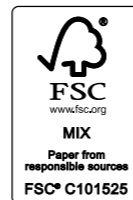




MSC SUSTAINABILITY REPORT 2020

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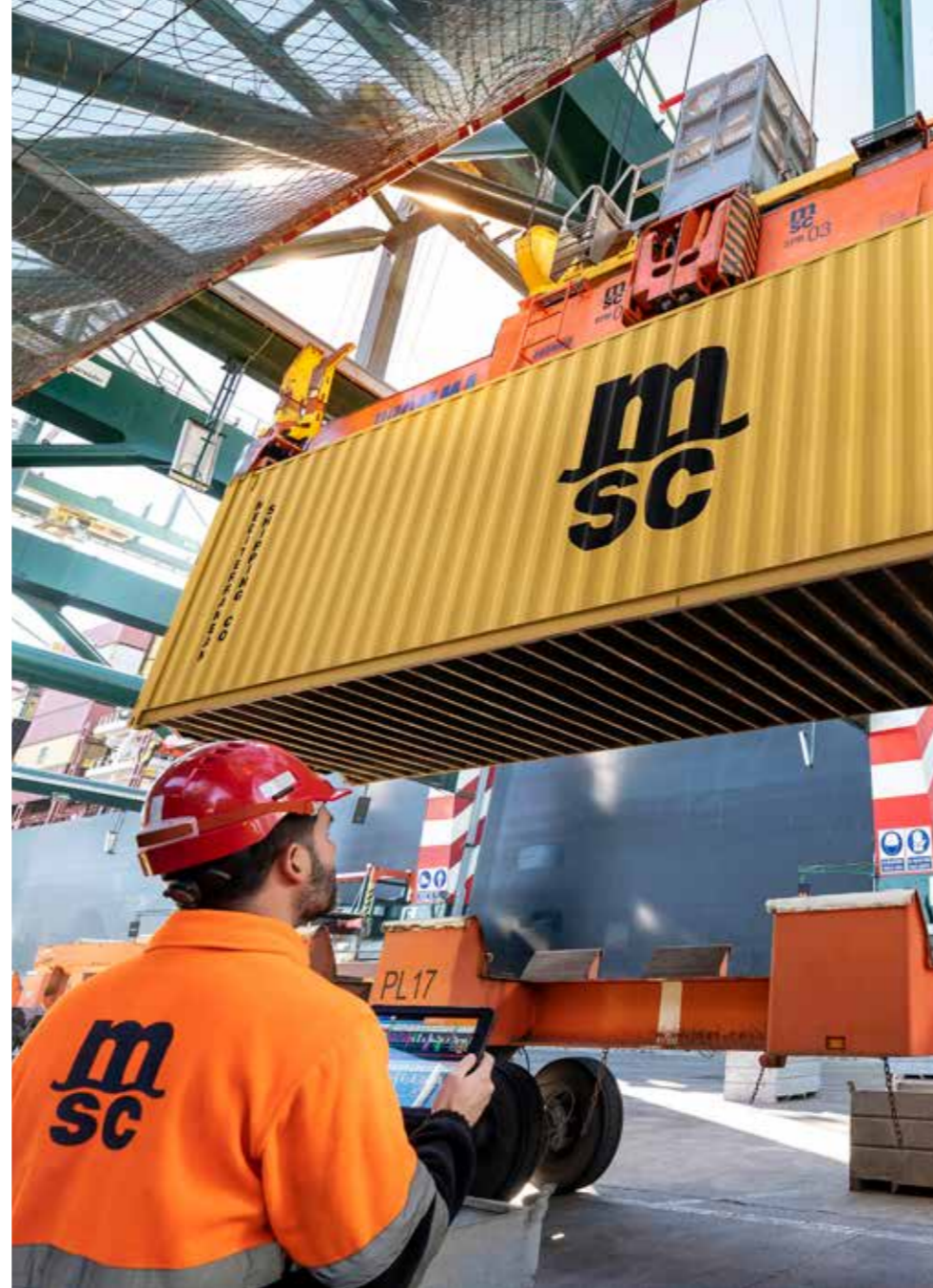


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# 2020 SUSTAINABILITY REPORT

[www.msc.com/sustainability](http://www.msc.com/sustainability)

**2020**  
**SUSTAINABILITY**  
**REPORT**



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# A WORD FROM OUR GROUP PRESIDENT



**Diego Aponte** Group President, **Gianluigi Aponte** Group Chairman, **Alexa Aponte Vago** Group Chief Financial Officer

2020 was a year that saw the world undergo an unprecedented and significant transformation. Extending beyond what anyone could have anticipated, the global crisis has permanently changed the way we live, the way we work, the way we define our priorities and much more. The COVID-19 pandemic has served as a stark reminder of how fragile we all are, and of the need for ambitious and concerted actions to confront and overcome the global challenges impacting our lives and our planet. As the world enters a new era, we reflect deeply on our collective experience and learning to return to a 'new normal' and build our future together.

This historical time also coincides with our company's 50-year anniversary and is a reminder of the importance of having deep roots. More than ever, being a family company takes on special meaning and will be key to maintain a steady course towards the future. 2020 was also the year of the arrival of our new CEO Soren Toft whom we warmly welcome to the MSC family. Soren's extensive shipping experience and leadership will contribute to making MSC more resilient than ever. He will build on our strong company's core values and continue maximising our people's potential, passion and dedication, enabling our successful growth over the past five decades and navigating uncertain times with

extraordinary determination. Together, we will sharpen and strengthen our ability to anticipate the major challenges lying ahead and play an active role in the systemic step-change the world needs.

In this evolving and complex scenario, the role of companies in identifying and implementing long-term solutions with clear targets for equitable and sustainable growth has become increasingly clear. Creating the enabling conditions and making a positive contribution to society and the planet will be crucial and can only be realised by moving beyond a purely individual vision.

The current unforeseen situation has shown us the interconnectivity and vulnerability of our systems, and these root causes need to be addressed as we redefine the roles and responsibilities of all players. Now is the time to accelerate the transition towards new patterns of collaboration throughout global supply and value chains for sustainable development, driven by the Sustainable Development Goals. Our 'new normal' requires a renewed awareness and accountability to build forward better, ensuring our post-pandemic world is substantially stronger than the one we left behind. We are at the dawn of a new way of doing business, and believe that joining forces and moving forward with a broader perspective will become part of an established approach designed to foster the well-being of communities and the planet alike. The impacts of the private sector's contribution to this fresh vision and transformative path will be highly relevant.

Over this period, we have become more aware of how the transportation industry supports economies at the local, regional and global levels. We have seen how all that we took for granted proved to be key in tackling global disruptions and sustaining the most disadvantaged markets, economies and communities. As a global company with operations in the most vulnerable regions, we have continued working with

the same professionalism and care to serve our customers throughout the pandemic. We have played an instrumental role in fostering inclusive trade and securing logistics flows in these difficult times. Alongside supporting governments' actions to address the ongoing crisis, we have done our best to protect our employees around the world and onboard ships while actively engaging in national efforts and multi-stakeholders' global responses by drawing on our resilience, expertise and assets.

Our roadmap moves precisely in this direction, with logistics decarbonisation remaining at the top of our agenda: we are set to lead by being a catalyst for innovation. We are equally committed to advancing the global business and human rights agenda by contributing to tackle our sector-specific social issues. Our aim is to be a driving force in the world's post-pandemic recovery as we believe it is the only way forward for a 'healthy planet with healthy people'.

Working together will be an integral part of this new paradigm and our common journey. Today, and in a post-pandemic era, MSC will continue to play its part in addressing emerging risks, global challenges and crises, both as an individual company and through collective action.

**Diego Aponte**  
MSC Group President

# CEO STATEMENT



**Soren Toft**, Chief Executive Officer

Last year was truly a year of change. The world endured a terrible pandemic, impacting our lives in profound ways. For me change, as I joined the MSC family as Chief Executive Officer and entered the company at a time of global disruption and difficult operating conditions. However, in MSC we drew on our exceptional resilience and adaptability, to maintain business continuity matched by the care and passion for our employees and customers for which the company is known. I am honoured and excited to contribute to leading MSC into the future, building on our strengths as we search for the sustainable solutions that will help overcome the challenges the world faces.

The global pandemic has shown how interconnected the world and societies have become, and how pivotal international shipping is to connect economies, producers and consumers. Delivering end-to-end logistics to our customers demands strong partnerships along the whole supply chain, including with local economies and the small- and medium-sized businesses who rely on us to connect and facilitate trade with the world.

MSC has again proven its ability to adapt and meet the demands of a rapidly changing market environment by launching new products and services, adjusting shipping routes and developing contingency plans. Our

flexibility and determination saw us effectively address the disruptions of 2020, supporting and delivering to our customers throughout the world. This included joining the ongoing global effort to ensure equitable access to COVID-19 vaccines and related medical equipment, under the 'World Economic Forum Supply Chain and Transport Industry Charter in support of UNICEF and COVAX Vaccine Distribution'. Our expertise, assets and operational competence have proved critical in addressing unprecedented logistics challenges in low and lower middle income countries.

Ensuring safe working conditions for our people is our number one priority. To those who have kept the wheels turning during these unprecedented times, we have a shared responsibility, ensuring their wellbeing and addressing emerging health risks they may face. Also for this reason MSC signed the 'Neptune Declaration on Seafarer Wellbeing and Crew Change'. We stand by our people at sea and urge global action to protect seafarers and address the crisis that continues to threaten global supply chains.

Decarbonisation is one of the greatest challenges that the world and hence our industry faces today, and it will continue to be a key focus area for the coming couple of decades. We have continued to place substantial investments in both our fleet and operations, improving our sustainability performance and through continued focus on energy efficiency. In 2020 specifically, we further reduced our emissions and have from the 2008 baseline achieved 44.3 per cent. We are proud of this accomplishment; yet we fully recognise that much more remains to be done. Full decarbonisation requires collective action and exploration of multiple avenues simultaneously. We must continue to reduce our emissions, learn throughout the transition, while working with our partners to prepare for the future carbon neutral fuel(s) and scalable solutions.

In MSC we take a long-term view. As a family company, our deep rooted values bring a unique approach to building a sustainable future, placing people at the front and centre of what we do. I have witnessed this first-hand in the way we build and nurture relationships among our colleagues and crew, our customers and our communities. For MSC, being a good partner is about standing in solidarity with our people in the 155 countries where we operate.

We believe in investing in and developing our people and in the generations to come. As a growth company, we will be needing more people and diverse skills. The younger generations of today come with high expectations of the companies for whom they work. MSC's commitment and consistent approach to addressing global challenges will help us attract the right talent.

My journey as CEO has just begun, and as MSC we will continue to take the lead in making a positive difference, connecting the world as we build a better future.

**Soren Toft**  
MSC CEO

# MSC GROUP

Headquartered in Geneva, Switzerland, and privately owned, the MSC Group is a leading shipping and logistics conglomerate.

Guided by an innovative, flexible and unique approach to shipping, MSC's visionary leadership transformed a single vessel operation in 1970 into a successful global business with exponential and organic growth, driven by strong values embedded in the nature of MSC: a family company.

Over time, MSC has played an essential role in shaping the world as we know it.

We overcame geographic boundaries and connected the world by sea, road and rail, with an inclusive approach towards our people and our communities. Our journey led us to become a crucial enabling actor contributing to global economic growth, driving international trade and fostering the potential of emerging countries. It is our responsibility and purpose to lead the way to a future that we are proud of. Now, more than ever, we commit to doing our very best to navigate the path to sustainable development and tackle the global challenges connecting us all.



# CARGO DIVISION

**74,300+\***  
MSC CARGO DIVISION STAFF




A GLOBAL LEADER IN SHIPPING AND LOGISTICS

**215+** ROUTES

**500+** PORTS OF CALL

**22** MILLION TEU CARRIED

**155** COUNTRIES

**524** OFFICES

**590** VESSELS



ONE OF THE WORLD'S LARGEST TERMINAL INVESTORS AND OPERATORS

**62** TERMINALS

**2** GREENFIELD TERMINALS

**34+** MILLION CONTAINER MOVES PER YEAR (MSC and TiL)

**1,700** HECTARES STORAGE AREA

**30** OPERATING COUNTRIES



GLOBAL TRANSPORT AND LOGISTICS SERVICES PROVIDER

**70+** COUNTRIES

**160+** OPERATING YARDS

**8+** MILLION SQM

**1** MILLION TEU STACKING CAPACITY

**4.4** MILLION TEU TRANSPORTED

\*Data as of March 31, 2021

# OUR PURPOSE

WE CONNECT THE WORLD, FOSTERING INCLUSIVE SOCIAL PROSPERITY AND ECONOMIC GROWTH,  
WHILST RESPECTING AND NURTURING THE HOME WE ALL SHARE, OUR BLUE PLANET.





# SUSTAINABILITY AT THE HEART OF OUR BUSINESS



SUSTAINABILITY AT THE HEART OF OUR BUSINESS

# A BUSINESS PRIORITY

The COVID-19 pandemic has generated one of the most severe humanitarian crises and global economic setbacks ever experienced in recent history. The extraordinary efforts and measures put in place to address trade disruptions and tackle social challenges at the local and global levels have clearly shown that innovative solutions are needed to enhance our long-term resilience. Facilitating a 'just transition' towards sustainable economies and societies, where no one is left behind, while contributing to the global decarbonisation pathway, requires moving away from previous business approaches in favour of enhanced partnerships to address our shared responsibilities. In this respect, the global pandemic has created opportunities

to step up joint efforts, re-assess priorities and promote transformative change. Reviewing sustainable pathways requires an ever-increased focus on the significant opportunities that the transition will create, as well as viable ways to realise them in a just and fair manner. As a key player in global supply chains, MSC remains fully committed to continuously adapting to evolving trends and building momentum. This includes our commitment to contributing to the realisation of the **United Nations 2030 Agenda for Sustainable Development**. This is not just about fostering responsible business conduct. At MSC, sustainability is a strategic imperative and, above all, a business priority.

As a core function working in close collaboration with the company leadership and senior management, the Sustainability Department upgraded the sustainability roadmap framework for the entire Cargo Division.

While our **Fundamentals** to integrate sustainability into our business model remain our polestar, a number of significant steps have been taken during the reporting year. A full revision of our **Material Topics** was one of the central activities required to cope with this challenging phase. A reassessment of MSC's **Sustainability Priorities** and raising our level of ambition were part of a structured process embedding these priorities into our organic growth strategy and developing specific programmes for its implementation.

Additionally, we defined our long-term **Purpose** to assert our values-based responsibility and reflect the centrality of the global agenda in the way we run our end-to-end business. During the reporting year, the Company has worked on further aligning key sector-specific targets and future investments with the global **United Nations Sustainable Development Goals**

(SDGs) and Environment, Social and Governance (ESG) criteria.

The identified strategic actions outlined in the **Sustainability Plan** focus on leveraging the environmental and social interconnections in project finance and in due diligence processes to maximise positive impacts in our value and supply chains. Our role in connecting global economies means we work closely with our key stakeholders. Our commitment and priorities have a direct impact on multiple dimensions of their social and environmental challenges. By building and engaging in new partnerships as part of our approach, we aim to be a catalyst of human and material resources, and a key enabler to generate greater impact and drive change to 'build forward better'.

## GEARING UP TO DELIVER UPON AMBITIONS

In 2020 we focused on reshaping our sustainability approach to ensure consistency and alignment with the evolving scenario, continuing our industry leadership and readiness to address our key stakeholders'

increasing ambitions and expectations. For this reason, we concentrated on reviewing relevant processes and reorganising internal capabilities including increasing our pool of experts within MSC's Sustainability Department.

WE SUPPORT

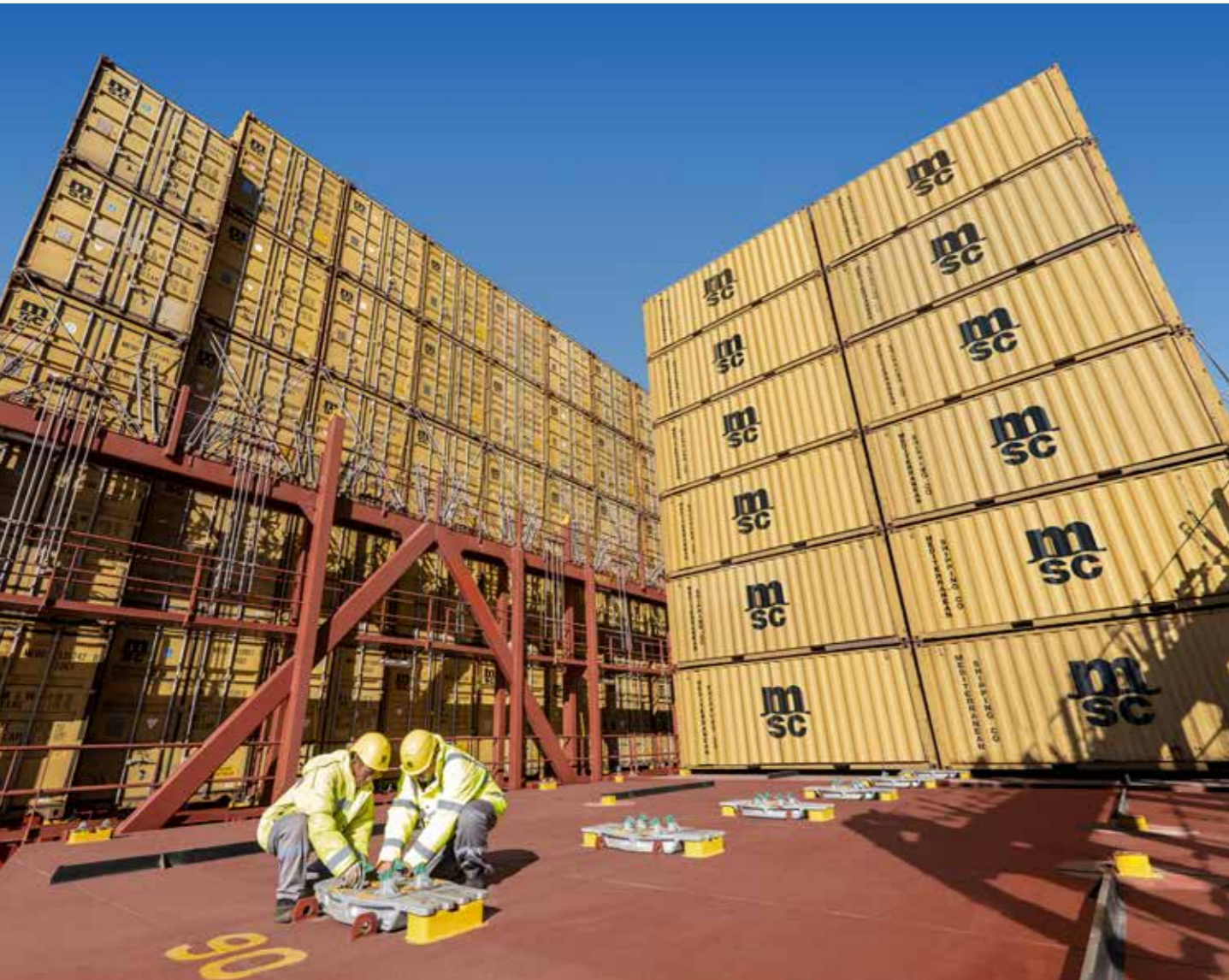


# LEVERAGING STAKEHOLDER ENGAGEMENT TO ADDRESS TRANSITIONAL TOPICS

Given the global nature of our business, we constantly interact with key stakeholders from the public and private sectors. Different engagement mechanisms have been implemented to promote dialogue and enhance relationships, meet specific expectations, respond to concerns and forge collaborative partnerships to deliver solutions. We also pursue multi-stakeholder engagement when addressing our sector's shared challenges and creating alliances on common ground.

Fostering an open and inclusive dialogue has always been an integral part of our approach and has proven to be a powerful catalyst for addressing joint efforts, especially

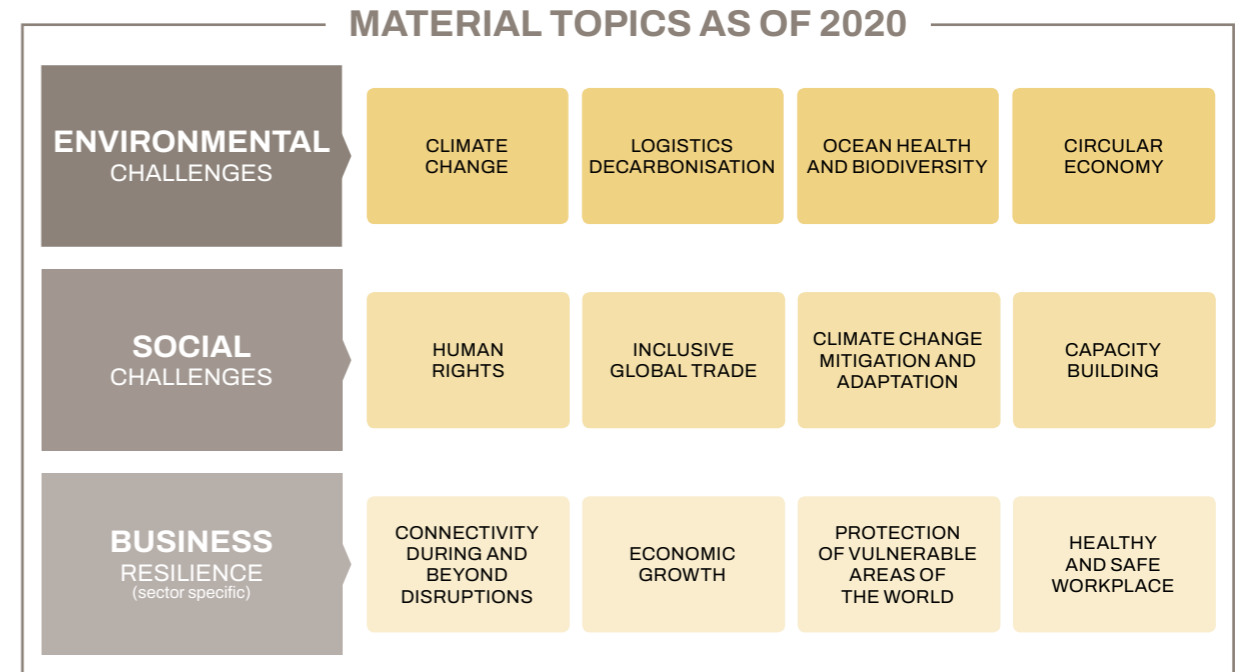
when significant disruptive forces are at play. During this reporting year, the re-evaluation of long-held assumptions about the global economy, determined by the acute impacts of the COVID-19 pandemic, encouraged us to focus on how different stakeholders were re-defining their priorities and changing their perspectives. We discovered that commitment to sustainable development has not diminished. On the contrary: the unprecedented situation has further fuelled ambitions and accelerated expectations for global players to make a concrete contribution to addressing climate change and respecting human rights.



# BUILDING ON NEW MATERIAL TOPICS

This decade began with an unprecedented global event, drawing our attention to the fragility and interdependence of the planet and human life. The still evolving situation has prompted global players to confront new realities, review priorities and re-evaluate long-held assumptions and business perspectives. The COVID-19 pandemic has also accelerated deeper trends at the global level

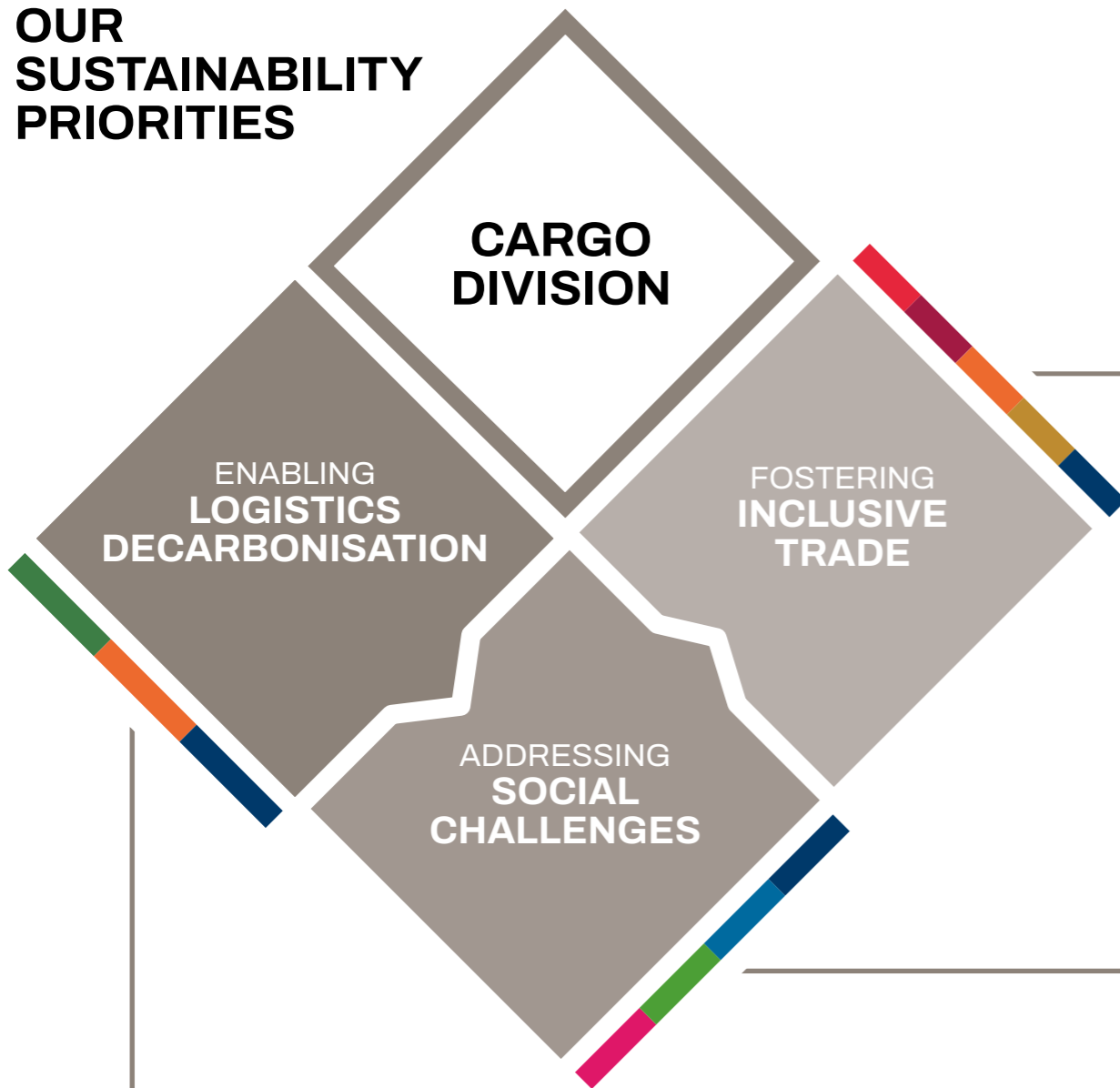
which impact directly on our key stakeholders. The disruption of 2020 demanded a new approach to ensure we continue our contribution to shaping a sustainable future. We embraced the newly identified perspectives and subsequently reviewed and presented our integrated material topics for the entire Cargo Division in a leaner way.



While the evolving interconnected megatrends have not changed our overall **Materiality Approach**, our **Sustainability Priorities** have benefited from renewed stakeholder insights, inputs and expectations. At the same time, when addressing major global challenges, our decision-making process remains guided by our core values, the ESG factors and the **United Nations Global Compact's Ten Principles**. By enhancing our systemic approach to sustainable development, we have linked our

main action streams to each of our sustainability priorities and analysed how they are related to the **SDGs**. MSC's day-to-day-operations maintain their focus on generating inclusive social progress and global economic growth, while fostering compliance with responsible business practices and protecting the environment. This approach provides a broad reference framework that can be adapted to various internal and external factors impacting the international shipping sector, as well as global value and supply chains.

# OUR SUSTAINABILITY PRIORITIES



**WORK TOWARDS CARBON NEUTRALITY**



**SUPPORT LOGISTICS TRANSITIONAL SOLUTIONS**



**KEEP ON FOCUSING ON EFFICIENCY PROGRAMMES**

Climate action is a global imperative, and as a leading logistics player we are highly committed to **intensify our efforts to contribute to the transition towards decarbonisation.**

Building **strategic partnerships** across the supply and value chain to meet the need for urgent action and **accelerate solutions at scale** is a core element of our sustainability pathway.

**ENABLE ECONOMIC ORGANIC GROWTH**

**GENERATE SHARED VALUE**

**BUILD PARTNERSHIPS TO ENCOURAGE SUSTAINABLE DEVELOPMENT**



**Enabling connection of local economies and fostering open and inclusive trade** drives our investments, supports market accessibility and contributes to value generation. Sustainable development is inspiring our decision-making process as it is instrumental to **securing organic growth and delivering support through global disruptions.**

We will increase our commitment to intermodal logistic solutions along the whole supply chain to better support our customers.



**RESPECT AND PROMOTE HUMAN RIGHTS**

**INTEGRATE SOCIAL ASPECTS RELATED TO CLIMATE CHANGE**

**PROMOTE DIVERSITY AND INCLUSION**

**Addressing social challenges** is at the heart of MSC business and part of our DNA, as our work interconnects societies. Pioneering on high-risk social issues and **addressing links between human rights and environmental challenges** will enable resilience, and ensure economic continuity and recovery.

# ADAPTING AND RESPONDING TO EMERGING MATERIAL RISKS

The COVID-19 pandemic has proven how interlinked, potentially high-impact, low-likelihood risks can very quickly become material from both financial and sustainability perspectives. While the future course of the crisis cannot be predicted, to face the continuously evolving scenario gaining a clear understanding of the emerging risks is a key priority. Focusing on our sustainability strategic priorities whose direct impacts on societies, communities and countries may be affected by disruptions, we decided to start a specific risk assessment process. We took into account the respective Cargo Division specificities and the local contexts in which we operate, while aligning with sector specific standards and regulations, the **United Nations Guiding Principles on Business and Human Rights (UNGPs)**, the **OECD Guidelines for Multinational Enterprises (MNE Guidelines)**, and other relevant international frameworks. We aim to manage and mitigate inherent risks in our business, as well as risks related to the broader context in which we operate, including those associated to potential adverse externalities that may derive from our activities. In this respect, we will design our approach to plan investments and enhance opportunities for future generations to come, as well as minimise forces that are driving inequality and disruptions in global economies.

# THE SDGs: A GUIDE FOR RECOVERY AND BUSINESS ACTION

Now, more than ever before, the **Sustainable Development Goals** are at the forefront of our thinking. Our role in supporting global economies and securing inclusive trade during disruptions has led us to further prioritise efforts to make SDGs central to the way we do business and impact the value chain. The relevance of the SDGs to the prosperity of people and the planet provides a universal framework to help realise a collective ambition of working for a better future.

To this end, we have fully integrated the SDGs into our strategy, acknowledging those that are most relevant to our business and assessing the extent to which they can help us leverage our contribution to the realisation of the UN 2030 Agenda. This goal will be pursued by bringing about positive impacts and mitigating negative ones, both the social and environmental levels. We have considered the role we play in addressing globally interconnected issues and challenges, such as poverty and climate change. In 2020 a strategic risk and opportunity analysis was undertaken to define MSC's impacts on and correlation with the SDGs, in line with the newly defined **Cargo Division Sustainability Priorities** and **Material Topics**.

# OUR SUSTAINABILITY ROADMAP



# GOVERNANCE FRAMEWORK

Over the past few years, MSC's sustainability governance has been designed to support the progressive integration of ongoing and emerging strategic social, environmental and economic topics across the organisation. Our broader long-term approach to sustainability permeates our decision-making and operative processes throughout the entire value chain. The integration of ESG factors is enabled through processes that are set up on the basis of a sustainability context analysis and priorities that have been identified for the whole Cargo Division and its stakeholders.

More specifically, a clear governance framework has been established, management processes have been set up and actions have been formulated in line with relevant international standards, regulations and principles. Our governance model benefits from a responsible business conduct in accordance with **MSC Values**, our **Code of Business Conduct** and applicable legislation and requirements in all countries we operate in.

As sustainability has been confirmed as a strategic imperative for MSC in the face of a complex and uncertain health crisis, in 2020 the company embarked on a review of its governance model to address and build a response to a broader range of sustainability topic areas affecting its business. While the overall responsibility of sustainability-related decision-making remains with the **Group Executive Sustainability Steering Committee**, the MSC Group President, the MSC CEO, supported by senior executives and several entities within the MSC Cargo Division, ensure a disciplined approach to sustainability management and have direct ownership of implementing the strategic programme. In parallel, all entities of the Cargo Division have been integrated into the perimeter. To ensure the new set of Sustainability Priorities are systematically embedded at business level and harmonised within the whole Division, the **MSC Cargo Division Sustainability Department** leads and provides guidance at Cargo Division level. It reports to the company leadership and sits at the Group Executive Sustainability Steering Committee. The Department is responsible for enabling and overseeing the implementation of the Sustainability Priorities, in line with the MSC Sustainability Plan and MSC's long-term approach. The Department drives these processes across MSC's Cargo Division by working cross-functionally, while expert-level Sustainability Working Groups have been expanded. At the end of 2020, MSC started recruiting internally **Sustainability Functional Representatives** to ensure that process owners within key departments develop and implement initiatives and projects at the operational level and communicate their progress to the Sustainability Department. To make sure that our action plan smoothly adapts to the evolving circumstances, Representatives are also in charge of informing and advising on emerging challenges and issues at stake via a recurring review and relevant evaluation process.



# ENABLING LOGISTICS DECARBONISATION



# CLIMATE ACTION A GLOBAL STRATEGIC IMPERATIVE

In 2020, global warming rose further up the global business and political agendas and in the public consciousness. The COVID-19 pandemic further emphasised the need for long-term solutions in addition to short-term measures. The scale and disruptive nature of such an unprecedented event underscored the importance of industry leadership, as well as broad cross-sector cooperation in tackling the climate crisis. Businesses can play a crucial role in leading the transition to a low-carbon economy and deploying solutions at scale.

The transportation industry is reputedly one of the most difficult to decarbonise. Given the complexity of the technological and energy source challenges involved, long-term solutions can only be developed through collective action and proactive partnerships with companies and actors across various industries. Such collaboration capitalises and builds on the interdependencies between ocean-going and inland logistics and other sectors providing fuels, distribution systems and infrastructure. The **Getting to Zero Coalition** is a prominent example of such collaborative platforms, which we joined as we believe that only together can we build our future forward. MSC is uniquely positioned to support end-to-end supply chain emission reductions, in view of the range of connected intermodal logistics services offered, covering inland transport via road, trains and barges.

## MANAGING CLIMATE-RELATED RISK

Rising global average temperature is linked to widespread changes in weather patterns, notably an increase in the frequency and magnitude of extreme events<sup>1</sup>. For a company like MSC, operating in the marine and coastal environment, climate change and variations in weather patterns create additional risks that must be prevented and mitigated. With a cautionary approach, our Operations team

<sup>1</sup> www.epa.gov

## OUR PATHWAY TO LOGISTICS DECARBONISATION





constantly monitors the weather conditions where our vessels are sailing to evaluate if route alterations may be required to ensure the safety of the crew, our vessels and their cargo.

Land-side logistics operations at ports, on the coast and at vulnerable inland locations are also at risk of disruption due to extreme weather events. At Terminal Investment Limited (TIL), climate resilience is a consideration when purchasing terminal equipment and developing or modernising terminal container infrastructure, particularly in storm- or hurricane-prone regions. Among the criteria for consideration are the ability to withstand storms and high wind load and the ability to respond promptly and resume operations rapidly once the storm has passed. In highly exposed geographical areas,

the need to operate independently of public utilities is increasingly a terminal design consideration for ensuring resilience and adaptation to climate change.

Adaptation to climate change is also addressed in our inland operations in terms of transport infrastructure design and management. MEDLOG's investments in this regard focus on mitigating disruptions throughout the logistics supply chain and enhancing the ability to deliver reliable services. MEDLOG's broader environmental strategy also integrates key social considerations to ensure the continuous improvement of the safety of our operations and the minimisation of negative externalities on vulnerable communities that are often disproportionately impacted by climate change.

# SETTING OUR SIGHTS ON NET ZERO SHIPPING

The shipping sector is currently undergoing the most significant transformation in its history: decarbonisation. Trends in technology, regulations and trade patterns, driven by climate imperatives and customer expectations, are already reshaping the future of the maritime industry. Throughout this transition, the sector must continue to support global trade by delivering cargo and connecting businesses

and economies: around 90% of traded goods are transported by sea<sup>2</sup>. MSC is rising to the challenges that this transformation presents and is throwing its full weight behind the shift towards more sustainable ocean transportation. We believe that a cross-generational journey has begun and that a zero-carbon future is the only way.

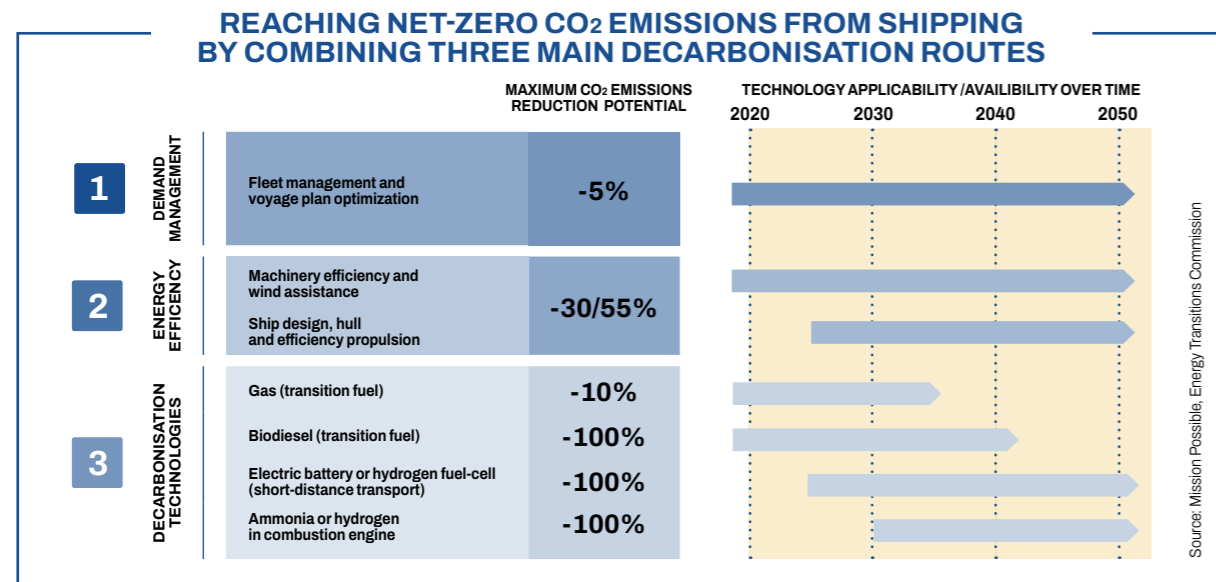
<sup>2</sup> [www.oecd.org/ocean/topics/ocean-shipping/](http://www.oecd.org/ocean/topics/ocean-shipping/)



# BALANCING AMBITION AND REALITY

Container shipping is the least carbon intensive form of cargo mass transportation per ton/kilometre, but MSC acknowledges that the industry impacts the climate nonetheless. There is considerable public pressure to act quickly, and long-term market-tested solutions are needed. However, shipping requires large volumes of energy-dense fuel for long ocean voyages, while running vessels at sea limits the number of options to actually reduce the carbon footprint of the extended value chain. For instance, no green electricity or other renewables can be used offshore as evidently all onboard power must be generated by the ship engine. The **International Chamber of Shipping (ICS)**<sup>3</sup> expects shipping will meet the **International Maritime Organization (IMO)** 2030 target<sup>4</sup>, however realising greater levels of ambition, and specifically the IMO 2050 target<sup>5</sup>, needs a major step-change in research and development to bridge knowledge

and infrastructure gaps. While to date the industry has relied mainly on efficiency measures, these will no longer be sufficient (see figure below). To put the challenge into perspective, using conservative estimates for trade growth in the next 30 years<sup>6</sup> (maritime trade is expected to expand by 4.8% in 2021 alone<sup>7</sup>), a reduction of 50% in CO<sub>2</sub>-eq by 2050 requires a massive 90% improvement in the carbon efficiency of the world fleet by that deadline. Achieving this would demand a large portion of the world fleet to be using net zero-carbon fuels by 2050, which still need to be tested, proven and commercially available<sup>8</sup>. Given that a container ship's lifespan is in the vicinity of 25 years, these commercially viable, deep-sea vessels need to be deployed in the short term. From a financial perspective, between 2030 and 2050 an estimated USD1trn-1.4trn in investment in new higher-priced fuels is required to ultimately achieve the 50% emissions reduction target<sup>9</sup>.



Decoupling carbon emissions and business growth is therefore necessary to both sustain the global economy while moving towards a lower carbon transportation industry.

At MSC, our thinking is long-term while exploring all promising solutions at hand, adopting a realistic multi-

pronged approach focused on deploying emerging scalable alternative fuels, including biofuel. We will periodically revise our strategy by leveraging the benefits offered by the evolving scenario in a timely manner and setting up meaningful targets as we advance in the transition to net-zero emissions.

<sup>3</sup> www.ics-shipping.org/ - <sup>4</sup> To reduce CO<sub>2</sub> emissions per transport work, as an average across international shipping, by at least 40% by 2030 - <sup>5</sup> By 2050, a 50% reduction in absolute GHG emissions from ships compared with 2008 levels, while pursuing efforts to phase out carbon emissions - <sup>6</sup> ITF (2017) ITF Transport Outlook 2017 - <sup>7</sup> www.unctad.org - <sup>8</sup> www.ics-shipping.org/ - <sup>9</sup> www.u-mas.co.uk/



# FACING TRANSITION, NO SINGLE SOLUTION

MSC is committed to improving its carbon intensity as measured against the approved **Energy Efficiency Operational Indicator** (EEOI)<sup>10</sup> of the **IMO**, to advance towards the real goal of full decarbonisation, and recognises that additional measures are needed to reach higher levels of absolute emission reductions. It is our view that a holistic solution-set is needed to meet policy and regulatory objectives, including IMO's ambitions on carbon and greenhouse gas reduction. Different solutions will be required according to vessel type, size, service deployment, and necessary power output, and MSC is actively exploring and trialling a range of alternative fuels and technologies to this end.

Like many other shipping companies, MSC considers **hydrogen** and its derivatives to offer considerable potential as a future marine fuel and is exploring its viability and that of fuels produced from it. Throughout 2020 MSC worked to identify the best platform for effective cross-industry collaboration and for acceleration of the R&D for hydrogen technology development and

deployment, leading to the decision to join the **Hydrogen Council**<sup>11</sup>. One of the challenges of hydrogen as a fuel or energy source for the maritime sector is that currently there are only about 70 million metric tons of it in the world, and most of it is made with fossil derived electricity and feedstock. While we hope for a rapid acceleration of green hydrogen production, there are technical and safety challenges associated with its storage, supply chain, and consumption to overcome and it will be some time before enough green hydrogen is available for it to become a viable, mainstream, sustainable marine fuel. MSC also views **green ammonia** as a potentially scalable solution, although we acknowledge its toxicity is a key issue that will need to be addressed to ensure its safe use onboard and ashore.

MSC is also exploring **methanol**, in part due to its current availability at 115 ports worldwide, and because it is relatively easy to handle and store and has been verified from a technical perspective. However, much more needs to be done to improve its overall well-to-wake

emissions profile. The well-to-tank component, related to the production process, still poses substantial challenges with respect to CO<sub>2</sub> emissions. MSC's view is that green synthetic or other alcohols offer great potential, but environmentally sustainable feedstocks and production methods are a prerequisite.

Fossil-sourced LNG remains an incremental option, and MSC's Gülsün class vessels are 'LNG-Ready', as defined by DNV-GL, reflecting MSC's investment to accommodate future modifications in fuel types. This is particularly relevant for future low or net-zero fuel variants such as **bio-LNG**<sup>12</sup>, **synthetic LNG** and **e-LNG**<sup>13</sup> fuels. These may either be used as drop-in fuel in existing single-fuel LNG engine vessels or in dual-fuel LNG engine vessels.

In 2020 MSC engaged in exploratory discussions with **Quadris Fuels International**<sup>14</sup> concerning a possible **MSAR**<sup>15</sup> Operational Trial. MSC has subsequently agreed to work with Quadris to carry out the trial to

explore the environmental benefits of **MSAR**<sup>®</sup> and **bio MSAR**<sup>®</sup>.

As part of the gradual shift away from fossil fuels, while among the less understood possible future solutions, we believe that atomic energy should also be among the range of options for consideration. The latest evolving generation of **atomic power** is far more power-dense than fossil and alternative fuels, has a high power-to-weight ratio and offers practical advantages relating to reduced refuelling and shore power connection requirements.

**Carbon capture and storage technology** – if perfected for marine use – is another area that MSC is investigating that could also be useful for reducing emissions from shipping, which includes alternative energy sources and other renewables, such as wind, solar and advanced onboard energy recovery systems.

<sup>10</sup> EEOI is defined in units of CO<sub>2</sub> emitted per transport work, or g CO<sub>2</sub>/(ton of cargo x miles travelled) and is used by the maritime transportation industry as a measure of carbon efficiency - <sup>11</sup> <https://hydrogencouncil.com/en/>

<sup>12</sup> Bio-LNG is a Liquefied Natural Gas obtained from a biomass source - <sup>13</sup> e-LNG is a LNG obtained through full electric motor driven compression technology in the processing, transport and distribution of the product - <sup>14</sup> <https://www.quadrisfuels.com/> - <sup>15</sup> MSAR<sup>®</sup> is a low viscosity oil-in-water emulsified synthetic Heavy Fuel Oil





## A PIONEER IN THE USE OF SUSTAINABLY SOURCED BIOFUELS

MSC has been a leader in the use of responsibly sourced, **International Sustainability and Carbon Certification (ISCC)**<sup>16</sup> certified second-generation<sup>17</sup> biofuels. Our ships calling in **Rotterdam** throughout 2020 were bunkered with a biofuel blend of up to 47%, a level well above that used by other container shipping companies. Since the MSC biofuel programme with our partners began at Rotterdam in November 2019, 850,000 metric tons of biofuel have been bunkered with an associated total CO<sub>2</sub> savings of 605,000 metric tons. This biofuel use contributed to a significant improvement in our EEOI (see below), averaging in the region of a 1.9% reduction over the course of the year, though this is not considered in our EEOI figures below<sup>18</sup>.

Having established a close relationship with our fuel supply partner, we hope to continue to bunker biofuel into the future, to respond to customer demand and to take advantage of the environmental benefits it offers.

<sup>16</sup> [www.iscc-system.org/](http://www.iscc-system.org/) - <sup>17</sup> Second-generation biofuels, also known as advanced biofuels, are produced from non-food crops, such as the waste from food crops, agricultural residue, wood chips and waste cooking oil, and in this case, they are palm oil-free - <sup>18</sup> There is currently no IMO-certified emission factor for biofuels. Calculations are based on emissions factor provided by our biofuel partner

## WE ARE IN THIS TOGETHER

At MSC, we listen carefully to our customers and aim to respond to their business needs. We fully understand the requirements to reduce supply chain emissions, to either meet end users' expectations or internal climate targets. We welcome partnerships with shippers and seek opportunities to collaborate on scalable low or zero-carbon shipping solutions.

We see customer demands as a positive force that stimulates innovative thinking and creates new norms in shipping. MSC's view is, just as the direct and indirect benefits of decarbonisation will flow along the value chain, the investments required to make this happen must also be shared. This will not only allow equitable cost-sharing to ensure continuity of essential logistics services but will also help finance a more permanent and long-term decarbonisation trend.

According to the International Energy Agency (IEA)<sup>19</sup>, in the future, the lower- and zero-carbon options described will offer enormous potential. Nonetheless, to build these pathways we need innovation, strong incentivising policies, and investment from across the industry and related business sectors. The future of shipping and decarbonisation will then rely on action by and strong partnership with key stakeholders. This applies to both technology collaboration and procurement. One example is the case of ship engines that need to be modified or designed for net-zero fuels.

MSC actively works globally with major shipping associations, such as **World Shipping Council**, **BIMCO**, and the **International Chamber of Shipping**. We also engage via more targeted bodies to advance mutual interests related to decarbonisation and environmental policy more broadly. These include the **Hydrogen Council**, **Society for Gas as a Marine Fuel**, **Global Industry Alliance (GIA) to Support Low Carbon Shipping** (as a founding member), **European**

**Clean Hydrogen Alliance**, **Clean Cargo**, and **North American Marine Environment Protection Association (NAMEPA)**.

In addition, we work in close partnership with other industry stakeholders to further our ambitions for a sustainable and decarbonised future via informal partnerships, including energy providers, classification societies, engine manufacturers, and cutting-edge technology vendors. The ultimate goal is to realise commercial-scale and cost-effective solutions involving the whole supply chain and related infrastructure.

Last but not least, while advances in R&D are essential, regulations that drive innovation and incentivise investment in fuel and technology solutions are needed to achieve ambitious carbon reduction targets. We consider that governments have a critical role to play in subsidising technology development and in catalysing decarbonisation in our sector and society more broadly. The regulatory landscape in the maritime sector is evolving rapidly, with new indices, vessel performance standards and possible carbon trading systems (for example, proposals around the EU Emissions Trading System) under consideration. Further, to meet the shared objectives toward decarbonisation, emerging regulatory frameworks should address the urgent need to bring alternative fuels into the marketplace via upstream policy actions, as well as to address related needs for shipboard technology to be ready to use them. Neither of these critical elements are within the expertise of MSC or almost any shipping company, and commercial stakeholders with those capabilities will need to provide these options for us to achieve our decarbonisation ambitions. Drawing on our vast shipping industry experience, we will continue to seek opportunities to engage with policymakers to help create the conditions for a fair and inclusive transition to a low-carbon economy.



Global Industry Alliance  
LOW CARBON SHIPPING

Hydrogen Council



<sup>19</sup> Energy Technology Perspectives, IEA, 2020

# OPERATING A MODERN, EFFICIENT FLEET

MSC operates a fleet of 590 ships, which includes some of the world's most modern, efficient, and low-carbon footprint vessels. Our 11 Gülsün class vessels emit just 7.49g CO<sub>2</sub>/ton/mile by design<sup>20</sup>. We will be taking delivery of additional ultra-large vessels in 2021 that will help us achieve energy efficiency economies of scale on the long-haul legs. By filling larger vessels to capacity, emissions per TEU are lower.

In addition to substantial investment in new, technologically advanced ships, we continue our efforts on our extensive vessel retrofit programme. We have been fitting our ships with new bows and modified propellers to achieve optimal vessel efficiency and have been modifying ship engines to operate more efficiently

at low speeds. In combination, these retrofits, together with other efficiency measures, including hull cleaning and application of anti-fouling paints, have contributed to further reductions of our EEOI. In 2020 we recorded a **44.3% (baseline 2008) reduction of the EEOI**<sup>21</sup>.

The figure was slightly higher for 2019 than 2018 because of finalisation of the drydockings necessary to ensure compliance with IMO2020 (IMO's regulation to limit sulphur emissions from ships). 2020 saw a decrease from 2019 and only a slight increase with respect to the previous downward trend, as a result of the major disruption suffered by the transportation industry due to the COVID-19 pandemic.

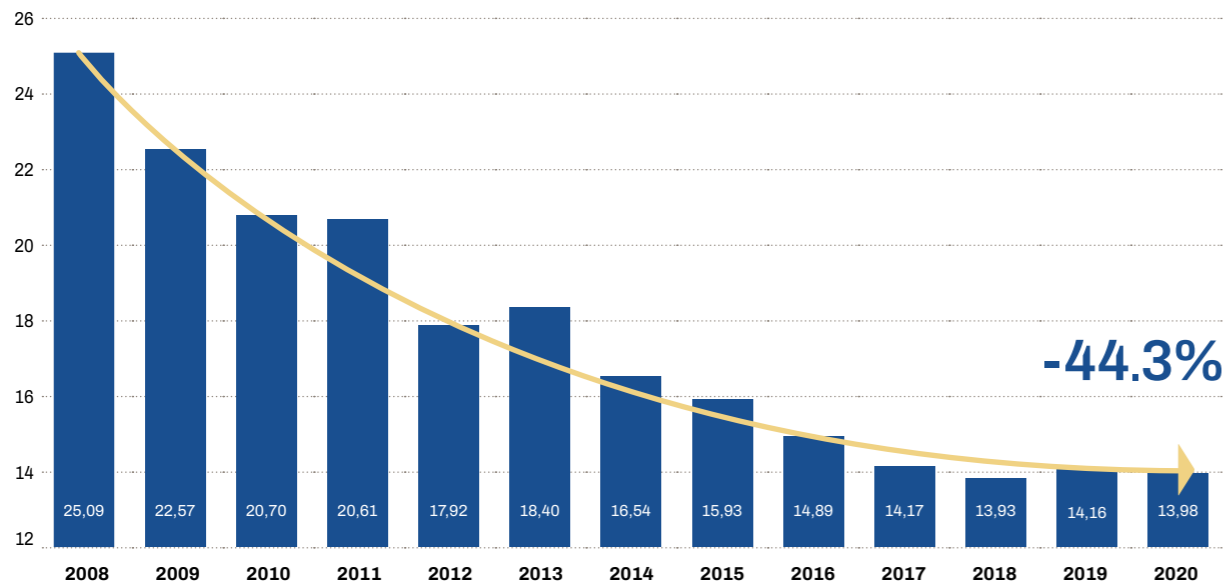
For the sake of transparency and clarity, and to align with the most recent developments of relevant legislation, namely the methodology applied by the EU MRV Regulation<sup>22</sup> and IMO DCS guidelines<sup>23</sup>, manoeuvring<sup>24</sup> miles were included in the calculation of EEOI.

On the back of the above-mentioned downward EEOI trend, our overall cargo vessel direct (Scope 1<sup>25</sup>) CO<sub>2</sub> emissions slightly increased from 28.96 million tons in 2018 to 29.46 million tons in 2019 and 29.77 million tons in 2020, while transported cargo grew at a greater rate. Our SOx emissions fell from 465,367 tons in 2018 to 443,621 tons in 2019 and to as low as 63,658 tons in 2020, as a result of the cap on sulphur in marine fuels and the progressive installation of Exhaust Gas Cleaning Systems (EGCS)<sup>26</sup> pursuant to IMO 2020.

MSC continues to invest in maritime technology in support of IMO-led efforts to curb NOx-related atmospheric pollution from shipping. In 2020 additional vessels with IMO NOx Tier III compliant engines came into service. These vessels are fitted with Selective Catalytic Reduction (SCR) technology which can lower ship NOx emissions by 80-95%. Our NOx emissions amounted to 796,635 tons in 2020<sup>27</sup>.

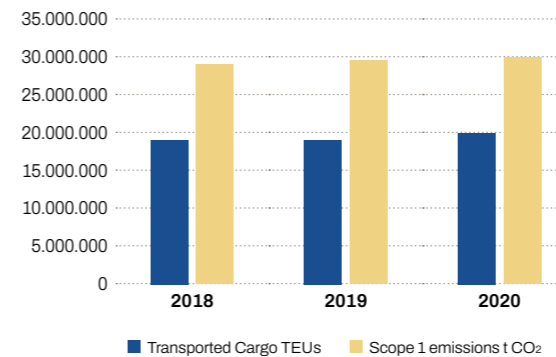
Lastly, we are prioritising route optimisation to tackle congestion and drive efficiency in the terminals we operate (see section 'Continuing progress on port call optimisation') as well as monitoring our vessels in real-time to ensure they are performing optimally, relative to their size and class.

## CARGO FLEET ENERGY EFFICIENCY OPERATIONAL INDICATOR (EEOI)

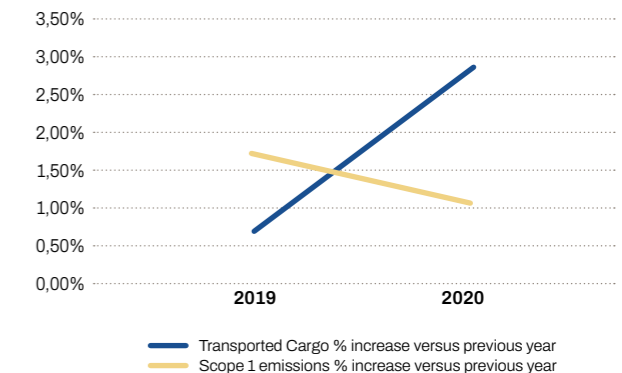


<sup>20</sup> 7.49 g CO<sub>2</sub>/ton/mile is the IMO-approved Energy Efficiency Design Indicator (EEDI) value for our Gülsün class vessels. - <sup>21</sup> 2008 is the baseline year against which IMO set its 40% EEOI reduction target by 2030. - <sup>22</sup> Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and amending Directive 2009/16/EC - <sup>23</sup> MARPOL Annex VI, Regulation 22A - <sup>24</sup> Manoeuvring miles refer to the distance travelled by the vessel from the port mouth to berth - <sup>25</sup> Cargo vessel direct emissions mentioned here are part of company-wide scope 1 emissions [www.iscc-system.org/](http://www.iscc-system.org/) - <sup>26</sup> Scrubbers abate SOx emissions down to well below 0,5% fuel equivalent - <sup>27</sup> Calculation based on emission factors published in the IMO 4<sup>th</sup> GHG study.

## SCOPE 1 CO<sub>2</sub> EMISSIONS AND TRANSPORTED CARGO



## ANNUAL INCREASE OF SCOPE 1 CO<sub>2</sub> EMISSIONS AND TRANSPORTED CARGO



## AN AWARD-WINNING OPERATOR

MSC won the "Ship of the Year" award at the **Seatrade Maritime Awards International 2020**. MSC clinched the award for **MSC FEBE**, one of the ships from our latest Gülsün-Class vessels. MSC FEBE was named the winning vessel among entries based on its energy efficiency, environmental impact, sustainability, adoption of new technology, safety and security.



# CONNECTING SEA AND LAND TRADE

Our terminal operation compartment has great potential for the uptake of low carbon technologies and use of renewable energy that boost productivity and efficiency. At the gateway between land and sea logistics networks, terminals can act as hubs to enable decarbonisation beyond the terminal boundary and into the wider region. At TiL we are working to understand and evaluate all possible scalable opportunities to improve the efficiency of our port operations, with a view to being strong contributors to a net-zero future.

## TiL'S STRATEGIC PRIORITIES TO FOSTER DECARBONISATION

- 1 Develop and incorporate new and innovative operational practices and technologies to continually **improve efficiency and productivity**
- 2 Collaborate with industry partners to **move away from carbon-based energy sources**
- 3 Create new opportunities for **smarter systems and more advanced** infrastructure

TiL has a multi-dimensional approach to tackling the challenge of decarbonisation. While we focus on improving our port operations efficiency, we work to enhance systems and processes required for leaner communications, more robust supply chain interconnections and smoother, paperless logistics. Poor interoperability between onboard and onshore systems, associated with belated adoption of digital protocols, may lead to demurrage, higher fuel consumption, greater emissions, as well as possible safety concerns. In 2020 we proceeded as scheduled in the implementation of our optimisation programmes at the terminals we operate.

# CONTINUING PROGRESS ON PORT CALL OPTIMISATION

Timely arrival of ships in ports achieved by optimised speed and reduced ship call timings through leaner port operations can bring environmental benefits by reducing fuel consumption and related emissions. It is recognised that to meet these goals, there is a need for a joint action by all parties involved i.e. port authorities, terminal operators, shipowners, charterers and port service providers. In pursuit of this, we continue to be actively involved in different initiatives aimed at addressing the bottlenecks with practical solutions. In 2020, work was ongoing on the topic of Just-in-Time Arrival (JIT), led by the **Global Industry Alliance (GIA)** to **Support Low Carbon Shipping**, a public-private partnership of the IMO. In addition, GIA activities in the workstream 'Holistic Approach to Reducing Emissions in The Ship-Port Interface' continued to progress. JIT-related standards are being developed with the support of DCSA, an association of ocean-going carriers currently chaired by MSC. MSC's support of the advancement of port-ship communication exchange is further strengthened by our participation in the **International Taskforce Port Call Optimization (ITPCO)** that aims at improving the quality of data exchanged including master data

(e.g. depths, admission policies, etc) and event data (e.g. planned time of arrival berth, estimated time of completion cargo operations, etc). Improving terminal operational efficiency primarily remains the focus of our undertakings, as it directly benefits productivity and carbon efficiency. On the side, other environmental priorities for the short and medium term include scaling up renewable energy use and testing and deploying alternative fuel solutions to achieve reduction of both carbon intensity and absolute emissions. Our granular insight on carbon intensity (kg CO<sub>2</sub> per move) and on energy consumption per equipment type is key as it allows us to evaluate the best solutions at operational level with a customised approach. In view of TiL's technical knowledge, operational expertise, strategic locations and key role in supporting global trade, we believe we are ideally placed to act as centres for investment and innovation in low carbon technologies. In that respect, we welcome the opportunity to collaborate with forward-thinking, technologically advanced solution providers who share our vision.

## DEPLOYING TAILORED LOW-CARBON SOLUTIONS

Container terminal operations face fewer of the practical constraints of container ships when it comes to decarbonisation and certain solutions are readily available (e.g. renewable electricity at many locations). Deployment of certain key low-carbon technologies needed for terminal operations are still at a nascent stage (e.g. practical and economically viable zero carbon tractors or straddle carriers). In line with broader MSC

business and operational priorities across the logistical chain, we believe we can play a key role in helping to escalate emissions-saving designs and concepts into mainstream deployments. Exploring the emissions reduction potential of smaller electrified equipment such as prime movers, reach-stackers and empty container handlers is in our roadmap. Below are a few significant examples.

### TRIALLING HYDROGEN-POWERED EQUIPMENT

An example of this is the hosting by **MSC Terminal Valencia (MSCTV)** of a European Union's Horizon 2020 research and innovation programme<sup>28</sup>, also funded by Hydrogen Europe research, to apply hydrogen technologies in the port environment. Part of a broader initiative to boost the transition of the ports industry towards low/zero carbon operations, a first-of-its-kind hydrogen fuel-cell reach stacker will be tested at MSCTV. It will be able to support continuous operations while producing zero emissions and performing on a par with conventional diesel-powered reach stacker. A Hydrogen Refuelling Station (HRS) will also be developed in order to guarantee the simultaneous supply of hydrogen at adequate conditions during the parallel operation of the Reach Stacker.

### SHIFTING TO ELECTRICAL EQUIPMENT

At **Brasil Terminal Portuario (BTP)**, electrification of 18 rubber tire gantries (RTGs) led to a 45% reduction in CO<sub>2</sub> intensity (emissions normalised to factor in TEUs). Despite a 33% increase in container volume, BTP's carbon footprint was decreased by 26%. Less reliance on diesel-powered equipment also brings benefits for air quality.

Detailed examination of energy consumption by equipment type points to where the best CO<sub>2</sub> reduction opportunities may lie for a shift to green electricity procurement. For example, in the case of shifting to renewable energy purchase would allow for a 52% of CO<sub>2</sub>. Such analyses also highlight where use of sustainably certified biofuel may also contribute to emissions reduction, in cases where electrification may not be technically or financially viable.

Investigation into the local renewable energy market confirmed the availability of energy and the financial viability of the investment. Lessons learnt from one location are shared and documented and will be used to inform subsequent roll-out of the renewable energy component of the programme at global level.

28 [www.h2ports.eu](http://www.h2ports.eu)

### BOOSTING SHORE POWER

At **TTI**, our terminal in **Long Beach**, California, prompted by local legislation, we installed shore power capability. Through use of shore power, ships can reduce their emissions in port by 80-90%. From January to November at TTI, almost 90% of calls by vessels from four major liners connected to shore power. In 2020, 14.88GWh of power was provided, which led to a significant reduction of use of marine fuel at port and contributed to better local air quality. Since 2019 MSC China has been swift to use the shore-power connections in Shenzhen, the major urban centre in Guangdong province, is a leader in the provision of shore power. The infrastructure in place has an output of 60Hz, which matches that of vessels, avoiding use of frequency conversion equipment thereby providing a potential reduction of vessel-related CO<sub>2</sub> emissions by an estimated 3,500 tons/year, as well as 10 tons/year of SO<sub>2</sub> and 70 tons/year of NO<sub>x</sub>. MSC was the primary shore-power user of the **Shenzhen Yantian International Container Terminal (YICT)** with an increase of 10% in 2020 versus 2019.

### USE OF SOLAR POWER

**Asyaport** is Turkey's largest container terminal, located in Tekirdağ, 150 km west of Istanbul on the Sea of Marmara, with a handling capacity of 2.5 million TEUs per year and employing 1,200 people. Most of the operational equipment in use at Asyaport (e.g. ship-to-shore cranes and rubber tyre gantries) runs on electricity, and electricity is also used for lighting and heating purposes. In addition, Asyaport is the first Turkish terminal to generate electricity from solar energy, receiving an average of approximately 1,550kWh/m<sup>2</sup> per year. Use of electricity from renewable sources has therefore a very significant impact on the site's environmental performance. Solar energy production began at Asyaport in 2014 and has been steadily increasing since then. In 2020, 319,344 kWh of energy was produced from the solar energy system, and the total energy production since the system was established in 2015 to January 2021 has been 1,856,043 kWh. There are now solar panels on the roofs of all port premises and reefer platforms, with plans to install additional solar panels off-site under consideration.



# ACCELERATING FREIGHT DECARBONISATION

Promoting alternative efficient and environmental-friendly modes of transport is a main pillar of MSC's 360° long-term decarbonisation strategy. Door-to-door multi-modal connectivity supporting efficient, resilient, and flexible international transportation services is MEDLOG's greatest contribution to sustainable logistics.

Designing improved combined transport solutions as part of our customers' more carbon-efficient supply chains complements our commitment to accelerating overall freight transport decarbonisation and, more specifically, reducing our inland logistics carbon footprint.

## MEDLOG'S PRIORITIES TO FOSTER DECARBONISATION

- 1** Developing "low-carbon" transport, multimodal solutions that combine use of alternative energies and means of transport
- 2** Reducing the last mile distance carried by trucks minimising congestion and negative externalities
- 3** Investing in integrated intermodal solutions to increase carbon abatement

Our ambition is to improve inland transportation efficiency through an integrated plan focused on intermodal connections optimisation, a shift towards green energy use and the replacement of older energy-intensive vehicles and equipment with new and more efficient ones. In 2020, we continued our effort to increase the shift from trucks to railway and/or inland waterways (via barges), whenever viable from the infrastructural point of view. A fleet renewal campaign has been rolled out as planned: fossil fuel-powered locomotives are being replaced with 32% more efficient shunting tractors at marshalling yards (with an estimated annual emission reduction of 96,500 kg of CO<sub>2</sub> per tractor). Pursuit of greener rail transport

guides the investments in a BOMBARDIER TRAXX DC3 locomotive with a regenerative braking system<sup>29</sup>, with energy savings between 10% and 30%<sup>30</sup>. For more energy-efficient transportation of reefers, the Clip-on Genset railway solution produces energy autonomously via last generation engines.

In parallel, the company is working on further expanding its rail operations in Europe, where our rail network volumes grew 40% to 220k TEU in 2020. A significant part of MEDLOG's 2020-2025 investment plan is focused on supporting railway operations and is part of an intermodal strategy aimed at significantly contributing to carbon abatement. The investments forecast by the

<sup>29</sup> A technology which uses an electric traction motor to generate energy when the train is slowing (with direct impact on lower fine particle emission as well as lower noise generation)  
<sup>30</sup> Research by the Climate Technology Centre and Network (CTCN)





company made it an excellent preparatory year for the European Year of Rail<sup>31</sup>.

As a global logistics company, MEDLOG operates its own road fleet and facilities around the world and relies on additional capacity provided by transportation subcontractors. Partnering with our logistics suppliers implies a different and even more collaborative approach from an operational point of view. As part of this, we are working on integrating environmental criteria in the procurement and assessment processes. Route optimisation, thanks to a fully integrated network of depots and warehouses, allows MEDLOG to keep decreasing the last-mile distance between main production and consumption centres.

2020 saw investment by MEDLOG in upgrades of lifting equipment using the most advanced and energy efficient technology. For example, five new electric gantry cranes were deployed at a new depot in Lousado in Portugal, resulting in a 39% lower carbon footprint as compared to diesel-powered equipment. Digitalisation and process

review in yards (six new depots joined the program in 2020) are increasing efficiency and productivity at MEDLOG by reducing unnecessary moves and easing traffic congestion.

The gradual shift to cleaner equipment also involved MEDREPAIR Antwerp, which handles the vast majority of MCS's empty containers (about 3,500 containers a day). The facility fully supports climate ambitions, in association with the Port of Antwerp that is currently investing in the electrification of terminals (e.g. shore power), emission reduction, and modal shift<sup>32</sup>. MEDREPAIR is currently testing hybrid empty-handling equipment that would lead to 35% less consumption, with the ambition of going full electric in the near future.

These investments reflect the commitment by MEDLOG to reduce its environmental footprint, in order to support customers in their efforts to lower their supply chain emissions while continuing to provide a modern and reliable first-class service.

<sup>31</sup> The purpose of this EU initiative is to underline the advantages of rail as a smart, sustainable and safe form of transport – see: [https://europa.eu/year-of-rail/index\\_en](https://europa.eu/year-of-rail/index_en)  
<sup>32</sup> Port of Antwerp, see: <https://www.portofantwerp.com/en/extra-container-capacity#uitbreiding>

## MEDLOG ITALY FIRST YEAR OF RAIL

Consistent with the Green Deal and the European Strategy for Sustainable Mobility, Italy shares the objective to promote the modal shift towards more sustainable and innovative modes of transport, while ensuring the conditions to contribute to economic recovery and improving people's quality of life. Italy's endorsement of the rail transition, in fact, cannot be underestimated. The country's railway infrastructure is characterised by significant geographic challenges to build direct connections with greater capacity, crossing through invaluable historic routes and the Apennines. Despite the structural challenges, MEDLOG started its railway operations in Italy and introduced its own operator, MEDWAY. Within its first year, MEDLOG's achievements led to represent 48% of the Italian rail freight market share (domestic maritime market), operating 110 roundtrips

per week, among which 50% are operated directly by MEDWAY. MEDLOG is the first transport operator in all northern Italian ports (La Spezia, Genova, Livorno, Trieste, Ravenna), and the only one with a capillary and integrated presence. In Genova, rail transportation helped tackle traffic congestion in the region in the aftermath of the Ponte Morandi incident in 2018. Starting from scratch with one train in January 2020, by December MEDWAY accounted for 11 trains per day, transporting 9.8k FullTEUs during the month. By switching to rail transport, nearly 57,000 trips performed by truck were avoided, generating a positive environmental impact and resulting in 30,000t less CO<sub>2</sub> emissions in 2020. Following these early successes, we believe that MEDLOG's expansion and performance will be instrumental to achieve the sustainability goals set at local and European level.





# PARTICIPATING IN RESTORING OCEAN HEALTH

At MSC, we believe we can put our passion for and knowledge of the ocean to good use on SDGs 14 and 15 by implementing company-wide measures to help protect life above and below the waves. While climate change and air quality are now mainstreamed in public health, political and business priorities, the worldwide decline in biodiversity is also a cause for great concern and requires urgent collective action. Humankind is entirely reliant on healthy ecosystems for innumerable societal and ecological benefits including oxygen supply, clean air and water, plant pollination, wastewater treatment, pest control, raw materials and many more. At MSC we see the oceans as our home and are both dependent on and committed to fostering their health and resilience. Our receipt of the NAMEPA<sup>33</sup> **'Maritime Sustainability Passport'** (MSP) Certificate and Seal in late 2020 is a testament to our translation of company values and commitment to concrete sustainability actions and stewardship of the ocean environment. In 2020 MSC again received the highest (Sapphire) Award in the voluntary Vessel Speed Reduction incentive programme **'Protecting Blue Whales and Blue Skies'**<sup>34</sup>, the only shipping company to receive this award three years in a row. By slowing MSC's fleet for over 75% of the total nautical miles travelled in the Southern California and San Francisco Bay areas, we contributed to reducing air pollution and protecting endangered blue, humpback and fin whales in these areas.

## LIMITING THE IMPACT ON THE ECOSYSTEM

### IMPROVING AIR QUALITY

Considered by many as the most significant regulatory change in the industry in decades, at MSC, implementation of the **IMO2020** sulphur limit was a smooth and successful process. Efforts focused on (i) supply chain establishment for low sulphur fuels, (ii) ensuring IMO implementation on board, and (iii) hybrid Exhaust Gas Cleaning System (EGCS) installation<sup>35</sup>. While more costly, MSC chose to invest in hybrid EGCS because of its greater reliability and operational flexibility, greater safety for the crew and,

<sup>33</sup> <https://namepa.net/> - <sup>34</sup> The program is a joint effort by Santa Barbara County Air Pollution Control District, Ventura County Air Pollution Control District and Bay Area Air Quality Management District partnering with the US National Oceanographic and Atmospheric Administration's (NOAA) Channel Islands, Cordell Bank and Greater Farallones National Marine Sanctuaries, the California Marine Sanctuary Foundation and the Volgenau Foundation. See: <http://www.ourair.org/air-pollution-marine-shipping>  
<sup>35</sup> It is noteworthy that scrubbers reduce SOx emissions well below 0.5% and as far down as 0.1%.

importantly, to future-proof the retrofitted vessels. Hybrid EGCS can operate in both open and closed loop, meaning that it is possible, if necessary, to recirculate the EGCS wash water within the system, without discharging to the sea.

MSC monitors its compliance with IMO2020 through emissions to air and discharge to the sea in zones where

open-loop mode is permitted. We have established a live monitoring system that greatly assists in identification of any EGCS technical issues, and in troubleshooting. In parallel, we also have created a protocol for rapid report and, where necessary, repair of the equipment. MSC is proud of the investment made and of the systematic process followed to ensure compliance with this global effort.

## AVOIDING ROUTES ALONG VULNERABLE AREAS

For environmental reasons, we remain committed to our previous position not to use the **Northern Sea Route**, and we believe that this is a position that the whole shipping industry must adopt. An expansion of Arctic shipping could increase the local impacts of so-called black carbon – physical particles of unburned carbon that can settle on land or ice, as well as compromising air quality and accelerating the shrinkage of Arctic sea ice. Risks such as navigation incidents, fuel spills, air quality and altering

the ecological balance of the marine habitat beneath the surface of the sea outweigh any commercial opportunities to make a shortcut between North America or Europe and Eastern Russia or Asia. Instead, MSC remains focused on lasting and impactful measures for achieving complete decarbonisation of shipping and continues to implement actions aimed at contributing to a sustainable blue economy and healthy ocean ecosystems.

## CITIZENS OF THE OCEANS

While oceans cover 70% of our planet, more than 80% of the oceans are unobserved, unmapped and, as yet, unexplored<sup>36</sup>. MSC believes that part of contributing to a sustainable ocean economy is supporting the efforts to document and better understand the marine environment through scientific research. In 2020 we were proud to support Boris Herrmann and Team Malizia on their sailing quest around the world. Along the voyage and participation in the **Vendée Globe Race**, they carried out oceanic and atmospheric measurements, in partnership

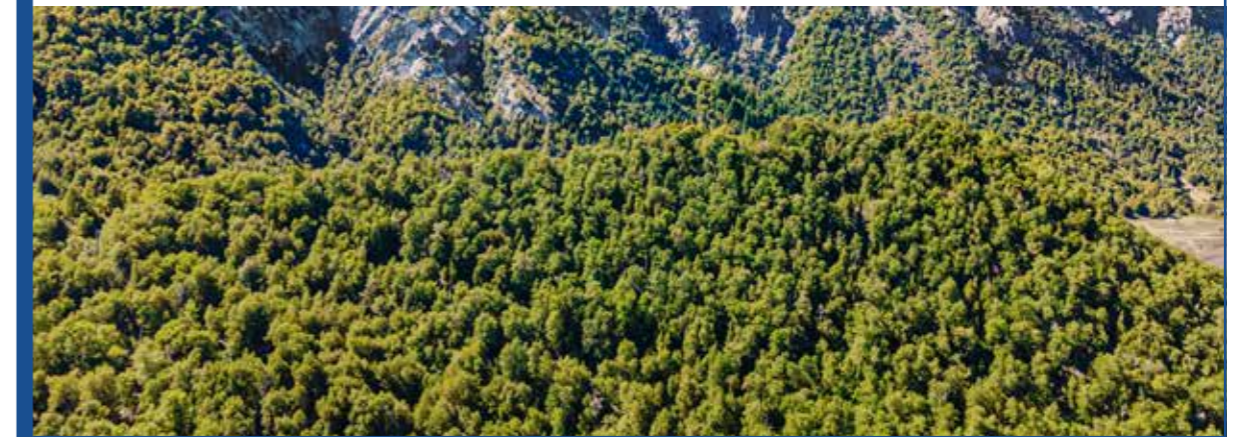
with leading scientific bodies, and also raised awareness about climate change and ocean protection. The Seaexplorer yacht was equipped with solar panels and hydro generators eliminating the need to use fossil fuels. A special laboratory was installed onboard to measure CO<sub>2</sub>, temperature, salinity, and pressure in the ocean, helping scientists to understand the impact of climate change on the ocean.

<sup>36</sup> <https://oceanservice.noaa.gov/facts/exploration.html>



## REFORESTATION IN CHILE

The third most populated region in Chile, **Valparaíso**, hosts one of MSC Chile's main ports. This region also saw an extensive mitigation action following the construction of an empty container depot with an estimated capacity of 12,000 TEUs, the development of an off-dock terminal and a reefer centre. The new construction required the removal of 20 hectares of trees - 15 for the depot and 5 for the off-dock terminal and reefer centre. Such trees were non-native species, introduced a few decades ago, with a negative impact on the surrounding ecosystem. Since March 2019, MSC and MEDLOG Chile employees, with the support of a non-profit organisation, started a reforestation project involving 20,000 native trees and bushes, currently in plant nurseries, to recreate the typical Chilean coast woods and original biodiversity. In another area, **Renca Hill** in the city of Santiago, 3 hectares with 150 trees were planted with the participation of 41 MSC and MEDLOG Chile employees. This initiative represented not only an environmental offsetting measure, but also a positive community impact for the 130,000 inhabitants of the district of Renca. Both reforestation projects are still ongoing and are expected to be finalised in mid-2021.



## PROTECTING LIFE UNDER THE WAVES

### PRIORITISING BALLAST WATER MANAGEMENT

Ensuring we are compliant with the BWM Convention<sup>37</sup> is a top priority at MSC. We are mindful of the negative impacts that mismanagement of ballast water can have on marine ecosystems. Consistent with this, and further to regional regulatory changes, in 2020 we undertook upgrades to our ballast water systems to ensure they meet United States Coast Guard (USCG) approval and are following requirements relating to water sampling frequency and calibration and monitoring of sensors. In recognition of the importance of the role of our crew, at designated locations with ballast water treatment

systems (BWTS) simulators, we host training for new crew members as well as holding seminars at regular intervals to maintain a high level of awareness of our staff. New builds entering the MSC fleet are equipped with the latest technology for ballast water management. In addition, to ensure our fleet is continuously modernised and compliant, to date a total of 98 BWTS units have been ordered for retrofit installations. By the end of 2020, an additional 72 MSC vessels had been equipped with this technology. Further installations are ongoing, with a further 20 vessels due for BWTS installation in 2021.

<sup>37</sup> International Convention for the Control and Management of Ships' Ballast Water and Sediments ('BWM Convention')

## TURNING DOWN THE VOLUME ON UNDERWATER NOISE

Noise from ships and other motorised maritime vehicles can have a detrimental effect on marine life. As the number of oceangoing vehicles increases worldwide, so too is the phenomenon of underwater noise. The issue is compounded by the fact that low frequency noise (10 Hz – 1kHz), such as that emitted by ships (depending on hull shape and vessel speed), can travel large distances under water. For these reasons, in addition to raising crew awareness about the impacts of underwater noise, MSC has been taking steps to measure, analyse and ultimately reduce the noise disturbance from its vessels. Because propeller cavitation is the primary source of noise from a ship, and also motivated by their role in energy-saving, we have been taking into account guidelines published by the IMO<sup>38</sup> and installing propeller boss cap fins (PBCF) across the entire fleet as part of a comprehensive propeller retrofit programme. We have been working with leading propeller manufacturers to optimise propeller design with respect to fuel efficiency as well as noise reduction.

In 2020, MSC joined the European Union funded project **PIAQUO**<sup>39</sup>, which aims to reduce the acoustic impact of marine traffic and adapt it in real time to the marine ecosystems in order to minimise impact on the environment. One of the first goals of the partnership between MSC and the PIAQUO project is to develop a real-time cavitation detection system by installing accelerometers on the ship's internal hull near the propeller area. This system is designed to capture the vibration on the hull generated by propeller cavitation. The radiated noise is then analysed by an advanced computer model to provide real-time information to the ship's crew, so adjustments to speed can be made accordingly, or in the case of particular ecological sensitivity, and where possible, avoid the area completely.

## MANGROVE PLANTATION AT ZALIVÉ, TOGO

As MSC operates in the ocean and coastal environment, we are acutely aware of the vast societal and ecological value of the different marine biomes. The wellbeing of the communities in which we operate as well as the smooth running of our business depend on healthy and resilient coastal ecosystems. For example, mangroves provide food, flood protection, and financial security to coastal communities. They are significant from human, biodiversity, and climate resilience perspectives. After coral reefs, mangroves are the most effective protection against tropical storms, serving as wind and wave breakers. They also are among the most effective ecosystems for carbon sequestration and storage, storing three to four times more carbon per unit area than most terrestrial forests<sup>40</sup>.

MSC is committed to taking comprehensive measures to mitigate the impact of its activities, generating an overall positive and lasting effect for society. One example of this commitment is evident in TiL's involvement in mangrove restoration in **Zalivé**, some 45km east of the Togolese capital, Lomé.

Further to construction activities at **Lomé Container Terminal (LCT)**, the terminal undertook a comprehensive mangrove plantation programme. In collaboration with the local authorities, the project began in 2013, focusing initially on community awareness and engagement. Botanical studies ensued, to understand the typical floral composition of mangroves in the area. In collaboration with the local government, village representatives, relevant experts, and the participating NGO, LCT worked to identify and source suitable seedlings for the plantation.

Nurseries for the two species selected for planting (*Avicennia germinans* and *Rhizophora racemosa*) were established to cultivate the seedlings, and training was delivered to members of the local community on planting techniques. Over the course of the project, 14,350 seedlings were planted, leading to the creation of a substantial new area of mangrove, measuring almost 8 hectares. In 2020, seven years after the planting began, the environmental and community benefits of this project are increasingly apparent, validating the actions by LCT to support coastal resilience through mangrove plantation.

<sup>40</sup> [www.iucn.org](http://www.iucn.org)



## MINIMISING WASTE

At MSC, we consider that full compliance with applicable legislative requirements for waste management is the bare minimum and we aim to demonstrate best practice across our global logistics operations. Pursuant to **MARPOL Annex V**, MSC has strict management protocols on board all its vessels to ensure that no discharge of garbage occurs at sea. Proactively engaging to contain the amount of waste generated as part of our activities, we have a policy to use only biodegradable plastic products (replacing products such as bags or galley tools). As part of our agreements with suppliers we also require that they collect the plastic packaging provided.

Focusing on crew-related items such as food packaging, we have put in place a system to reduce single use plastics on board our ships. To minimise the quantity of non-recyclable waste produced, other items such as bottles and cans are also separated and stored on

board. Upon arrival at port, it is offloaded to approved disposal partners on shore, and sent for recycling. In 2020, across the fleet and compared to 2019, MSC Shipmanagement<sup>41</sup> recorded an average of 9% reduction in generation of waste by following these best practices, pursued also through proper crew training. Waste produced aboard our vessels totalled 36,968 cubic meters in 2020.

We carefully monitor the use of any chemicals consumed to ensure we have records of what was used, when and for which purpose. In addition, we implement a Zero MARPOL<sup>42</sup> Incident policy, and any oil spill or leak is documented, reported and analysed with a view to preventing repeating events. During 2020 two minor, small-scale incidents were reported by MSC Shipmanagement. In both cases the spill was contained immediately, and a clean-up operation was undertaken by the ship's crew.

## ADVANCING REEFER TECHNOLOGY TO REDUCE FOOD WASTAGE AND RELATED CARBON AND ENVIRONMENTAL FOOTPRINT

According to the UN Food and Agriculture Organization (FAO), about one third of food in the world is wasted on the grounds of poor preservation practices. This is where cold chains and cooling technologies can make a tremendous difference in minimising food wastage and related loss of water, energy, land and labour.

To that effect, MSC fosters the enforcement of the Kigali amendment to the Montreal Protocol, aimed at reducing world-wide production and consumption of hydrofluorocarbon (HFCs), by investing in advanced alternative refrigerant gases, including natural-refrigerant R-744 (CO<sub>2</sub>) used in Carrier Transicold NaturalINE® reefers and R-513A used in Carrier Transicold PrimeLINE™ reefers. In addition, MSC is increasing its adoption of Controlled Atmosphere reefer containers (which reduce use of chemical treatments for perishable cargo).

MSC, as one of the largest reefer freighters, is also a great enabler of economies of scale of global fresh products. Fresh commodities travelling in the safe conditions of reefer containers may reach global markets regardless of the season, preventing food waste or surplus destruction in the event of low local market demand.

Since 2019, MSC has also been active in educational programmes related to this key topic area, by running its Master Reefer Classes in Valencia, where attendees, including MSC customers, keep abreast of the latest progress made in reefer technologies.

<sup>41</sup> MSC Shipmanagement, based in Limassol, Cyprus - <sup>42</sup> The International Convention for the Prevention of Pollution from Ships





## PROMOTING A RESPONSIBLE OCEAN ECONOMY

### SHIP RECYCLING STANDARDS AND PRACTICES

MSC pursues sound circular economy practices with regard to its end-of-life vessels, supporting relevant considerations related to SDG 12. In fact, safe and sustainable recycling of ships is a valuable contribution to open-loop recovery of steel, preventing additional exploitation of natural resources. In addition, the carbon footprint from steel derived from ship recycling is nearly four times lower than scrap-based production<sup>43</sup>. The ship recycling industry also provides much-needed employment opportunities in several emerging countries, contributing to the promotion of local economies. However, if inadequately regulated and controlled, ship recycling can lead to injuries, fatalities and environmental damage. For this reason, the topic has received growing attention from the international community in recent years.

MSC shares such concerns and therefore fully supports the creation and enforcement of regulatory measures aimed at improving safety and environmental standards in the industry. The EU Ship Recycling Regulation (EUSRR) 2013 is one example of this. In accordance with this regulation, and in line with the IMO 2015 guidelines for IHMs, MSC owned and bareboat chartered vessels have an Inventory of Hazardous Materials (IHM) on board. The IHM has an important function in ensuring environmentally sound ship recycling as well as in enhancing health and safety measures

for crew members working on board ships and yard employees. **MSC's Ship Recycling Policy** (available at [www.msc.com/che/sustainability/ship-recycling-policy](http://www.msc.com/che/sustainability/ship-recycling-policy)) adheres to the 2009 Hong Kong Convention on the Safe and Environmentally Sound Recycling of Ships (IMO HKC - not yet in force as it requires three criteria to be met<sup>44</sup>) and its relevant recycling standards relating to the design, construction and operation as well as the preparation of ships for the end of their operational cycle. Recognising that challenges with implementation of responsible environmental and labour standards persist due to the lack of global regulation in force, MSC's Ship Recycling Policy stipulates that the recycling yard shall comply with the relevant provisions of the IMO HKC. MSC also conducts on-site audits to review the practices and working conditions in the yards that are used. Over the course of 2020 no MSC ships were sent for recycling. While travel restrictions due to the COVID-19 pandemic did not allow us to conduct audits in ship recycling facilities, we have remained in close communication with several IMO HKC certified yards to ensure continuity in our compliance monitoring practices in the event that MSC ships are sent for recycling. On-site visits are planned to take place upon the easing of governmental restrictions associated with the COVID-19 pandemic.

<sup>43</sup> Ovako (2019) - <sup>44</sup> The Convention must be ratified by 15 States - but these States must represent 40% of world merchant shipping by gross tonnage, and a combined maximum annual ship recycling volume (during the preceding 10 years) of not less than 3% of their combined gross tonnage (<https://www.imo.org/en/MediaCentre/PressBriefings/Pages/31-India-HKC.aspx>)

### GIVING CONTAINERS A NEW LIFE

MSC new-built containers are sourced by world-class suppliers, which promote sustainability through their business. In recent years, materials have been the focus of eco-friendlier solutions, promoted across the industry. Some examples are waterborne paints, that replaced solvent-borne ones, and bamboo floors that have been substituting hard and tropical plywood.

When it comes to containers, recycling is, first of all, about reuse. Scrapping is our last resort. Each container is examined, cleaned and, if needed, repaired for its next use in our MEDREPAIR facilities. Facilities pay great attention to the amount of water used and discharged in the process. For instance, rainwater can be collected and used for restrooms. Once a container reaches its end of life and cannot be repaired further, two options are available. The first option is to reuse for different purposes whereby second-hand containers are reused as storage units and other inland usage.

The second option is actual recycling, as waste deriving from containers is not a residual product, but a valuable feedstock for new products. In 2020, MSC sent approximately 2,400t of steel and 500t, of wood to a specialised recycling company, collaborating with our biggest maintenance and repair centre in northern Europe and fostering circularity projects with waste products. It is more than just deconstruction; from dry vans, reefers, flat racks to tank containers, the recycling company will collect the container, ensure responsible demolition and haul the materials to the appropriate end processors for material recycling. Scrap wooden floors become fuel for bio-engines, or the basic element for new wooden tables. Steel, too, can be sorted, separated and delivered to melting shops and other quality end processors. Steel sent to melting factories in Turkey, for example, is transformed into concrete iron for the Turkish market.

#### CONTAINER END-OF-LIFE DESTINATIONS



### END-OF-LIFE CONTAINERS SUPPORTING COMMUNITY RESILIENCE TO CLIMATE CHANGE

The result of a joint initiative between the **MSC Foundation**, the **Atlantic Council's Adrienne Arsht-Rockefeller Foundation Resilience Center**, internationally recognised architects CambridgeSeven, the Miami-Dade Council and the **City of Miami**, a first-of-its-kind Community Resilience Pod was deployed in the midst of the COVID-19 pandemic. A 40-foot container donated by the MSC Foundation was refurbished and turned into a colourful, versatile and interactive mobile space designed to support the implementation of resilience solutions to local threats stemming from climate change-related extreme weather events, such as heat waves, storms, flash floods, rising sea levels and the health and economic impact of pandemics.



# FOSTERING INCLUSIVE TRADE



# REDEFINING PRIORITIES

The COVID-19 pandemic has heavily affected economies and populations. The fast pace of the spread sent shock waves across the world disrupting many businesses, the labour market and supply chains alike at an unprecedented global scale. The speed of economic recovery has varied greatly from country to country, with possible long-term increased disparity in employment opportunities and production growth. In the legacy of this unparalleled health crisis lies the urgency to better understand the root causes of structural and systemic inequalities, and to address society and business vulnerability, not only in relation to the present crisis but also to any shock and threat the world is facing. The way other disruptions have been tackled so far, at the regional or local level (consequences of natural disasters, lockdowns in case of political unrest, etc.), should be re-assessed to further implement changes considering that they might have further exacerbated global environmental and socio-economic impacts due to the interconnectedness

and interdependence of communities and countries. Redefining business priorities and promoting a shift from short-term efficiency-oriented solutions to long-term resilience building is essential and will be at the core of our efforts.

As stressed by the United Nations, “this crisis has generated human distress and an economic downturn that is impacting our efforts to improve livelihoods and achieve the United Nations Sustainable Development Goals”<sup>45</sup>. As a global logistics integrator, we play a strategic role in enabling trade and serving as a dynamo behind the growth of local economies. We have witnessed how hard the pandemic has hit small- and medium-sized businesses, especially in the world's most vulnerable areas, and how access to trade will be critical during recovery. Since MSC's culture revolves around the value of togetherness, we will throw our full weight behind the endeavour to create connections, foster a more inclusive recovery and secure the most fragile economies.

## BUILDING RESILIENCE

The pandemic has highlighted the importance of effective and balanced continuity planning to ensure business resilience. At the beginning of the crisis, we adapted our operations to weaker market demand and reduced global supply capacity from Asia and in particular from China such as through arranging a contingency plan with alternative services, including from Asia to northern Europe.

With the progressive easing of COVID-19-related restrictions, production and global demand picked up again and eventually increased, resulting in disruptions in cargo flows and transport assets. In order to keep global and regional trade going, we have continuously adjusted shipping routes, providing regular updates to our customers. A number of management strategies have been put in place at different stages of the COVID-19 pandemic, such as blanking scheduled sailings, rerouting vessels to address port restrictions

and creating new services to meet changes in import/export volumes. This also helped to address a challenging market environment impacting port activities and generating congestion across the supply chain. We have launched new services from Asia to the US East Coast and the US West Coast, optimising transit times and reducing congestions in main ports. An additional service was introduced to further improve connectivity between Asia and West Africa with direct calls to keep up with the initial goals as well as enhance our West Mediterranean-Canada services. We have drawn on our expertise and 50 years' experience in the maritime sector, our strategic assets ownership and fast decision-making process which together have demonstrated how an agile operating model can help to overcome challenges at scale.

<sup>45</sup> UN Joint Statement on the contribution of international trade and supply chains to a sustainable socio-economic recovery in COVID-19 times, September 2020





# SUPPORTING GLOBAL ECONOMIC RECOVERY

Congestion in ports, longer turn times of containers inside and outside the terminals, shortage of workers in container terminals and refusal of entry to ships due to governmental restrictions in some areas have caused significant adverse social, economic and operational impacts to the maritime sector. Heavy congestion in ports and major shipping hubs has also affected inland logistics operations, requiring additional coordination efforts in implementing contingency planning and alternative transport solutions throughout supply chains. Trade shocks and challenges in developing and transition economies – especially in commodity-dependent countries – have shown the need to re-think locations of production and sourcing centres. In line with these new trends and development patterns, our focus will remain on adapting our trade routes and availability of logistic assets to drive recovery and support economic ‘balance’ in the post-pandemic phase. We will also keep strongly sustaining regional economic growth, by offering integrated systems strategically linking transport solutions by sea, road, railway and inland waterways on a global scale. For example, we have reinforced our presence in the intra-Asia network, enhancing access to global trade routes and the most important rail gateways linking Asia to Europe. Additionally, we have expanded our services and inland connections in underserved markets to help maximise the flow of regional supply chain. In a number

of African regions, we are supporting local actors and international partners to reach new markets and increase opportunities for intra-regional trade, contributing to address current and future domestic and foreign trade demands.

The current COVID-19 pandemic has shown more than ever that environmental and social aspects are interconnected; factoring in this key link will help secure economic recovery in the long-term. We have moved beyond contingency plans and leveraged shared social and environmental goals with business partners. We are working to adapt our logistics services to further provide tailored high-quality services to our customers to meet evolving expectations and anticipating new market trends. For example, we have optimised end-to-end freight transportation and increased our logistics services, including warehousing and storage/depots, to reduce the last mile distance travelled by trucks, enhancing safety, reliability and further minimising negative externalities on communities. This has facilitated the introduction of an ‘empty shortage’ management strategy to ensure permanent container availability throughout high peak seasons in key strategic regions. This strategy aims to overcome challenges related to the current shortage of logistics assets, increasing efficiency in handling projected cargo volumes and reducing congestions.

## EXPANDING MULTIMODAL TRANSPORT SYSTEMS IN AFRICA

MEDLOG is an increasingly present actor in the African logistics scene. Our investments and activities significantly support regional economic development while contributing to building and enhancing local capacity. Between the end of 2019 and 2020, **MEDLOG Nigeria** introduced integrated multimodal solutions, optimising cargo movements across the numerous waterways by setting up a barge terminal, off-dock depot facilities and inland trucking services with a fleet of more than 140 trucks in the western area of the Port of Lagos. In November 2020, MEDLOG was awarded the recognition of ‘**Logistic Solution of the Year**’ by the **Seatrade Maritime Awards International 2020**, for its innovative multimodal solution offered in Nigeria. This has made a significant contribution to improving efficiency of the door-to-door movement of cargo, helping to overcome the severe road and traffic congestion issues in and around Lagos in line with Nigeria’s national inland waterways development strategy. The positive impact on local communities was tangible. In addition to employing 639 local people today, MEDLOG Nigeria has demonstrated its

commitment to improving road conditions around the port through the investment of approximately USD 2 million in infrastructure development through an agreement with the host community. As part of this project, MEDLOG fully reconstructed a communal road that connected the terminal to the main road and upgraded a multi-lane interlocked road with proper drainage and streetlights. Such infrastructural improvements also allowed commercial activities to progressively blossom in the surrounding area. Similarly, in **Côte d’Ivoire**, MEDLOG has expanded its inland operations with the creation of new depots and warehouses offering storage solutions. The Port of San Pedro namely hosts one of the largest off-docks in the area, generating a direct and indirect workforce with the creation of more than 300 local jobs. MEDLOG’s integrated service – relying on the proximity between the depots and the container repair and maintenance facility – enabled success in fulfilling the high export demand during the COVID-19 pandemic, far exceeding local market needs and avoiding food wastage of agriculture products such as cashew nuts.



## A KEY ENABLER FOR CAPACITY BUILDING

More than ever before, the events of 2020 clearly showed the relevance of responsibly managing company resources and its different forms of capital. We believe in combining business growth with generating economic and social benefits throughout the value and supply chains and for the communities where we operate. MSC investments and core activities embrace many areas with relevant direct and indirect impacts at local and global level. For this reason, we actively engage with communities to contribute to an inclusive economy, help boost development and better livelihoods. At various ports of call our business has a significant knock-on effect on local economic development through the creation of infrastructure and transfer of expertise in the transportation industry. Going forward, we anticipate that technological innovation – especially digital connectivity – will massively influence logistics networks. While enhancing operational efficiency and the decarbonisation pathway across the supply chains, technological development is also impacting trade patterns, transforming the way we work and

introducing new security threats that must be prevented and mitigated. In this scenario, the increased need for resilience experienced during the COVID-19 pandemic adds further complexity and leads to the need of increasing capacity building, particularly for Small and Medium-sized Enterprises (SMEs) in emerging economies and developing countries that may lack access to new technological solutions and the means for their implementation. In this context, expanding their access to trade is fundamental to enable inclusive recovery. We believe that SMEs, representing two thirds of all jobs at global level, must be supported to both grow and diversify their export markets, in order to contribute to local development and enhance their resilience in case of future crises. We view promoting the enhancement of logistics know-how and local employability as crucial factors to consolidate business processes and connectivity. This will drive balanced growth, allowing to adapt to changes in local, regional and global markets.

### THE NEW TURIN MSC TECHNOLOGY HUB

While our business is expected to steadily grow, we recognise that the logistics challenges that lie ahead require us to expand and diversify our internal expertise. As an integral part of our programme to sustain the ongoing business growth and in addition to our existing organisations in Switzerland, USA, India, Belgium and Latvia, the **MSC Technology Centre** was recently launched in **Turin**, Italy. The new hub was created to advance two critical business areas: digitalisation (with a focus on cyber security) and logistics process automation (e.g. business disruption management). Developing specific in-house expertise will be crucial to building tailored business solutions in the future. To that effect, cooperation with leading Italian and international academic institutions help provide training, research, technology transfer and services from all engineering fields. Relying on highly trained young talent and professionals, the MSC Technology Centre will be a world-class logistics sector technology hub, benefitting short- and long-term competitiveness. Upon the opening of the Centre at the end of 2020, 40 newly graduated engineers were hired, and 500 more professionals are expected to join in the next year. This project in Italy is a clear example of how the private sector is a crucial link to successfully align young people educational programmes and labour market demands.



### PROMOTING EMPLOYMENT AND EDUCATION IN BUENOS AIRES

Local employment creation and investments in capacity building, especially in emerging economies and developing countries, remain essential components of our capital management strategy including ports and terminals. In addition to creating local value and generating socio-economic impacts in all of our countries of operations in the long term, we aim to strengthen our relationships with neighbouring communities and expand growth and development beyond our ports' activities. To illustrate, **TiL's terminal EXOLGAN**<sup>46</sup>, located in **Buenos Aires**, Argentina, employs 200 direct workers, all locally recruited. This site has defined a specific programme to address social impacts in line with the principles of sustainable development with a focus on encouraging the recruitment of third-party workers for a wide range of terminal and logistics activities, from a range of different neighbourhoods.

The terminal was built in a disused area in close proximity to a big community centre, managed by a local NGO and supported by EXOLGAN and local provincial authorities, promoting different activities aimed at improving local living conditions. As part of its programme, the terminal supports the community centre both financially and through job creation. As of today, 30% of the terminal's 600 indirect workers are recruited through ad-hoc agreements with the NGO. To further enhance the technical and soft skills of all its employees, the terminal has developed an annual training program, which includes an English language course, to facilitate daily work and better integration. To further promote access to quality education, more than 10 years ago the terminal launched a scholarship program based on predefined criteria (performance, topics related to terminal's business activities, current position and topics necessary for career advancement). Women are strongly encouraged to apply. In 2020, EXOLGAN joined the **World Ports Sustainability Program (WPSP)** launched by the International Association of Ports and Harbours (IAPH), in partnership with **CIFAL Global Network** (part of the United Nations Institute for Training and Research, UNITAR<sup>47</sup>), aimed at enhancing awareness of the SDGs across all organisational levels through workshops and educational activities. This resulted in an action plan and EXOLGAN was certified for the integration of the SDGs into the corporate strategy within the framework of the WPSP, becoming the first port in Latin America awarded this certification.

<sup>46</sup> EXOLGAN is the largest container terminal in Argentina, member of TiL Group and controlled by International Trade Logistics (ITL), a group of companies that develops, coordinates and integrates logistics and port services. - <sup>47</sup> The United Nations Institute for Training and Research (UNITAR) is a dedicated training arm of the United Nations system. The CIFAL Global Network is part of UNITAR, and it is composed of 19 International Training Centres for Authorities and Leaders, one of them is CIFAL ARGENTINA.

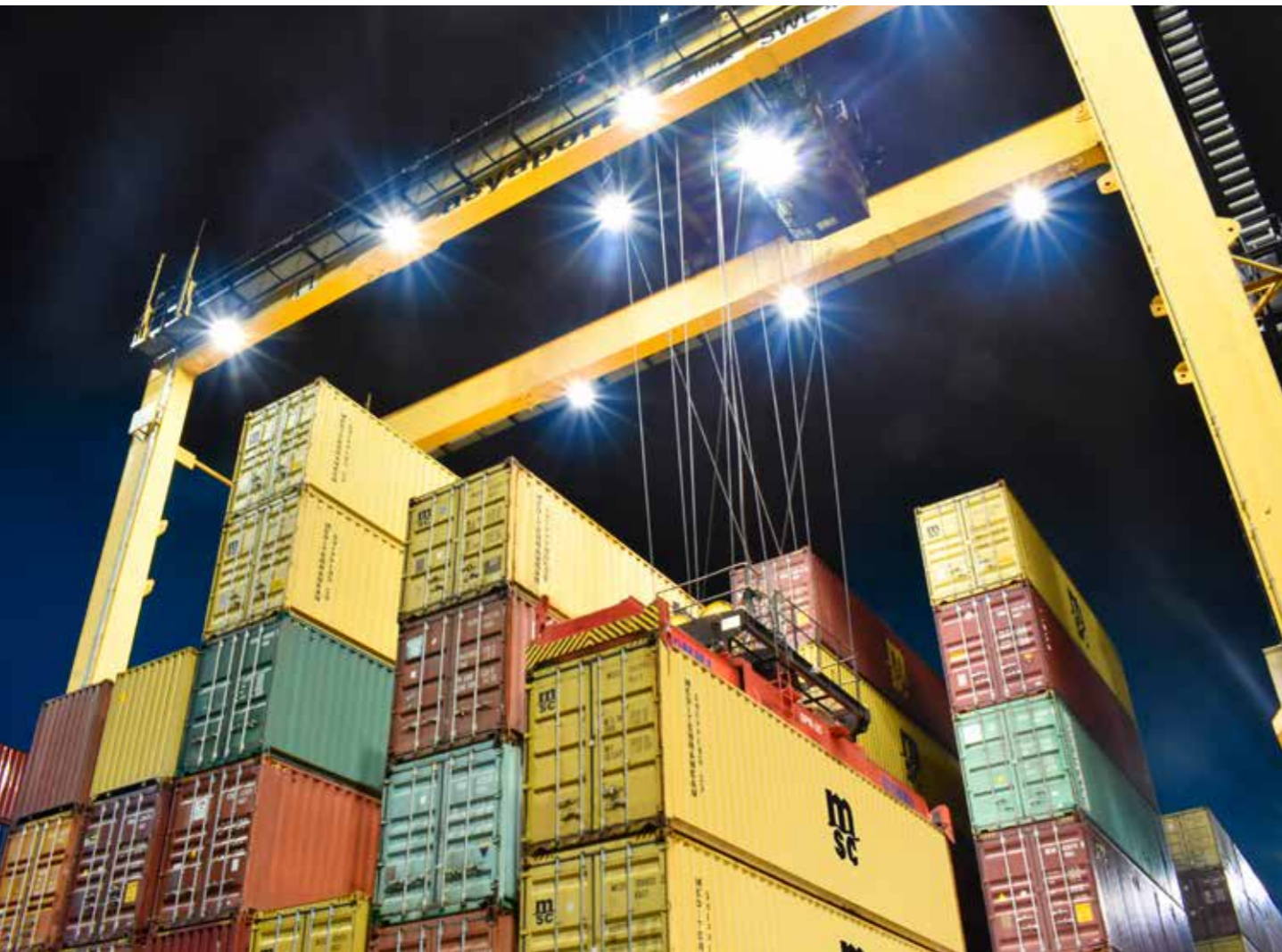
## EFFICIENCY GAINS THROUGH DIGITALISATION

The current maritime sector's transition towards digitalisation and automation is expected to contribute to a robust and more sustainable recovery. According to the World Bank "beyond immediate benefits to the maritime sector, digitalisation will help countries participate more fully in the global economy and will lead to better development outcomes"<sup>48</sup>. MSC has been a strong player in initiatives to drive digitalisation in the container segment, helping to plot a course for the wider shipping sector. Particularly, we are strengthening our internal systems as well as collaborative initiatives to accelerate the development and implementation of digital solutions for a more efficient supply chain integration. The ongoing digital journey requires concerted actions by a number of

stakeholders and at all levels, especially in this moment of crisis. In line with global public and cross-sectoral efforts, we also keep enhancing cooperation between our different transport assets and promoting innovative solutions to facilitate trade across borders, including by supporting interoperability, electronic data interchange and the use of blockchain technology. MSC is a founding member and current chair of the **Digital Container Shipping Association (DCSA)**<sup>49</sup>. 2020 saw significant progress with the publication of several standards, including the Track and Trace data and interface standards and API, which will enhance tracking capability and simplify shipment visibility across different carriers.

<sup>48</sup> <https://www.worldbank.org/en/news/press-release/2021/01/21/digitalizing-the-maritime-sector-set-to-boost-the-competitiveness-and-resilience-of-global-trade>

<sup>49</sup> The Digital Container Shipping Association (DCSA) is a neutral, non-profit group publishing technology standards with the aim of digitalising container shipping. (<https://dcsa.org/>)



## DIGITALISATION FOR GREATER RESILIENCE TO CRISES

Cyber security is an important part of MSC's **digitalisation strategy**. In this respect, we are focusing on increasing in-house expertise while enhancing management systems to prevent potential risks linked to security, data protection and business disruptions. In 2020, we introduced a number of on-line training courses on the topic of new technologies and cyber security. This initiative aims to build internal capabilities and skills and to ensure our employees, both onshore and offshore, adapt to the new operational landscape and evolving working methods.

To facilitate digital integration throughout the supply chain, MSC has been actively promoting the use of the **electronic Bill of Lading (eBL)**. The bill of lading is the most important transport document in international trade, which up until recently consisted entirely of physical documentation. Digitising the bill of lading helps cargo to keep moving despite border closures, challenges with postal disruptions or other COVID-19 pandemic-related restrictions. In the long-term, we expect to see increasingly tangible impacts throughout the supply chain as it makes every aspect of commercial container shipping easier, faster, more secure, more cost-effective and environmentally friendly.

Since launching the first eBL in India back in 2019 using a third-party blockchain secured platform, we have gradually introduced eBLs to a broader customer base and contracting parties. To date, we have issued thousands of eBLs across a range of industry sectors for our customers in Europe, Asia and North and South America. In December 2020, the DCSA published new standards for the eBL, which is a significant milestone on the path to widespread adoption. We believe the eBL will become the industry standard in a few years' time and we have pledged to make an eBL solution available to all of our customers by 2021, with the goal of integrating the electronic processes into all MSC Agency systems. Another example of a tool being developed by MSC to consolidate information for easy access is **Instant Quote**. Launched in July 2020, Instant Quote aims to provide our customers with a simpler, easier, and more intuitive shipping experience from end to end, thereby creating administrative efficiencies and thus avoiding wasted time and resources.



## REAPING CARBON SAVINGS FROM CLOUD COMPUTING

While MSC has been using **cloud computing** since 2017, in the fourth quarter of 2020 we kicked off a global project designed to move all our world-wide datacenters to the Cloud (by the end of 2020 only our Geneva Headquarters datacenter had switched to the Cloud). As a result of such initiatives, we have achieved a 5,261 tCO<sub>2</sub>e reduction in 2020 alone and up to a 11,124 tCO<sub>2</sub>e reduction since 2017.

# CONTRIBUTING TO HUMANITARIAN ACTION AND RELIEF EFFORTS

Supporting communities in need wherever possible and in countries of operation is in our DNA. We are deeply committed to supplying emergency logistics services and delivery through our core shipping and logistics activities. Our global network enables us to provide effective and timely assistance to humanitarian relief efforts and we have always been striving to offer our assets, equipment, and expertise to deliver containers filled with lifesaving supplies where needed all over the world. Our local Agencies are fully engaged in these initiatives and play an active role in supporting deployment and maximising the effectiveness of our response operations, in collaboration with key local stakeholders and international humanitarian organisations.

In 2020 our focus was on supporting initiatives to help society in the fight against COVID-19. As the vaccines become ready for large-scale distribution, we joined global efforts to bring them to vulnerable regions, reducing transportation costs and enabling accessibility. To this effect, in December 2020, MSC signed the **World Economic Forum (WEF) Supply Chain and Transport Industry Charter** in support of **UNICEF** and **COVAX Vaccine Distribution**, together with other shipping lines and airlines. Consistent with MSC's commitment under the Charter's framework, we are supporting global efforts

led by UNICEF on behalf of the **Global COVAX Facility**<sup>50</sup>, ensuring global equitable access to two billion doses of the COVID-19 vaccines and related medical equipment by the end of 2021. Inclusive, safe and sustainable distribution of vaccines at the global level represents an unprecedented logistics challenge, especially in terms of last mile delivery in low- and lower middle-income countries and rural areas. For instance, in many vulnerable regions, the lack of logistics infrastructure and corridors enhances the magnitude of efforts required in order to ensure inland supply chain continuity. The impossibility of having reliable volume forecasts as well as potential risks of deviation, tracking and counterfeiting are additional challenges to be addressed, along with pandemic-related global supply chain disruptions. To fully contribute to this multi-stakeholder collaborative action and help overcome these challenges, we agreed to offer our internal logistics expertise and operational competency in addressing disruptions to ensure granting priority to UNICEF/COVAX's cargo. We further shaped our priorities to allow more flexibility while optimising our container turnaround. A dedicated team based in Denmark has been tasked to coordinate our increased commercial and operational efforts, to ensure the timely delivery of cargo to the required locations.

<sup>50</sup> "Through the COVAX Facility- led by Gavi, the Vaccine Alliance, WHO and CEPI - UNICEF is working with manufacturers and partners on the procurement of COVID-19 vaccines doses, as well as freight, logistics and storage"; link: [www.unicef.org](http://www.unicef.org)



## MSC FOUNDATION: A JOINT EMERGENCY RESPONSE

Our contribution of expertise and assets to support specific **MSC Foundation** emergency response initiatives reflects a strong commitment to proactively address the societal impacts of humanitarian and climate change challenges. We continue to support affected communities, including in conflict areas, by contributing to development and disaster risk reduction initiatives and programmes.

In August 2020, the MSC Foundation and MSC's Lebanon local office acted immediately in response to an explosion that erupted in a warehouse in the **Beirut Port** area, **Lebanon**. The disaster resulted in deaths and injuries among the local population, causing damage extending from the port infrastructure and waterfront to Beirut's densely populated residential neighbourhoods and city centre districts. Recognising that restoring port operations was crucial to channelling relief and foodstuffs directly into the city, we provided 14 containers for the Lebanese Port Authority, 10 for use as offices in place of those destroyed and 4 for use as storage units for spare parts. The MSC Foundation also signed an agreement with the Lebanese Red Cross to provide medical, psychosocial and hygiene items as part of the recovery efforts supporting citizens impacted by the port explosion. An agreement was also signed with Geneva-based non-profit association **X-Patria** to facilitate free logistics support, transportation and shipping for the delivery of 930 crates of clothes, school, hygiene and medical items as well as powdered milk for children.

In collaboration with Cargo regional and local offices, the MSC Foundation also focused its efforts on supporting countries affected by natural disasters, donating emergency relief aid and containerised housing units. In Honduras, for example, the MSC Foundation and MSC's local office loaned the Mayor of Puerto Cortés 50 containers for use as semi-permanent homes by 107 families (150 children and teenagers) who had lost their houses in the aftermath of hurricanes Eta and Iota. Throughout 2020 we also worked with the MSC Foundation to further strengthen our COVID-19 prevention and mitigation actions in some of the most impacted countries, including **China, Italy, Switzerland, France, Portugal, Brazil, Madagascar and Guinea**. The initiatives included donations and actions distributing 40,000 antigen tests, high-quality medical masks and food (both dry and refrigerated) to contribute to national health efforts to cope with the pandemic. In **Costa Rica**, the MSC Foundation partnered with MSC's local office and the national authorities, providing containers to store food and medical items for remote and vulnerable communities living in border areas. In **Madagascar**, the MSC Foundation provided financial support for a basket fund led by the **Private Enterprises Chamber (GEM)**, the **International Labour Organization (ILO)** and the **World Food Programme (WFP)**, to help unemployed workers and their families mitigate the effects of the COVID-19 pandemic.

Beyond emergency relief, the MSC Foundation also continued its crucial work for the environment, launching the pioneering **Super Coral Campaign** to save coral reefs and combat climate change, maintaining the continuity of marine conservation education in Italian schools with **Marevivo** and making eco-friendly bricks that recycle the plastic waste collected by women waste collectors to build 21 classrooms in **Côte D'Ivoire** so more children can gain a quality education (under a programme that won a UNICEF Global Inspire Award).

The MSC Foundation continued to work tirelessly to assist children and people in need, providing healthcare support for more than 4,000 direct beneficiaries in **Haiti** in collaboration with the **Andrea Bocelli Foundation** and enabling the lifesaving treatment of more than 3,000 children in Malawi with Severe Acute Malnutrition.

More information on the MSC Foundation's work are available at [mscfoundation.org](http://mscfoundation.org)



# ADDRESSING SOCIAL CHALLENGES



# CONTINUING LEADERSHIP ON EMERGING SOCIAL ISSUES

During the last decades, our world has become extremely interconnected. We rely on integrated systems with strong interdependencies, at national, regional and global levels, to address evolving social trends, changing consumer demands and trade patterns. The COVID-19 pandemic crisis challenged our operational and structural models, creating unprecedented socio-economic disruptions and exacerbating systemic causes of inequalities. It has impacted all aspects of our lives, all societies and economic sectors, in ways we would have never imagined. This has accelerated the need to reshape priorities, enhance concerted actions at the highest levels and strengthen multi-stakeholder collaborations in a number of critical areas.

In this new scenario, the maritime and logistics sectors have been recognised by the international community for their pivotal role in sustaining societies. At MSC we felt more than ever before the responsibility of maintaining our ambitions amidst disruption and while maintaining our focus on addressing our core priorities, we re-evaluated them in light of the new emerging issues. We know that resilience will be crucial, we are determined to build forward as we navigate the recovery phase and not lose sight of systemic issues lingering beneath the surface.

## TACKLING THE HUMANITARIAN CRISIS AT SEA

Operational and human rights challenges affecting the work of the maritime sector and of nearly two million seafarers worldwide as a result of COVID-19 restrictions<sup>51</sup>, have gained increased attention and visibility. The unprecedented crew change crisis has led to serious consequences for seafarers' wellbeing, generating interrelating impacts on operational safety as they may increase the risk of human errors, navigational security and environmental hazards<sup>52</sup>. To minimise those risks and ensure the continuity of global supply chains, MSC and its crewing offices have been working tirelessly to protect MSC seafarers, in line with IMO Guidance and related protocols and also by engaging with relevant authorities and other stakeholders.

Throughout 2020, MSC continued working collectively with other shipowners, seafarers' groups and global industry associations in consultative status with the IMO,

representing the maritime sector, to bring this issue to the attention of governments and the United Nations system with particular focus on encouraging the implementation of existing protocols and/or additional protective measures.

We are witnessing unparalleled collaboration across the maritime sector, building the foundations for a more sustainable future. At MSC we will continue to drive action not only to solve current challenges but also to support the shift from 'transitional crisis efforts' to long term collaboration to contribute to more resilient global supply and value chains during the COVID-19 pandemic and beyond.

In this respect, in December 2020, MSC signed the **Neptune Declaration on Seafarer Wellbeing and Crew Change**<sup>54</sup> led by the **Global Maritime Forum**<sup>55</sup>, that aims to build a more sustainable maritime value chain. More



## BUILDING A MORE RESILIENT MARITIME VALUE CHAIN

The United Nations has defined the situation seafarers and other marine personnel are facing as a “humanitarian and safety crisis”<sup>53</sup>. On December 2020, the **United Nations General Assembly (UNGA)** adopted a resolution on **‘International cooperation to address challenges faced by seafarers as a result of the COVID-19 pandemic to support global supply chains’**, urging governments to act. Global advocacy work and industry-wide efforts remain essential to tackle the existing challenges, to ensure the respect of fair and decent working conditions onboard and safe crew changes, in line with sector-specific health protocols and international conventions, including the **ILO Maritime Labour Convention, 2006** as amended. The protection of our seafarers, recognised as essential workers by the international community, is considered a priority matter by MSC. Our multi-stakeholder engagement activities focused on addressing the need to ease port restrictions in order to facilitate ship crew changes, safe crew relief operations and repatriations as well as providing emergency medical treatments ashore.

<sup>53</sup> <https://www.imo.org/en/MediaCentre/PressBriefings/Pages/27-crew-change-joint-statement.aspx>

than 700 companies and organizations have become signatories to the Declaration (as of March 2021), acknowledging our shared responsibility in addressing the crew change crisis. The document outlines key

strategic areas of collaboration and practical steps to be implemented as a matter of priority, thus contributing to reducing the risks of disruptions in global supply chains.

<sup>51</sup> ILO “Informative Note on maritime labour issues and coronavirus (COVID 19)”, revised version 3.0, February 2021 - <sup>52</sup> “The COVID-driven humanitarian crisis of seafarers: A call for action under the UN Guiding Principles on Business and Human Rights”, Joint Statement by the UN Human Rights Office (OHCHR), the UN Global Compact, and the UN Working Group on Business and Human Rights”, October 2020

<sup>54</sup> Neptune Declaration urges the implementation of four main actions to address the crisis: recognise seafarers as key workers and give them priority access to Covid-19 vaccines; establish and implement gold standard health protocols based on existing best practices; increase collaboration between ship operators and charterers to facilitate crew changes; ensure air connectivity between key maritime hubs for seafarers”. Source: <https://www.globalmaritimeforum.org/neptune-declaration/>

<sup>55</sup> The Global Maritime Forum is an international not-for-profit foundation dedicated to unleashing the potential of the global maritime industry (<https://www.globalmaritimeforum.org/>)

## REPATRIATING OUR SEAFARERS

In 2020 MSC engaged directly with governments to arrange a crew change onboard **MV ANASTASIA**, a cargo ship charter that had been stuck off the coast of China since September.

MSC encouraged governments and authorities to contribute to forging a solution to the growing humanitarian problem related to crew changes, not only for seafarers onboard the MV ANASTASIA but also for dozens of other non-MSC vessels in the area, which were facing a common situation due to international trade issues. In addition, MSC brought the matter to the attention of the **IMO** and other international intergovernmental and industry bodies, calling for action to tackle this newfound challenge.

Following several months of repeated appeals with its chartering party and efforts at a diplomatic level between the Indian and Chinese authorities, MSC advised the master of MV ANASTASIA to head to Japan on 4 February following concerns raised about the safety and well-being of its seafarers. MSC attempted to persuade the chartering and commercial parties in control of the vessel and its cargo to facilitate a crew change in various locations prior to its arrival in Chinese waters, and again

while the vessel was at anchorage outside the Chinese Port of Caofeidian. However, due to protective measures closing off several options in China, MSC prioritised the Japanese option as the quickest and most efficient way to provide the necessary relief for the crew and to enable the ship to subsequently continue in service.

MSC successfully arranged relief for its seafarers on 10 February 2021, avoiding a humanitarian crisis onboard. As a result, 18 seafarers disembarked from MV ANASTASIA and underwent thorough medical examinations before being repatriated by MSC to reunite with their families, mostly located in India.

The **International Transport Workers' Federation** (ITF) and the **National Union of Seafarers** of India praised MSC for its intensive rescue efforts. The ITF President urged other shipowners to follow MSC's example, stating: "we call on the industry to step up where the governments have failed: show some leadership and get these desperate people off your ships. MSC has proven it is possible"<sup>56</sup>.

<sup>56</sup> <https://www.itfglobal.org/en/news/companies-can-step-save-seafarers-stranded-china>

## ADVANCING HUMAN RIGHTS DUE DILIGENCE IN OUR BUSINESS

Our initial advocacy efforts and lessons learned have demonstrated the importance of leveraging and integrating collective actions into a common process with shared responsibility of third parties. In October 2020, MSC welcomed the joint call for action to address the crew change crisis under the **UN Guiding Principles on Business and Human Rights** (UNGPs)<sup>57</sup>. The joint statement recognises that "the responsibility to respect the human rights of seafarers is not only limited to the shipping sector. In line with the UNGPs, this responsibility extends to the thousands of business enterprises that use the services of maritime freight transport – which accounts for almost 90 per cent of world trade. Business enterprises of all sectors, especially multinational firms and global brands, as well as financial institutions with links to the sector, should assess and act upon the human rights situation of seafarers in the context of COVID, no matter which place they occupy in the value chain". This has resulted in an increase of initiatives launched by the international community helping raise awareness of the shipping sector's human rights challenges among 'cargo owners' and promoting further concerted efforts in this respect. To help address these concerns, MSC joined the **Container Cargo Owners Human Rights Working Group** in January 2021 launched by the **Institute for Human Rights and Business** (IHRB) and **The Consumer Goods Forum**.

Through active participation in the Working Group, MSC seeks to contribute to a better understanding of human rights assessments and relevant international standards which take into consideration maritime activities and related rights holders, among other sectors. In parallel, we continued to actively engage with third parties, whenever appropriate, to ensure the inclusion of human rights, labour standards and modern slavery considerations in contractual requirements, tailored to the maritime industry. **MSC Modern Slavery Transparency Statements** follow a similar human rights-based approach. The latest document, published in December 2020, includes considerations on seafarers and current challenges related to crew changes risks arising from the COVID-19 pandemic.

To address sector-specific considerations and challenges, our reporting methodology aims to fill gaps related to human rights standards in international reporting frameworks for businesses that have been recognised by a number of stakeholders. In September 2020, MSC participated in the global consultations on the review of content in existing GRI Standards and the development of the **GRI Human Rights-related Standards**, to which we contributed by encouraging the integration of guidance tools and data collection frameworks, including topics and considerations relevant to the international shipping sector. A preventive, evolutionary and dynamic

<sup>57</sup> Joint statement issued by the UN Office of the High Commissioner for Human Rights (UN OHCHR), the Global Compact and the Working Group on Business and Human Rights, October 2020



approach to assess the respect of human rights is and will remain instrumental to us, allowing adaptation to the evolving scenarios and the progressive integration of emerging concerns into MSC's business model. In 2020, we reshaped our priorities and related risk assessment models to address the adverse impacts on value chains resulting from the situation and to integrate linkages between relevant human rights, social issues and climate change considerations. To better prioritise the operational implementation across MSC's Cargo Division and with third parties, efforts will be also focused on the continuous improvement of procedures, data collection systems and risk management frameworks, in collaboration with all

entities of reference at Divisional level. In 2020 the company further enhanced implementation at Tier 1 supply chain level. MEDLOG and TiL have been involved in the risk assessment review to grant consistency with the Cargo Division Sustainability Priorities. This will take into account MEDLOG and TiL respective specificities, including logistics specific standards and requirements. In parallel, to support the organic growth in certain countries of our logistics services we proceeded in addressing specific areas of improvement. Our human rights approach in relation to these matters and how we address them in our Sustainability Report, is further detailed in our Methodology Note.

## GOING BEYOND COMPLIANCE

During the reporting year, MSC enhanced the communication of its compliance programme and highlighted that business pressure and financial stress resulting from the COVID-19 pandemic must not overshadow the company's commitment to its ethical principles and responsible business practices, which lie at the heart of MSC's business. The **MSC Code of Business Conduct** was revised in 2020, and

includes specific provisions related to compliance with the **ILO Maritime Labour Convention** (MLC, 2006) in several relevant sections of the Chapter Human Rights and Labour Standards (more information on MSC's regulatory framework in relation to seafarers, is available in MSC Sustainability Reports 2018 and 2019). Throughout 2020, the importance of complying with the Code and reporting any misconduct or violation

was further emphasised. The new version of the Code has been disseminated within MSC's Agencies in collaboration with a worldwide network of Code local implementers (approximately 160 colleagues) also

responsible for monitoring compliance with applicable local requirements. Training remains a hallmark of an effective compliance programme.

## TAKING A STRONG STANCE AGAINST CORRUPTION

The fight against any form of corrupt practices is at the heart of MSC's compliance programme. MSC has in place internal policies and procedures that set out responsibilities for all employees designed to ensure compliance with applicable anti-corruption laws. The **MSC Anti-Bribery Policy** applies to all employees and agencies worldwide. To foster integrity within the organisation, the Company is highly focused on promoting anti-bribery culture among employees at all levels of the organisation, both onshore and offshore. As an integral part of this pathway, throughout 2020, MSC also enhanced the implementation of the **MSC Procedure for Gifts and Corporate Hospitality** worldwide.

In relation to third parties, in 2020 we further stepped up our efforts by contractually requesting the identified business partners (such as terminal operators, connecting carriers) to be in compliance with applicable anti-bribery laws. As part of its programme, MSC performs specific

compliance screenings and due diligence on identified third parties.

In order to confront the challenges of anti-corruption within the shipping industry, MSC actively supports the **Maritime Anti-Corruption Network** (MACN)<sup>58</sup>. By participating in initiatives developed in collaboration with MACN, MSC, along with other main actors of the maritime sector, collectively fight against corruption. MSC engages with external stakeholders and collaborates to share best practices and develop strategies to tackle corruption within the maritime sector and, more specifically, in container shipping. In 2020, MSC joined MACN's campaign aiming at strengthening the integrity of ports in Ukraine by working with local and international stakeholders. In addition, MSC continued to support the "MACN Port Integrity Campaign in India", which tackles corruption practices in Nhava Sheva port.

<sup>58</sup> The Maritime Anti-Corruption Network (MACN) is a global business network working towards the vision of a maritime industry free of corruption





# VALUING PEOPLE WHO MOVE OUR BUSINESS

MSC invests in the power of people to move the world forward. Being a family company means people are at the heart of everything we do, our employees are constantly encouraged to proactively contribute to our long-standing success. We nurture a culture that values how we work as much as what we achieve, encouraging empowerment, curiosity, inclusivity and agility. 2020 introduced us to a new era and brought all of us closer together. From our employees at sea and ashore to all our customers, we worked tirelessly to ensure business continuity and enable global trade. We are

strong because we come together, our unique sense of belonging emerging as the key driver to collectively face the unexpected challenges presented by the COVID-19 pandemic. Our investment in supporting our employees to face business disruption never stopped as we continued transmitting to our millions of customers our passion for connecting the world. We embrace a growth mindset to help us create the “future we want”<sup>59</sup>, considering our employees from all corners of the globe to be a force for progress and for good.

## OUR EMPLOYEES, OUR STRENGTH

We believe people who have chosen to work with us worldwide are the essence of our company. Their rich diversity in terms of professionalism, multiculturalism and skills allow us to be a more successful and innovative

company. Across the whole Cargo Division, we employ people from a wide range of cultural backgrounds and offer them the chance to establish a stable and long-term relationship with us.



**74,300+** EMPLOYEES



**50%**



**39%**



**11%**



**+6%** COMPARED TO 2019

## CONTINUE BUILDING AN INCLUSIVE CULTURE

MSC embraces the values of respect and togetherness in every part of its business and in everyday actions. We are proud of our focus, on promoting an inclusive, diverse and multicultural working environment through the recruitment of local employees in each country of operations, without discrimination. Ensuring that decisions affecting employment, performance, training, promotion and career development are based on an individual's capability and potential to grow are part of our people strategy.

Our global workforce spanning four generations – from baby boomers to Generation Z – represents the synthesis of the consolidated experience across the maritime and logistics sectors. We aim to maintain and reinforce our richness of representation and for this reason, we keep adapting our recruitment processes and procedures to further attract and retain young talent from different social, educational and economic backgrounds.

We work across boundaries, geographies and cultures.

Thus, it is important for us that people are enabled to work together in an inclusive environment where they are given the opportunity to be included in decision-making processes at all levels. At MSC, we foster a working environment where fruitful cognitive exchanges are promoted increase employees' motivation and drive change. In such extraordinary circumstances this approach has proven to be a success factor to serve our customers. We see global recovery from the COVID-19 pandemic's impacts as an opportunity to look at inclusivity within the workplace and foster this approach across our value chain. Ensuring the respect of cultural diversity and non-discriminatory practices was of greatest importance to us in this particular period. Constantly supporting open communication via a number of platforms and reporting channels, without fear of retaliation, was part of our awareness programme and culture consolidation.



<sup>59</sup> <https://sustainabledevelopment.un.org/futurewewant.html>

## A DIVERSE WORKFORCE TO CONNECT THE WORLD

As a globally operating company, we consider diversity to be one of our greatest strengths. At MSC we believe diversity enriches us, thanks to differing skills, experiences and views. Consistent with this approach, the company is committed to the development of an integrated model designed to celebrate diversity, promote talent and create opportunities for cultural enrichment.

At MSC's Cargo Division, men and women have access to the same career opportunities. We adopt an equal-opportunity approach when selecting candidates (both internal and external). For vacant positions, applicants' eligibility is consistently evaluated on the basis of their qualifications and expertise. Nonetheless, due to the type of business we are in, a low percentage of employees are women. At the same time, the percentage of women managers and in leadership roles at our headquarters' level, continues to grow steadily (26%<sup>60</sup> in 2020). However, on board our ships women represent only 1% of the workforce, as many of the senior positions

require extensive nautical experience and long periods of embarkation. To address this issue we continued our efforts to strongly promote employment opportunities for women offering on shore positions, encouraging their progressive integration into maritime activities. The shipping industry has always been a male-dominated sector and the same applies to many of the associated jobs and professions in the maritime community, for example in the domain of port operations. Significant advancements have been made in reducing barriers to improve gender balance and eradicate gender stereotypes; however attracting female talent to work in the maritime sector, and in particular on cargo ships, remains a challenge. As we face similar challenges in the logistics area of our business, we are applying an integrated approach to progressively reverse this trend.

### DIVERSITY AND INCLUSION: OUR ROADMAP

As our business continues to expand, we further concentrate our efforts on being a truly inclusive company. While working on reducing the gender gap, we advanced in improving recruitment practices to ensure the creation of larger talent pools, including with high levels of cognitive diversity. As a result of our approach, the company in 2020 kept on fostering an inclusive, diverse and multi-cultural working environment. Linked to the evolution of our business, especially in certain specific areas, MSC provided opportunities for work arrangements that accommodate the diverse needs of individuals at different career and life stages. Our aim is to build a flexible organisation in which each and every employee is valued, treated with respect and dignity. Regarding this last topic, several initiatives are undertaken at local level to gain a better understanding, especially regarding risks associated with harassment. An example of this approach is seen in the initiative undertaken at **Asyaport in Turkey**. A survey undertaken among women employed in our port operations (3/4 of respondents) provided insights to implement a dedicated action plan to sensitise all employees on anti-harassment topics and to update the local Anti-Harassment Policy.

<sup>60</sup> This figure refers to women in governance bodies as well as their capacity as executives and managers



### EMPOWERMENT AND ENRICHMENT

In our business and particularly in times of change, empowering people is a strategic priority. 2020 saw continuity, where possible, to implement our planned activities to support the development of our people's technical skills and competencies demanded by our complex sector. In addition to specific training courses, we also encouraged those in managerial positions to share with their respective teams and young generations their

knowledge, best practices and lesson learnt from years or decades of experience in the sector. At headquarters' level, 7,347 hours of training have been provided to employees, covering a wide range of business-specific topics. We use flexible development and training options depending on the area in which people operate and on their level of responsibility within the organisation.

Ensuring our employees are engaged with a clear sense of direction means ensuring that everyone understands the importance of their contribution to support our business, customers and communities around the world. Aligning MSC's current and future needs with skilled professionals – both those already established in today's as well as, or those just beginning their careers – makes attracting and retaining talented individuals of high importance at every step from recruitment to retirement. We make sure that our employees choose MSC every day of their career. In 2020, the turnover rate of vessel crew was 10%, while at our headquarters it decreased to 6% in 2020 from 8% in 2019.

In an uncertain and challenging year like 2020, MSC Cargo Division welcomed to its headquarters in Geneva 111 new employees to guarantee the quality of its services, crucial to sustaining the current demand and face successfully the transitional era ahead. Onboard, the growth of MSC's activities is followed by an organic growth of the total number of our employees by 6% compared to 2019.

**TRAINING OPTIONS**  
ACROSS CARGO DIVISION

- ▶ **MSC ACADEMY**
- ▶ **MANAGEMENT ACADEMY**  
JOB SHADOWING  
SUBJECT MATTER  
EXPERT INFORMATION SESSIONS  
INTERNAL CERTIFICATION
- ▶ **ON THE JOB TRAINING**
- ▶ **E-LEARNING**
- ▶ **MSC CREWING TRAINING CENTRE**
- ▶ **PARTNERSHIPS WITH NAVAL ACADEMIES**
- ▶ **PARTNERSHIPS WITH UNIVERSITIES**



**EXTRAORDINARY YEAR, EXTRAORDINARY PEOPLE**

The COVID-19 pandemic has affected the working lives of just about everyone. As one of the key actors in global supply chains, we experienced the true value of our contribution of granting global connections during disruption. In this extraordinary year, MSC people at sea and ashore worked as one team reacting promptly, showing flexibility and resilience despite the difficult conditions at operations level. Remaining fully committed to ensure business continuity and connect our customers with their final receivers to maintain essential services and supplies required not only specific competencies but an extraordinary focus to deliver and a sense of responsibility and adaptation.

In our business, all frontline workers were widely impacted by the unprecedented challenge and were essential in keeping supply chains running at sea, in ports and on the road. Protecting our people has been our priority. MSC's leadership constantly evaluated and analysed if conditions were sufficiently safe, implementing specific actions to support employees around the world in preserving their mental health, enhancing resilience to stress and being

able to cope with the difficult working and living conditions. In this scenario, seafarers were among the categories of workers hardest hit by the COVID-19 pandemic (see Tackling the humanitarian crisis at sea).

On the land side, workers in port terminals, depots and warehouses, as well as drivers of container-carrying trucks, trains and barges all deserve a similar token of gratitude for valiantly continuing their work during the crisis.

The COVID-19 pandemic has, for the first time, elevated the importance of the physical dimension of work and rapidly transformed working conditions also for all employees supporting our operations from our headquarters, adapting to new ways of interaction and acquiring new competencies to gain efficiency; from on-line coordination to staying connected whilst remote working. Ultimately, this unprecedented experience has demonstrated the extreme dedication of our people at all levels of the organisation and has confirmed that our 'working together' attitude has no physical barriers.

# BUILDING WORLD CLASS SAFE AND HEALTHY WORKPLACES

Ensuring a safe and healthy working environment and promoting a strong culture of safety is extremely important to us. As such, MSC is and will remain fully committed to further enhancing existing management systems, procedures and policies, designed to exceed the requirements of applicable laws, international and sector-specific standards and regulations. Effective implementation of health and safety standards at MSC is made possible through a combination of preventive measures and employee collaboration. Across all organisational levels and roles, our workers are involved in specific training related to the importance of safeguarding

health and safety, complying with standards, contributing to the use of additional safety measures and promoting appropriate prevention behaviours. Throughout 2020, while implementing emergency response contingency plans, MSC set in place robust health protection measures and safety protocols across its ships, ground operations, infrastructure, and offices to prevent health risks to employees and business partners visiting office premises. Such measures imply adapting to the evolving scenario, and some of those remain in place at the time of writing.



## PROMOTING SAFETY AT SEA

For seafarers, MSC strives to comply with all applicable regulations and requirements defined by the international maritime conventions and related instruments for its sector. Particularly, MSC complies with the “four pillars of the international regulatory regime for quality shipping”<sup>61</sup> and has developed and implemented a comprehensive set of policies and procedures. In the reporting year 2020, work-related injuries onboard were 423, of which one fatality<sup>62</sup>.

Accident prevention in the workplace is our main priority. Safety of our seafarers is a key challenge and our focus, as their operating conditions require particular attention. We adopt a shared responsibility approach, where everyone has an important role to play in ensuring tasks are completed without incident. To achieve this, we believe that each and every worker needs to be aware of its role in the prevention of accidents. MSC ensures all employees receive adequate training in this respect and has specific risks assessment frameworks in place to prevent and monitor accident and injuries during operations. In 2020, we provided an average of 7.5 hours per employee<sup>63</sup> of specific health and safety training.

Since the beginning of the COVID-19 pandemic, MSC has developed and implemented additional measures to protect its seafarers' health conditions onboard, in line

with relevant health protocols<sup>64</sup>, as well as in cooperation with relevant authorities and other key stakeholders.

MSC Shipmanagement and has developed a **COVID-19 Outbreak Management Plan** and has established a **Prevention and Control Task Force**. The purpose of the Plan is to provide guidance on prevention measures and procedures, with the Master of the vessel acting as the team leader and the ship's department head as its member. The Task Force is responsible for monitoring and overseeing the implementation process. Specific preventive actions also include changes in ship ventilation and segregation of supply and exhaust flows, air inlets and outlets to ensure the intake of fresh air onboard. Masks and protective COVID-19 PPE Kit are regularly distributed among MSC crew, with clear instructions on how to ensure their correct use. The Plan also addresses issues related to food safety and additional health protocols to follow in high-risk areas and in the event of emergencies, including emergency crew replacement after complete sanitisation of the vessel as per local health authority regulations. Collaboration between the shore-based company's doctor and the ship's medical staff has been further strengthened in order to ensure the effective implementation of disease prevention measures and emergency response procedures.



<sup>61</sup> SOLAS – Safety of Life at Sea; MARPOL – The International Convention for the Prevention of Pollution from Ships; STCW – Standards of Training, Certification and Watchkeeping; MLC, 2006 – Maritime Labour Convention. <sup>62</sup> Data relating to seafarers - <sup>63</sup> Data relating to seafarers - <sup>64</sup> Protocols include the “IMO Framework of Protocols for ensuring safe ship crew changes and travel during coronavirus pandemic”.

## ADDRESSING MENTAL HEALTH RISKS DURING THE PANDEMIC

Mental health issues arising from the pandemic remains a critical concern for MSC. Travel restriction and other governmental measures have diminished and challenged our ability to fulfil some of our basic human rights and needs, such as the right to family life, to physical and mental health and the right of freedom of movement. As a family company, we keep providing support to our employees and crew onboard vessels to cope with such stressful conditions and continuously develop additional measures to help enhance their ability to cope with stress and promote wellbeing. A **voluntary survey on crew wellbeing** was conducted in April 2020 addressing areas such as happiness, stress, anxiety, discomforts due to the COVID-19 situation. Overall, the results showed that our crew members reported less concern, compared to the rest of the industry for issues regarding health and safety onboard or during their leave period. 76% of MSC crews consider themselves as safe as in pre-pandemic situation, should any emergency arise on board, compared to 70% response for the worldwide crew. Specific questions related to the impact of the COVID-19 pandemic were also included in the survey, in order to adapt and improve our crew change strategy. In addition, MSC Shipmanagement technical, safety and support teams have been mindful of the crew conditions onboard and provided psychological support to seafarers, motivating them to share personal stories and day-to-day issues, and helping them cope with stress, anxiety or other health matters that may have arisen since the outbreak. A **Health and Wellness Committee** has been established onboard each vessel to enhance better cooperation with onshore offices and with our panel of doctors that hold specific expertise in psychological evaluation. In order to ensure specific support, where needed, the Company appointed independent medical assessors. MSC, in collaboration with its training providers, developed specific video training modules which were provided on board each vessel to sensitise on preventing mental health issues and on how to best cope with them. Throughout 2020, MSC Shipmanagement dedicated teams ensured all seafarers onboard and hospitalised were cured and had regular communication with their families. Among the first companies to implement full internet connection onboard its vessels, in early 2020, MSC completed an all fleet internet bandwidth upgrade to ensure sufficient capacity and enable the use of advanced applications both for operational use and for crew social connectivity.



## NAVIGATIONAL AND PORT OPERATION SAFETY

Challenging operational conditions experienced during the COVID-19 pandemic have not impacted our focus on preventing risks and improving processes regarding navigational and port operations safety issues. At MSC, critical risks are mapped and constantly updated across the different contexts both at sea and across all our operational contexts at port level.

Dedicated initiatives are undertaken onboard our vessels, including specific activities such as working at height, enclosed spaces and working aloft. The training programmes also focus on developing specific skills to respond to heavy weather and unexpected conditions at sea whilst avoiding potential incidents and fatalities caused by the possibility of mooring ropes breaking during mooring operations.

Fires on container ships can pose serious risks to the lives of seafarers, not to mention serious damage to the cargo and potential adverse impact on the environment. Implications associated with the volume of cargo increased capacity requires further implementation of onboard safety measures. Our approach to upgrading our safety standards above and beyond compliance with regulatory requirements is part of our investment plan. Installation of an up-to-standard fixed firefighting (dual-tower with high capacity pumps) new generation system for on-deck cargo areas started with our MSC Gülsün Class vessels and has been further implemented in 2020 onboard our fleet. Fire-safety preventive measures and emergency responses are constantly upgraded and are core for our Company. MSC Gülsün Class vessels are equipped with extra safety measures and innovative fire detection system: the 23,000+ TEU ships have set new standards and broken

records at industry level.

There is never any complacency when safety is concerned. We are continuously learning and noting any modifications that may further increase the safety on board our ships. The size of new ships creates additional considerations for navigation, especially in areas with high density traffic or congestion, and require specific assistance at port operations level. The large number of containers carried by these ships need ad hoc safety evaluations for cargo loading and discharging procedures.

Port environments are complex, ever active and involve a significant number of different actors besides port operators. This requires strong and effective health and safety systems to be in place. To that end, TiL has adopted Minimum Safety Standards, created to drive safety performance across its portfolio. As a priority to further prevent and mitigate risks, training programmes are in place and safety data are the object of reporting on a weekly basis, ensuring cooperation and coordination at terminal level. Strict safety precautions and recommendations for the better prevention of harm, and for the wellbeing of workers and all other persons engaged in, or in the close area of, port operations are adopted and constantly implemented in light of ever-changing circumstances, leading to ever-changing risks. Sharing best practices implemented at site level is part of our Company culture and we believe that experience offers an opportunity to increase our learning and contribute to continuous improvement.

## FIRE SAFETY FOLLOWS PERFORMANCE

State-of-the-art design and engineering minimize fire risk. **MSC FEBE**, currently deployed in Asia-Europe trade, is one of the **first vessels in the world** that obtained a top **"FCS notation"** from the classification society DNV GL - Maritime in relation to **fire safety onboard**. MSC FEBE boasts a new dual-tower fire-fighting system with high-capacity pumps and world's first on-deck firefighting monitors, installed to further enhance the safety of seafarers onboard and protect cargo carried across the whole deck of the ship. In addition, a unique thermal camera system was installed on MSC FEBE, to monitor irregularities and alert the crew to potential fires.

## DANGEROUS GOODS CONTROL

**MSC Responsible Cargo Care Policy** addresses safe container-handling procedures to prevent risks from potential hazards prevention and mitigation. Throughout its world-class screening system **Dangerous Sensitive Cargo Management System** (DSCM) the company monitors the effective control of dangerous goods transportation from the booking acceptance through the loading at the terminal, up until delivery to the ultimate receiver. The integrated and sophisticated screening system ensures that the process is consistent and standardised. Automatic analysis of port, partner and vessel restrictions by the system also increase the level of safety checks and controls. In 2020, MSC continued to enhance the DSCM with additional components in parallel with the digitalisation upgrade program. Crisis management is handled by experts in their field ensuring that MSC's shipments meet the stringent compliance requirements of the **IMO International Maritime Dangerous Goods** (IMDG) Code as well as all applicable safety regulations and requirements. MSC is also regularly assessed and certified under the standards of ISO by recognised classification societies.

## GROUND OPERATIONS SAFETY

MSC has developed an integrated quality management system which is designed to be implemented throughout the entire Cargo Division, including ground activities (rail and road). Given the specialised and growing needs in the logistics area across all its operations, MEDLOG's health and safety management systems have been further assessed and evolved in 2020. Ensuring operations control and reliability, granting a safe environment to the workforce that supports the business both inside and outside the offices is of highest relevance. An integral part of this approach is included in MEDLOG's Healthy, Safety, Security and Environment (HSSE) Framework. The Company requires all its affiliates to adopt a management system at the operating sites, including hazard identification and risk mitigation for a safe completion of tasks, in line with relevant standards and applicable laws.

Concerning our rail operations, MEDWAY has also developed its own health and safety management system, approved by the European Rail Agency. Furthermore, MEDWAY operates in compliance with the **Regulation concerning the International Carriage of Dangerous Goods by Rail** (RID) adopted by the **Intergovernmental Organisation for International Carriage by Rail**.



# GRI TABLE



GRI INDICATOR		2018	2019	2020	Scope	Notes
<b>ENVIRONMENT</b>						
103-2	The management approach and its components					See pages 29-31
305-1	Direct (Scope 1) GHG emissions (tCO <sub>2</sub> e)	28,959,904	29,452,770	29,766,646	Cargo vessel fleet	Emission factors applied as per IMO EEOI guideline
305-7	Sulphur oxides (SO <sub>x</sub> ) (t)	465,367	443,621	63,658	Cargo vessel fleet	Calculation of direct SO <sub>x</sub> emissions from fuel (emission abatement technologies such as the EGCS) based on the 'BIMCO shipping KPIs' standard
	Nitrogen oxides (NO <sub>x</sub> ) (t)	NA	NA	796,635	Cargo vessel fleet	Calculation based on emission factors published in the IMO 4th GHG study
306-3	Waste generated (m <sup>3</sup> )	NA	NA	36,968.25	Cargo vessel fleet	
<b>SOCIAL</b>						
103-2	The management approach and its components					See pages 73, 79
102-14	Statement from senior decision-maker					See pages 5-8
102-8	Total number of employees	70,000	70,000	74,372	Cargo Division	2018 and 2019 figures represent the best estimate of the total number of employees
		857	926	950	Headquarters only MSC, TIL and MEDLOG	
		9,214	10,245	16,487	Cargo vessel crew	
	of which women	298	315	323	Headquarters only MSC, TIL and MEDLOG	
		117	145	189	Cargo vessel crew	2018 and 2019 statistics include only the part of the fleet operated out of MSC Shipmanagement Cyprus
401-1	New employee hires	126	138	111	Headquarters only MSC, TIL and MEDLOG	
		1,041	1,705	2,505	Cargo vessel crew	2018 and 2019 statistics include only the part of the fleet operated out of MSC Shipmanagement Cyprus
	Employee turnover	60	78	60	Headquarters only MSC, TIL and MEDLOG	
799		674	1,552	Cargo vessel crew	2018 and 2019 statistics include only the part of the fleet operated out of MSC Shipmanagement Cyprus	
405-1	Women in Governance bodies (%)	33%	33%	25%	Headquarters only MSC, TIL and MEDLOG	
	Women Executives (%)	4%	4%	7%		
	Women Managers (%)	28%	25%	29%		
	Women white collar (%)	37%	38%	39%		
	Women blue collar (%)	29%	29%	29%		
404-1	Hours of training per year	5,418	6,254	7,347	Headquarters only MSC, TIL and MEDLOG	
		268,291	319,197	291,229	Cargo vessel crew	
403-9	Work-related injuries	NA	NA	423	Cargo vessel crew	Statistics referring to the whole fleet are not comparable for 2018 (132) and 2019 (148)
403-5	Worker training on occupational health and safety	116,191	152,288	123,778	Cargo vessel crew	

# METHODOLOGY NOTE



MSC Mediterranean Shipping Company's Sustainability Report 2020 is the fifth edition of this document, which aims to provide a clear and transparent overview of the Company's commitment and capacity to contribute to the United Nations 2030 Agenda for a renewed approach to sustainable development across the organisation.

## SCOPE AND REPORTING PROCESS

The Sustainability Report 2020, referring to the period 1 January - 31 December 2020, has been prepared under the coordination of the newly established MSC Cargo Division Sustainability Department in consultation with all relevant functions and the Company's top management. For the sake of completeness and internally consistent presentation of information, the report includes data up to 31 March 2021. For the first time, the Sustainability Report includes a selection of quantitative and qualitative indicators following the **GRI Sustainability Reporting Standards 2020 ('GRI Standards')** defined in 2016 by the Global Reporting Initiative and subsequent versions. The Report has been structured to respond to the reporting principles of accuracy, balance, clarity, comparability, reliability and timeliness. The information presented in this Report covers the entire MSC Cargo Division, including MEDLOG and TiL.

## DATA COLLECTION

The information disclosed has been gathered through a data collection process involving the different geographic areas in which the Company operates. The selected indicators were collected for relevant topics for the years 2018, 2019 and 2020, in order to highlight, where available, the three-year trend reflecting significant sustainability impacts and the associated management approach. Dedicated guidelines were distributed across business units within the Cargo Division to ensure the consistency of the submitted data. It should be noted

that a comprehensive data collection process is a progressive journey. The Company aims to enlarge the scope of reported indicators in the coming financial years, while committing to raise awareness to gain a deeper understanding of sustainability issues, emerging risks and the importance of non-financial performance indicators.

## SUPPORTING THE UNITED NATIONS GLOBAL COMPACT

Since 2016, MSC has been a signatory of the UN Global Compact, the world's largest corporate sustainability initiative aimed at aligning organisations' "strategies and operations with universal principles on human rights, labour, environment and anti-corruption and take action that advance societal goals"<sup>65</sup>. As of May 2021, more than 12,000 signatories across 160 countries are involved in this initiative. As a member of the UN Global Compact, MSC publishes its Sustainability Report every year as part of its commitment to submit a **Communication on Progress** (COP, Active Status). In our reports we extensively illustrate progress made in implementing the UN Global Compact's principles-based approach, including in the area of human rights.

## HUMAN RIGHTS FOCUS

MSC's Sustainability Reports contain a dedicated chapter on business ethics and protection of human rights (in this document please see chapter Addressing Social Challenges), in line with the Ten Principles of the UN Global Compact and related human rights considerations. In terms of reporting structure and reporting methodology, in addition to the GRI Standards, MSC also adheres to the **UNGPs Global Reporting Framework**.

MSC Sustainability Reports address human rights-related issues in line with:

- Relevant international human rights frameworks, standards and principles

- Current and expected developments at the international level and in applicable domestic legislations
- A wide range of sector-specific human rights and health and safety regulatory frameworks and related international standards, sector-specific environmental standards, requirements and regulations, defined by maritime and labour conventions adopted at the international level by the United Nations, including the International Maritime Organization (IMO) and the International Labour Organization (ILO)
- Relevant International Finance Corporation (IFC) standards
- Relevant standards developed by the International Standardisation Organization (ISO) and recognised classification societies and their recommendations during periodic audit processes.

## CERTIFICATIONS AND ASSESSMENTS

MSC is also regularly assessed and certified under the standards of ISO by recognised classification societies. ISO Certifications include the **ISO 45001**. Since 2015, MSC follows the guidance provided by **ISO 26000 on Social Responsibility** to further improve and operationalise socially responsible processes and impacts, in line with MSC's broader sustainability strategy and its commitment to the UN Global Compact.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

<sup>65</sup> <https://www.unglobalcompact.org/what-is-gc>





# CONTACTS

For further information about this Sustainability Report and MSC's Sustainability Priorities and Roadmap, please feel to contact us at: **[sustainability@msc.com](mailto:sustainability@msc.com)**

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