are now met with clear expectations to address sustainability issues. Legislative and regulatory initiatives have accelerated.

For example, in September 2019 the European Insurance and Occupational Pensions Authority (EIOPA) published an opinion on sustainability within its Solvency II regulatory capital requirements regime. The Bank of England's Prudential Regulation Authority (PRA) has perhaps moved furthest to solidify its sustainability expectations of the firms it regulates. Compliance costs are certain to increase substantially as a result. While expectations and regulatory requirements remain in transition, to fall behind in the wider sustainability effort or to be perceived as taking insufficient measures will lead to increased reputational, regulatory, and financial risks.

CLIMATE CHANGE RISK

Climate change is a major risk facing the marine insurance industry today. It may be divided into two categories: the physical impacts of climate change, and risks arising from the transition to a carbon-neutral economy. For Skuld, these factors increase underwriting and market risk.

As ambient temperatures rise all over the world, extreme weather events are increasing in frequency and severity, which has led to rising underwriting loss potentials. The most severe and immediate of these are storms and flooding. The number and intensity of tropical cyclones are expected to increase in line with rising sea surface temperatures. These weather events make shipping more hazardous, as key variables such as prevailing winds, waves, currents, and precipitation rates change. Meanwhile, gradually rising sea levels make storms more dangerous, and increase the risk of disruptive flooding in low-lying regions, posing a threat to infrastructure on land.

If no or insufficient action is taken to reduce greenhouse gas emissions, the physical consequences of climate change will almost certainly increase. It is reasonable to assume that Skuld should expect an increasing number of climate-change-related claims. Indirect impacts on the macroeconomic environment such as decreased output and productivity will exacerbate these direct impacts.

Transition to a carbon-neutral economy is essential to limit the physical consequences of climate change. It will require significant structural changes to the economy and expose the shipping industry and marine insurers to transition risks. The UN Environment Programme's Finance Initiative estimates that up to 15% of the value of a representative global market portfolio could be placed at risk by the transition.

New legislation intended to regulate the transition will lead to substantial adjustment costs for shipowners. For example, IMO 2020, the International Maritime Organisation's initiative to cut marine-sector sulphur emissions in international waters by more than 80% through the use of low-sulphur fuels, will lead to increased costs for containerised shipping of up to 25%. The IMO's long-term pledges require that:

- existing vessels are retrofitted with zero-carbon technology
- alternate fuel sources are found
- greener ship designs are developed and implemented

Enforcement of these regulations could cause major shipping-industry disruptions. The largest players and newcomers are best positioned to handle the transition and take advantage of the opportunities that arise. Skuld will follow global maritime sustainability development closely, and lead or influence where appropriate and possible to do so, to secure our role in the transition marketplace.

The complex challenge of measuring the financial risks of climate change requires careful assessment, over several decades, of the different effects of multiple climate pathways, including their varied physical and transition impacts. This requires new tools and approaches to measure and understand the risks.

The UK's PRA has published guidelines to support insurers' approaches to managing the financial risks of climate change. They set out the regulator's expectations for insurers to develop and embed climate risk management practices. In December 2019, a PRA discussion paper proposed a framework for the scenario-testing of such risks, to be implemented in 2021. Rather than expend valuable resources on the development of a climate-risk measurement methodology unique to Skuld, we intend at this time to follow UK developments, and apply the methodology developed for the PRA's stress-testing exercises to our own portfolio.



Datenschutz-Stockfoto/Shutterstock.com

12 ENERGY AND EMISSIONS

IMO SULPHUR EMISSIONS CAP 2020

Throughout 2019 and into 2020, Skuld has engaged with customers on the reduction required from 1 January 2020 in the sulphur content of marine fuel. Our activities include seminars, workshops, web advisories, individual advice, assistance on dispute resolution, and two podcasts. The work has covered regulatory, contractual, and technical topics which have made customers better prepared for compliance. The sulphur cap will remain on our agenda, but its importance is likely to diminish as the transition period ends and the current, multiple technical and legal challenges are resolved.

Breaches of the sulphur cap regulations may result in substantial fines. To motivate our clients into full compliance, Skuld takes a strict line on the insurability of these fines, which we do not cover. From the 2020/2021 policy year we have also clarified our insurance of Extra Bunker Handling Costs such that cover is available only when off-spec bunkers (fuels) cause a risk of engine damage, and not when bunkers are unfit for use due to non-compliance with the sulphur emissions regulations.

Skuld records all borderline cases, and those where commercial pressure is placed on us. Such cases must be reported to the Claims Management Team. Emissions-related fines are mapped and counted.

ENERGY CONSUMPTION AND INTENSITY WITHIN SKULD

Skuld has begun to track the energy consumption arising from normal-course activities. Reported consumed energy is limited to:

- Headquarters in Oslo, Norway, which accommodate 150 full-time employees based on 5,077 square metres in use
- Bergen, Norway office which accommodates 6 employees
- London, UK office, which accommodates 31 employees
- Singapore office, which accommodates 11 employees

The energy consumption overview excludes our offices in Bermuda, Copenhagen, Hamburg, Hong Kong, New York, and Piraeus. We are working to expand reporting for Skuld's Sustainability Report 2020.

PERIOD	OSLO kWh	Average outside temp.	LONDON kWh	Average outside temp.	BERGEN kWh	Average outside temp.	SINGAPORE kWh
January	24 194	-2.84 Celsius	1 423	3.7 Celsius	1 110	2.6 Celsius	1 422
February	22 660	0.45 Celsius	2 486	6.0 Celsius	1 006	5.3 Celsius	1 140
March	22 989	2.27 Celsius	3 327	6.8 Celsius	1 096	4.6 Celsius	1 334
April	21 750	8.63 Celsius	3 452	8.4 Celsius	1 036	9.8 Celsius	1 352
May	23 356	10.38 Celsius	2 515	10.0 Celsius	1 080	9.4 Celsius	1 284
June	23 440	15.37 Celsius	2 682	13.2 Celsius	1 012	14.1 Celsius	1 105
July	24 149	17.94 Celsius	1 910	16.4 Celsius	1 019	16.2 Celsius	1 238
August	25 587	16.81 Celsius	2 333	15.8 Celsius	1 012	16.4 Celsius	1 252
September	22 273	11.38 Celsius	1 162	13.1 Celsius	1 010	11.6 Celsius	1 099
October	24 194	5.44 Celsius	3 734	9.0 Celsius	1 082	8.0 Celsius	1 353
November	22 767	0.95 Celsius	3 165	5.3 Celsius	1 069	3.0 Celsius	1 176
December	21 457	0.58 Celsius	2 478	5.1 Celsius	1 041	5.0 Celsius	1 251
Sum electricity	278 816	-	30 667	-	12 573	-	15 011
Our share of building heating	315 372	-	-	-	-	-	-
Our share of common areas: Cooling, pumps, elevators, technical facilities, canteen, meeting centre	510 488	-	-	-	-	-	-
Total per office	1 104 676	-	30 667	-	12 573	-	15 011
TOTAL	1 162 927 kwh						

Table 4 Table Energy consumption within Skuld's Oslo, London, Singapore, and Bergen offices, 2019

TYPES OF ELECTRICITY PRODUCTION

Energy consumed at Skuld headquarters is primarily renewable, comprising mainly hydro, wind, and solar power. Norway is part of the common Nordic power market, which is integrated into the European market. Because of this, we are unable to guarantee green power always flows from sockets. Available energy varies with factors including rainfall to reservoirs, wind, and sunshine, so the power market depends additionally on electricity from oil, gas, coal, and nuclear power generation facilities. In practice, Nordic and European cooperation delivers green energy across national borders and increases its share when production is high, but at present non-renewable energy must supply remaining needs. Electricity certificates, intended to support schemes which ensure the development of renewable energy, are provided for all power purchased.

ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

Total gross energy indirect (Scope 2) GHG emission of 54.96 metric tons of CO₂ equivalent was reported for Skuld's offices in Oslo, Bergen, London, and Singapore in 2019.

	NORWAY	UK	SINGAPORE
Factor (kgCo2e per kwh)	0.036	0.241	0.490
Source	IPCC 2014 / Electricitymap	IPCC 2014 / Electricitymap	IPCC 2014 / Electricitymap
Production	Mix factor	Combined Generation + Transmission & Distribution factor	Combined Generation + Transmission & Distribution factor

Table 5 Emission factors. Formula: kWh Country x Emission factor country

OTHER INDIRECT (SCOPE 3) GHG EMISSIONS – BUSINESS TRAVEL

National and international travel is necessary to execute some of Skuld's essential business activities. We began, in 2019, to implement use of a common travel management company by all our offices. Oslo, Bergen, and Bermuda had been connected to this supplier, which provides travel statistics, by year-end 2019. Roll-out of the system continues for completion during 2020, enabling Skuld to measure progress towards business travel objectives, but also to apply greater focus to the safety of travelling employees. We are now able to track individuals while they are away, so that we are able to locate them in an emergency, or have their safety confirmed to us in such situations.

Total gross other indirect (Scope 3) GHG emission was 546 tons metric tons of CO2 equivalent. Emissions are calculated by our travel agency. The Emissions Calculator calculates fuel burn and emissions using several parameters. The most important are aircraft type and distance flown. Distance is calculated as the great circle distance (the shortest distance between two airports) and fuel burn. Emissions are based on data from aircraft and engine manufacturers.

BUSINESS TRAVEL BREAKDOWN

KG CO2 IN 2019*	NUMBER OF UNIQUE TICKETS IN 2019*	AVERAGE KG CO2 PER UNIQUE TICKET*
257,484.15	634	406.13

Table 6 Business travel breakdown

* Encompasses only Oslo, Bergen, Bermuda



Denys Yelmanov/Shutterstock.com

OTHER BUSINESS TRAVEL

Despite travel management systems implemented in Oslo, Bergen, and Bermuda, some individual employees book travel outside of our booking platform. Skuld has no comprehensive record of such journeys, so we cannot make an exact calculation of our total CO2 emissions for these offices. However, based on employee travel expenses, we have estimated the total relevant CO2 emissions. We chose to use the total number of travel expense claims as a proxy for unique journeys. As most travel expense claims include air travel, we believe the estimate to be realistic.

Estimated number of unique tickets:

NUMBER OF REGISTERED UNIQUE TICKETS IN 2019	TOTAL NUMBER OF TRAVEL EXPENSE CLAIMS IN 2019	ESTIMATED NUMBER OF UNIQUE TICKETS IN 2019
634	711	711

Table 7 Estimated number of unique tickets

Estimated CO2 emissions:

ESTIMATED NUMBER OF UNIQUE TICKETS IN 2019	ESTIMATED AVERAGE KG CO2 PER UNIQUE TICKET	ESTIMATED TOTAL KG CO2 IN 2019*
711	406.13	288,755.89

Table 8 Estimated CO2 emissions.

*Estimated total Kg CO2 = Estimated number of unique tickets x Average Kg CO2 per registered unique ticket

BUSINESS TRAVEL REDUCTION

In line with Skuld's sustainability commitments, we have established measurable objectives to reduce the number of business flights undertaken, which will reduce our CO2 emissions. To ensure all employees have a clear understanding of Skuld's attitude towards sustainable business travel, we have updated our travel instructions. To reduce our carbon footprint by raising awareness and encouraging sustainable travel among Skuld employees, we set the following objectives (before the impact of Covid-19 virus outbreak):

- Reduce the number of business flights undertaken by Skuld by 10% in 2020
- Reduce Skuld's travel costs by 15% in 2020

Covid-19 has impacted global CO2 emissions, especially those arising from air travel. We therefore acknowledge that our emissions goals will be reached primarily due to the pandemic. Actual results and lessons learned will be presented in Skuld's Sustainability Report 2020.

It is our intention to challenge all employees to consider and explore sustainable measures and options which will contribute to the reduction of our environmental impact when they must travel on behalf of Skuld. For example, new technologies make virtual meetings more viable and productive.

When business travel is necessary, employees shall be mindful of ways to make their journey as sustainable as possible. This includes:

- Choosing the most sustainable options among hotels and airlines
- Choosing economy class for flights with a duration of four hours or fewer
- As hotel guests, following to the hotel's sustainable initiatives

13 WASTE AND RECYCLING

Limitation and reuse of food packaging material such as wrapping, bottles, and cans, the reduction of food waste, and the prolonged use and repair of durable objects, are vital to limiting total consumables production and therefore to lowering the use of energy and other resources. When planned and carried out efficiently, avoiding such waste has a positive effect on climate risk and in reducing local pollution.

RECYCLING

Skuld aims to operate green offices in all our locations. Our goal is always to reduce, reuse, and recycle. We insist upon similar sustainable behaviours by the suppliers in our procurement and production chain.

We have defined internal recycling-related objectives and responsibilities under an Instruction. Implementation is a key Facilities Management sustainability activity for 2020, including the placement of recycling stations throughout Skuld's office network. We are now creating these sorting stations, and when they are complete, we will remove the waste baskets currently located under every desk. Visible recycling bins reinforce accountability, a key motivational factor for employees, united by a larger purpose, to change their behaviours at work and home. In addition, time is saved servicing communal recycling stations rather than individual desk bins, and service providers receive waste after accurate sorting at its source.

The change will reduce number of plastic bags used in Skuld offices by 20,700 per year.





14 CRISIS RESPONSE

MINIMISE THE IMPACTS OF MARINE CASUALTIES

Skuld and our correspondents are very often the ‘first responders’ to marine accidents involving vessels ranging from yachts to Very Large Crude Carriers. These sometimes include major loss events such as groundings, spillages, and even the total loss of vessels. Swift decisions must be made about complex questions and issues. Many people are involved in the management of such casualties, which demand a high level of attention and expertise, often for an extended period. Record-keeping and the allocation of resources and responsibilities are all vital elements of successful outcomes. Training in these areas is critical to achieving optimal responses.

All relevant Skuld business units, and especially our Casualty Response Team, are trained in the leading best-practice procedures to prevent any escalation of damage arising from marine casualties, and to mitigate their consequences. This is to be augmented in 2020 with the design and roll-out of an electronic training programme for internal use through Skuld Academy. The course modules provide training at beginner, intermediate, and expert levels. All ten of Skuld’s Casualty Coordinators will complete the relevant modules, alongside live training sessions hosted by Skuld’s Casualty & Major Claims unit. We record the number of sessions completed.

A dedicated casualty response room has been designed and built at Skuld headquarters in Oslo and equipped to facilitate efficient collaboration in emergency situations. Skuld continues to develop and refine tools to prevent escalation, and to mitigate the consequences of large incidents, including continuous updates to Skuld’s Casualty Response Plan (CRP).

When a wreck must be removed, a balance must sometimes be drawn between opposing factors including the most economically efficient solution, the most positive environmental impact, and the risk of further deterioration, including negative environmental impacts. We ensure that all current legal requirements are met, including the Hong Kong and Basel Conventions when applicable, as well as other requirements regarding the disposal of wrecks and waste. We review all wreck removals and record the number of instances where our stringent internal and all external considerations and requirements have been successfully incorporated.

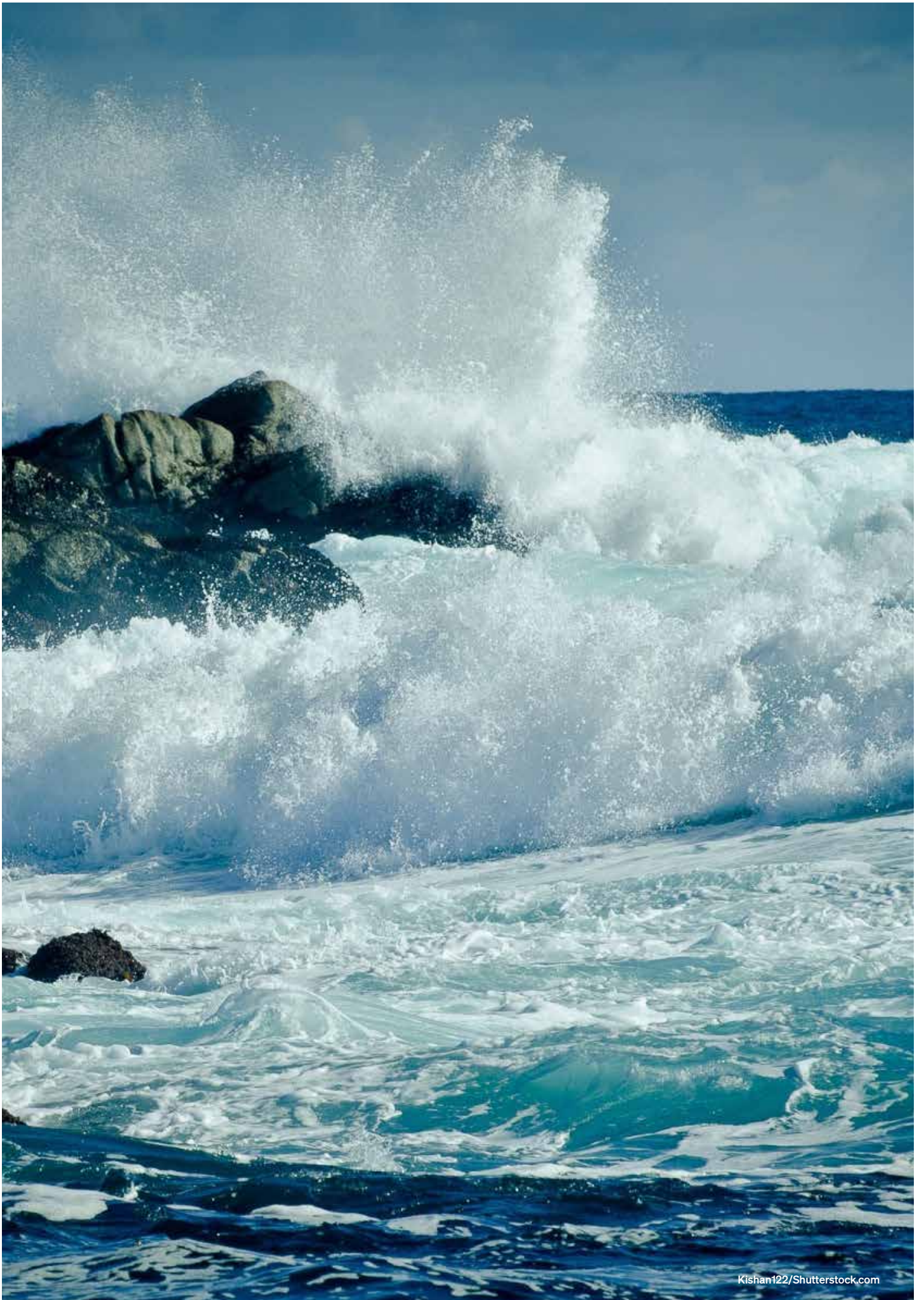
BUSINESS CONTINUITY PLANNING

Skuld maintains a comprehensive Business Continuity Plan (BCP) which provides guidelines on our response to emergencies which could interrupt our operations. The BCP is a prudent operational risk management measure for Skuld and our customers and meets regulatory requirements. It contains practical emergency-management measures to ensure Skuld’s operations return to normal as quickly and smoothly as possible. The BCP describes:

- Skuld’s decision-making structure and the organisation of an emergency management team
- Skuld’s responses to different emergency scenarios and long-term operational disruptions
- How to restore business processes as quickly as possible

The BCP includes measures to counteract physical and technology event failures which disrupt technology systems, power supplies, office accommodations, telecommunications, and data. The responsibility of the Chief Operating Officer, the BCP is approved by Executive Management and reviewed annually, including external assurance.

Skuld’s BCP was tested from 12 March 2020 by the global pandemic. Skuld made a successful transition to working from home for all global employees. Outcomes and lessons learned will be presented in Skuld’s Sustainability Report 2020.



Kishan122/Shutterstock.com

15 (CREW) HEALTH AND WELL-BEING

A ship can be a challenging workplace a long way from home. Making on-board life safer and healthier, both mentally and physically, has a great impact for all seafarers and their families ashore, who are impacted indirectly when crewmembers suffer wellbeing problems.

SHIP SURVEY PROGRAMME

Skuld aims to complete 300 vessel surveys per year and has introduced a greater focus on crew welfare and well-being into our survey questionnaires and verifications. Unfortunately, several surveys have been postponed due to the global pandemic.

MEASURE, SHARE AND ADVISE

Skuld aims to publish four articles per year about crew health, wellbeing, and stress management, to achieve 1,000 relevant podcast downloads, and to educate 150 seafarers annually through the Skuld School for Seafarers. Unfortunately, the Skuld School for Seafarers 2020 has been postponed. Skuld also attends officers' conferences by providing tailor made training with topics based on the respective clients' claims statistics with the aim to reduce number of potential claims.

ASSIST AND REPORT

Skuld aims to see fewer than five abandonment cases per year resulting from breaches of the Maritime Labour Convention, and to deliver a response in 100% of those

cases. Any instance of systematic poor treatment of crew will be reported to underwriting management.

WORK-LIFE BALANCE IN SKULD

Our employees are the core of our service and we recognise that motivation and balance will ensure a sustainable work force. Skuld has focus on empowerment, flexibility and tailored working situations when needed. This enables a sound work-life balance where our employees have the possibility to manage their daily work and reduce stress in hectic times.

ELIMINATE OR REDUCE STRESS-RELATED ILLNESS

Skuld facilitates shared physical, stress-reduction, and cultural activities across our offices. These include training programmes, social gatherings, and self-management courses. We strive to improve awareness of stress-related issues and instruct staff on their prevention. Part of this effort includes our strong support of all employees to achieve healthy work-life balances.



Wan Fahmy Redzuan/Shutterstock.com



16 SUSTAINABLE INVESTMENTS

Skuld's use of the right kind of fund managers and our sensitive management of ESG risks arising in our investment portfolio are important components of our sustainability strategy.

Climate change poses unknown physical risks which will be better understood over time and included in companies' valuations. Investors and authorities are already altering their investment choices by taking stands that others follow, such as the European Commission's European Green Deal. Large asset managers and banks have begun to exclude certain energy companies from benchmarks and investment portfolios.

However, it remains difficult to distinguish green from brown investments. Financial instruments such as green- and SDG-linked bonds remain in their early development and constitute only a small portion of the market, although the number of issues and the volume brought to market is increasing rapidly. More and more companies are becoming signatories of collaborative projects and voluntarily disclosure requirements linked to ESG data, but information remains scarce, and difficult to compare across sectors and regions. ESG rating

agencies' scores diverge for the same companies, and investors have their own approach to what constitutes a sustainable investment. The quality and quantity of sustainability data remains insufficient to adopt rules-based negative screening. Instead, asset managers that interact with the underlying companies to address critical success factors are most likely to succeed.

Regulatory requirements are likely to increase the operational burden on companies across all sectors but will eventually enhance information about sustainability investment risk factors. That will improve investors' ability to choose the right kind of exposures.

SKULD'S INVESTMENT APPROACH

A substantial portion of Skuld's investments are deployed to hedge against currency and interest rate risks arising from projected claims. The balance of the portfolio is well diversified between the world's largest financial markets and external fund managers. Passive investments in index funds comprise most of the overall portfolio, although we appoint some active managers to help distribute risk into other asset classes.

Indices with exposure to global large-cap equity and investment-grade bonds across the developed and emerging markets comprise Skuld's core investment risk. This approach provides a relatively efficient way



to take part in markets' long-term capital appreciation, and such indices have been part of Skuld's portfolio for several years. Tracking an index means being bound to its components regardless of the sustainability focus of the underlying companies. Over time companies which fail to regard sustainability commitments may fail, and therefore be excluded from indices, but investors are forward-looking, and reposition themselves continuously.

Myriad indices exclude certain kinds of companies, and their number is increasing. For example, a few large polluters may be excluded to reduce the carbon footprint of an index without deviating much from the original. However, the alternatives remain few, and are often based on data that does not necessarily reflect a holistic approach to sustainability. For example, companies in the renewable-energy supply chain may be included in a climate-focussed index despite shortfalls in governance and social impact. Alternative indices must be thoroughly vetted to avoid investment in the wrong types of business.

Skuld believes ESG risks have a meaningful impact on investment risk and return over time. We seek to integrate SDGs in our investment decision-making, with an emphasis on climate-change mitigation. We have begun by deciding how to tilt our investment exposures most efficiently towards a balanced ESG portfolio. For 2020 we continue to assess the ways in which the low-carbon transition and the shift towards sustainability will impact Skuld's investments, both in terms of risk and return, and

operationally. We are gaining insight by analysing individual investment lines and discussing their composition with external managers.

Diversification between managers and assets is a major contributor to risk mitigation within our investment portfolio. In markets deemed efficient, passive managers will continue to provide the bulk of Skuld's investment exposure, but we will favour those that go beyond exclusion and have integrated sustainability as part of their own business strategy.

In niche markets, Skuld uses active managers to gain desired exposures. Although the same type of managerial focus on sustainability will apply, Skuld will select those with mandates to concentrate most efficiently on ESG exposures. This strategy will over time shift Skuld's overall exposure towards a better balance of ESG risks. The financial implications are challenging to quantify before action is taken, due to uncertainty over the speed, form, and magnitude of physical climate change, consumer and company behaviours, and regulatory enforcement.

Skuld will continue to incorporate our selected SDGs, particularly Climate Action, into our fund-selection criteria, both for index funds and for dedicated investment mandates. We will build further ESG insights and technical solutions to support our investment- and market-risk analysis.



irin-k/Shutterstock.com

EXTERNAL MANAGERS' APPROACH TO SUSTAINABILITY

Around 70% of Skuld's investments are managed by a handful of external fund managers. These managers' approaches to sustainability vary as a function of their size, investment mandate, location, and other factors, but all are important for Skuld to achieve a balanced ESG exposure. Systematising managers' endeavours will deliver valuable insights into what and how our investment partners position themselves directly, and Skuld indirectly, during the transition period.

- Skuld will establish a framework for assessing, registering, monitoring, and reporting on external managers' sustainability efforts, both at the management and fund levels
- Development will be tracked over time to capture and monitor our progress
- Beginning with existing managers, Skuld will open dialogues with managers to gather information, and use the collected data to compare potential new managers
- Within 12 months, Skuld will establish a database sufficient to provide functionality and information covering all current fund managers

Skuld holds many thousand lines of investments in companies adapting to emerging physical climate changes, stakeholder- (rather than shareholder-) driven demands, and regulatory requirements. We are develop-

ing a methodology to assess the ways these companies are distributed across sectors, geographical regions, and other segments, to determine how each category may be affected physically and through regulation by the transition towards implementation of sustainability. Research and discussions with asset managers and consultants have begun. Assumptions will be made, but because of the number of parameters and nuances influencing net sustainability, a precise ESG score or exposure is not the objective.

- Skuld will obtain an indication of our exposure to certain SDGs such as carbon intensity
- We will reuse the same methodology over time to monitor and adjust changes in exposure
- Further SDGs will be assessed in due course
- Within 12 months, Skuld will present an assessment document to our investment committee for approval

17 NEW, SUSTAINABLE REVENUE STREAMS

OFFSHORE AQUACULTURE

Offshore Aquaculture encompasses fish farms and other aquaculture installations which operate in unsheltered waters. They are designed and moored to sustain the impact of severe storms and waves. Many traditional fish-farming companies seek cooperation and synergies with the offshore industry to meet these challenges. If successful, the offshore aquaculture industry will open vast new areas for the production of fish and other marine organisms, to meet rising global demand for sustainable, healthy sources of dietary protein.

Production of salmon and trout has a much greater yield per feed unit than other protein sources, while a switch from meat to cultivated fish contributes to significantly reduced CO2 emissions. Traditional production of these fish occurs near shores and in fjords, but difficulties with disease and salmon lice make production increases challenging. Offshore aquaculture may provide the solution.

The industry is at the starting line only. A handful of projects has been realised, but if these pioneer installations are successful, growth potential is large. Skuld insured the world's first offshore aquaculture operation in 2019 by writing a line of the hull and machinery cover for Ocean Farm 1. Skuld has also been chosen as the P&I and hull and machinery insurer for the offshore aquaculture installation 'Jostein Albert' which is expected to arrive Norway in mid June 2020. We will continue to closely monitor further developments in the offshore aquaculture industry to ensure Skuld is in position to offer coverage when further projects are undertaken. We will also continue to build our presence in this exciting new sustainable sector by participating in relevant seminars and conferences and maintaining a close relationship with the specialist brokers who have signalled their interest.

OFFSHORE WIND

The world's requirement for energy is increasing steadily, alongside greater focus on climate change. Renewable and environmentally friendly energy is required to meet rising energy demands and climate changes goals. As a marine insurer, Skuld is monitoring the advance of floating offshore wind generation platforms, with a view to insuring them and their supporting vessels. Several floating wind farm projects are under way or planned around the world. As their development and operational

costs steadily decrease, some projects are now profitable without state subsidies.

Skuld will continue to encourage and support the development of these projects because we believe they will be an important and environmentally friendly source of future. Our experts have extensive experience with a variety of installations, and of the wide range of vessels that supports their construction, operation, and maintenance. We will continue our work to build relations with the operators we already insure, and with potential customers and their specialist brokers.

ELECTRIC FERRIES

Norway's government intends to power all 200 ferries operating in the country with electricity by 2025. Major shipping companies have invested billions to make their ferries even more eco-friendly.

The County of Vestland is the pioneer of electric ferries. Vestland has decided that all ferries connecting to main roads shall be electrically operated by 2025. The county government has agreed to pay NOK 600 million each year to ensure this, double the subsidies provided to conventional diesel ferries. Electric ferries are more expensive to build, and quays must be equipped with expensive charging equipment.

Skuld insures both major players in this market, Fjord1 and Norled, and provides P&I insurances for several others.

Norled was the first to employ a fully electric, battery-powered car ferry. Introduced in 2018, MF Ampere became a showcase for innovative ferry design, meeting success which led Norled to increase its fleet of electric ferries significantly. By 2020 dozens of fully electric ferries had replaced conventional vessels. The experience shows that the fuel cost of electric ferries is significantly lower. Norled is now constructing the world's first hydrogen-electric ferry, which will be commissioned in 2021.

Fjord1 controls 50% of the Norway's ferries market. In 2019 the company had eight hybrid ferries, and two fully electric carriers. Within two years, it will operate 32 electric ferries, 27 of them new, and five rebuilt. Fjord1 is determined to reach its goal of deploying an entirely eco-friendly fleet by 2025.



18 EMPLOYEE DIVERSITY AND INCLUSION

FOCUS 2020

- Advance Skuld's inclusive and diverse leadership culture
- Reduce or eliminate stress-related illness among staff
- Promote gender equality
- Ensure unbiased and objective recruitment

AN INCLUSIVE AND DIVERSE LEADERSHIP CULTURE

Skuld's focus on leadership development is significant and continuous. We conduct annual leadership gatherings to foster general awareness and strategy alignment, and to strengthen leadership values and provide leaders with tools that expand their leadership. We have completed and will continue to operate an extensive leadership development programme. Lasting approximately 18 months, it consists of in-depth leadership training and coaching sessions, and is offered globally both to leaders with personnel responsibilities and to subject-matter leaders. The inclusive programme has strengthened Skuld's leadership culture.

All new leaders receive an introductory course about leadership within Skuld. It covers our leadership values, practical matters, and relevant administration. This programme ensures all leaders are on the same page when they begin their career at Skuld. We conduct annual leadership evaluation and engagement surveys in which all leaders complete individual self-assessments and are rated by the relevant employees in specific areas. The feedback is conveyed to leaders in cooperation with Human Resources, who help them to define areas for development and follow up. Strengthening the leadership culture and values is a continuous focus area for Executive Management, HR and the leaders themselves.

PROMOTE GENDER EQUALITY

Skuld is working towards enhanced gender equality awareness through various commitments and initiatives. Already more women than men work for Skuld; our goal is to achieve 40% gender equality in our managerial and key positions. To commit to and measure our progress, we have signed the UN Women's Empowerment Principles, and have begun reporting to the SHE Index. We also disclose our gender balance to the Norwegian government and in our Annual Report.

The tables below present an overview of the current gender distributions at Skuld, including salary distributions, the number of temporary and part-time employees, and statistics about parental and global sick leave, total turnover, and the number of new recruits.

KEY FIGURES	FEMALE	MALE	TOTAL
Total no employees (permanent, per 31.12.2019)	140 (51%)	136 (49%)	276
Number recruited during 2019	20 (54%)	17 (46%)	37
Total turnover 2019	9.29%	6.62%	7.97%
Number of employees working part-time during 2019	5	-	5
Temporary employees during 2019	4	-	4
Employees on maternity/paternity leave during 2019	9	4	13
Global sick leave (2019)	2.92%	1.26%	2.13% (2019)

Leaders (per 31.12.2019)	% Female
% female at Norwegian Board level	43%
% female at global Board level	18%
% female leaders at level 1-3*	26%
% female leaders at level 2*	29%
% female leaders at level 3*	26%

* Levels according to the SHE Index

Salary 2019 – Employees globally	Women's salary as % of men's
Assistants	154%
Executives	100%
Senior Executives	91%
AVP/VP	97%
SVP	95%
CXO (excluding CEO)	87%

Salary 2019 – Employees in Norway	Women's salary as % of men's
Assistants	n/a
Executives	104%
Senior Executives	91%
AVP/VP	90%
SVP	90%

Skuld has introduced several initiatives to support our commitments under UN WEPs and the SHE Index. We continuously work to align our corporate governance policies, instructions, and guidelines with our gender equality goals. Policy alignment will be concluded during 2020, following a thorough review and adjustment of the relevant instructions and guidelines completed in 2019.

We have added a new section entitled Equality and Diversity to Skuld's Code of Conduct:

Skuld is committed to promoting an organisational culture which values equality and diversity in the workplace. Through our recruitment and retention practices we aim to foster a high-quality workforce reflective of gender equality and diversity principles, including at least 40% of each gender in all management positions.

Skuld will seek to provide equal employment, payment, career development opportunities, and non-discrimination on the grounds of age, nationality, gender, and other.

Our whistleblowing Instruction clarifies that 'Harassment/any form of discrimination on the basis of gender, age, nationality or other' constitutes 'blame-worthy conditions'. As such, all Skuld employees are expected to raise their concerns upon observation or discovery of such acts.

Skuld's Personnel Guidelines emphasise that all recruitment processes shall aim to maintain a wide age distribution, and to ensure a reasonable balance between female and male candidates selected for interviews. All qualified candidates shall have equal opportunities, regardless of gender, age, nationality, religion, or other personal characteristics.

We strive to ensure Skuld's Reward & Recognition programme is transparent and fair. Relevant policy encourages attitudes and actions which support Skuld's business goals and organisational culture, and shall be without bias to gender, age, nationality, religion, or other personal characteristics. We have clarified our Reward & Recognition programme Information to reflect this commitment.

Salary levels and adjustments have also been clarified to reflect equality, such that they should be equal in similar positions regardless of gender. Employees with paid long-term absence (including maternity/paternity leave of up to one year) are equally eligible for salary adjustments.



UN WOMEN'S EMPOWERMENT PRINCIPLES

The UN SDGs name the seven WEPs as a vehicle for corporates to delivery on gender equality goals towards 2030. At the time of writing 2,771 companies had signed-up worldwide. The commitment entails a CEO statement submitted to the UN, a public endorsement on the company's website, and measurable initiatives based on the seven principles.



THE SEVEN WOMEN'S EMPOWERMENT PRINCIPLES AND SKULD'S INITIATIVES

1. Establish high-level corporate leadership for gender equality
 - a. Signing the UN WEPs
 - b. Update relevant policies, instructions, and guidelines
2. Treat all women and men fairly at work – respect and support human rights and non-discrimination
 - a. Update relevant policies, instructions, and guidelines
 - b. Aim for at least one person of each gender to be interviewed for leadership positions
 - c. Aim for at least 40% of each gender in all management positions (Levels 2-4)
 - d. Define existing practice to ensure that employees on paid leave will be considered equally under existing remuneration practices
3. Ensure the health, safety, and well-being of all female and male workers
 - a. We have solid routines in place, in accordance with or exceeding legislation
4. Promote education, training, and professional development for women
 - a. Adjust recruitment goals in line with WEPs
 - b. Increase the number of women in underwriting roles
 - c. Continue specific training in communication and self-esteem for employees with growth potential and ambitions
5. Implement enterprise development, supply chain, and marketing practices that empower women
 - a. Our CEO said, in his UN WEPs endorsement *'At Skuld we promote an organisational culture which values gender equality and diversity. Providing equal employment and career development opportunities and increasing the percentage of women in managerial and key positions is closely linked to our strategy for the future.'*
6. Promote equality through community initiatives and advocacy
 - a. Support UN WEPs
7. Measure and publicly report on progress to achieve gender equality
 - a. Update Skuld's Code of Conduct
 - b. Publish Skuld's UN WEPs endorsement
 - c. Use WEPs as a tool for internal measurement

Table 9 The Seven Women's Empowerment Principles and Skuld's initiatives

SHE INDEX

The SHE Index is a catalyst to encourage stakeholders to focus on diversity and inclusion in leadership and the wider workforce, equal compensation for all, and work-life balance. It therefore promotes gender equality in general. The SHE Index documents individual companies' progress towards the achievement of gender balance and is intended to reflect the wider status of gender equality in corporate life and to help understand underlying factors in achieving progress towards equality. The key SHE Index indicators are gender balance at Board level, and at companies' top-three executive levels.

- LEVEL 01: President and CEO
- LEVEL 02: Top Management reporting directly to the CEO
- LEVEL 03: Management reporting to Level 02

Reporting is semi-annual based on current policies, procedures, and female leaders in the organisation. Each company's overall score is calculated based on a 40% weighting for policies and procedures, and 60% for women in leadership roles. Skuld has reported to the SHE Index according to these metrics, most recently in the spring of 2020.

ENSURE UNBIASED AND OBJECTIVE RECRUITMENT PROCESSES

Skuld aims to ensure awareness of gender equality in all steps of the recruitment process, which is achieved through recruitment training for relevant personnel, and close dialogue with Human Resources throughout the recruitment process. We wish to have men and women involved in recruitment processes at all managerial levels.

Our Personnel guidelines state that 'The selection process shall be timely, give all qualified candidates an equal opportunity, regardless of gender, age, nationality or other. Emphasis will be placed on maintaining wide age distribution and ensure a reasonable balance between female and male candidates selected for interviews. As a general principle, for management positions at VP level and higher, at least one female and one male candidate shall be selected for the first round of interviews. In the case of only one gender applicants Skuld should aim to encourage relevant candidates to apply.

'All applicants shall be evaluated by at least two Skuld representatives. The candidates should be evaluated and assessed on the basis of past and current performance, alignment with our values, core professional skills, leadership skills if relevant, competencies, potential future capability and developmental

needs. The Skuld representatives will be trained to limit unwanted biases and reduce adverse impact to select the candidates with the closest match to our objective requirements.'

BENEFITS

Skuld's Norwegian entities have adopted the general principle that Skuld offers equal benefits to full-time, part-time, and temporary employees (with some reservations for part-time employees engaged for less than 50% of a full-time equivalent). Globally, all employees receive an annual performance and career development review – Skuld's People Performance Dialogue – regardless of their category, seniority, age, nationality, or gender. All permanent employees are equally eligible for salary adjustments and bonuses through our Reward and Recognition programme.

EMPLOYEE SAFETY

Cooperation and trust are essential within Skuld. To advance them, we have established an advisory committee that includes representatives of employees and the Executive Management to discuss matters of mutual concern. For practical reasons, Skuld has merged this committee with mandatory Norwegian AMU (Working Environment Committee). Skuld employs a Personal Safety Representative whose role is to safeguard employees' interests in working environment matters. The Representative sits on the AMU. Every other year our Employee Engagement Survey asks staff members about harassment, perceived workloads, and work-life balance. We recorded no incidents of discrimination or corrective actions taken in 2019, nor did we record incidents of work-related injuries or ill health, in the engagement survey or elsewhere. To ensure all Skuld employees are trained in human rights policies and procedures, we have established a solid foundation of internal instructions and guidelines, among them our Code of Conduct. Skuld expects all employees to familiarise themselves with the instructions and procedures. Finally, we have a clear and well-integrated corporate culture based on our core values. These serve as points of direction as to how we conduct our work, acquire new talent, reward our employees, develop our leaders, and meet each other in the workplace.

A close-up, low-angle shot of ocean waves at sunset. The water is a deep blue, with white foam from the waves catching the golden light of the setting sun. The sky is a soft, hazy orange and yellow. The overall mood is serene and powerful.

PROTECTING
OCEAN INDUSTRIES