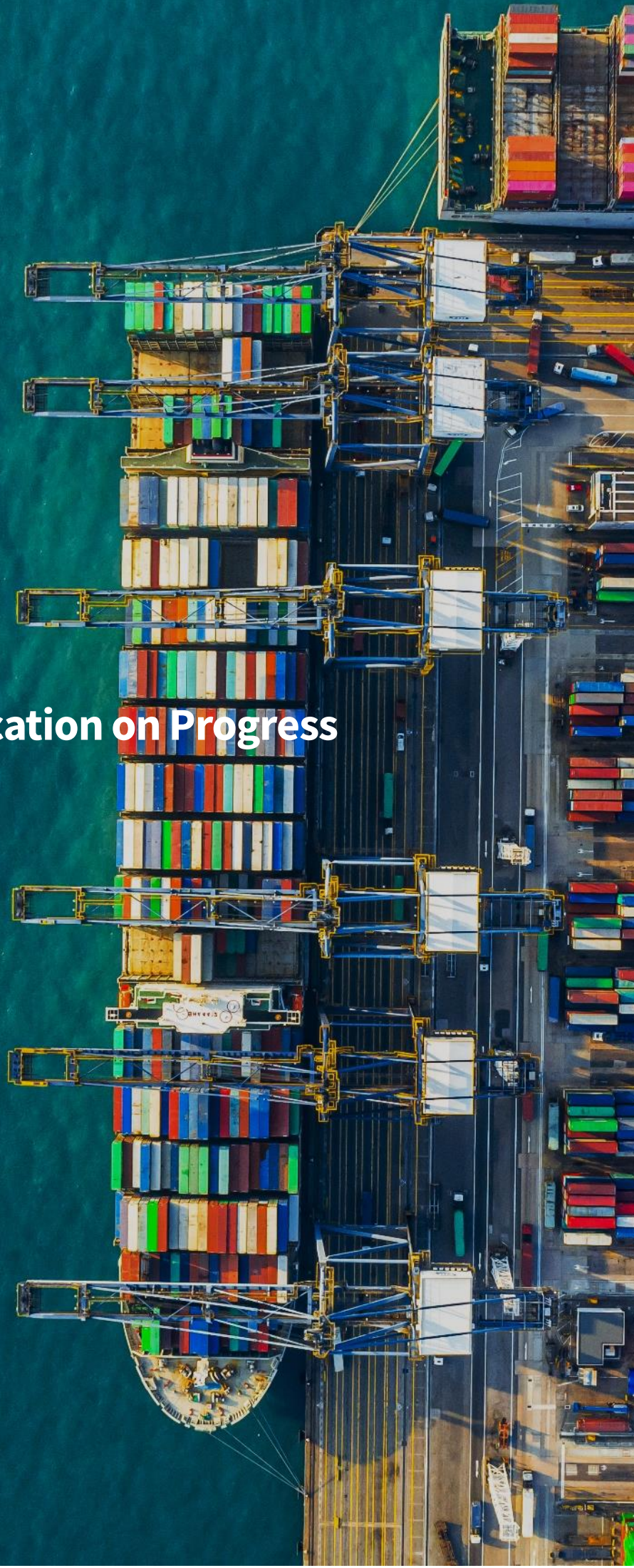




# UNGC Communication on Progress 2021/22

November 2022



## Forward

Over the past 18 months, Lloyd's Register has been busy implementing our new strategy to ensure all of our resources are focused on supporting the maritime industry. We have done this because we believe the next 20 years will be transformational for the industry. There are some really challenging and complex decisions for all in the industry to make.

It is because of the need to meet these challenging and complex decisions that LR's continued commitment to the UN Global Compact is critically important.

Digitalisation is a key enabler for the next great advancements in maritime, be that for safety, seafarer wellbeing or decarbonisation. That is why LR has continued to invest in our digital solutions.

These state-of-the-art digital solutions allow LR and our clients to use data to reduce our impact on the environment and better support crews. By collecting and interrogating data, we are achieving enhanced effectiveness, reducing the need for physical audits. This helps LR and our clients achieve the goal of lowering emissions from travel while improving our people's health and wellbeing.

Safety has been Lloyd's Register's core focus since we were founded in 1760. The protection of people, ships and the environment is at the heart of all we do. That is why, this year, LR and our charitable Foundation released a landmark report, 'Shining a light on seafarer wellbeing'. With 41% of risk on a vessel managed by the crew, it is vital that maritime upholds the UNGC's labour principles and supports seafarers.

At LR, we understand there is no 'one size fits all' fuel solution to zero-carbon shipping. We must take a whole, systemic approach to the ship and its crew, the ship-to-shore interface, trading patterns, societal expectations, technology readiness and, fundamentally, commercial viability.

Examining the fuel transition for shipping across the entire supply chain enables us to identify benefits and manage unknowns. Investments have the best chance of success if based on a system solution, which is why LR and our partners launched The Silk Alliance this year. It is an innovative Green Corridor Cluster beginning with the intra-Asia container trade. The initiative is a practical demonstration of the principles established in LR's First Mover Framework.

Shipping now thinks in terms of 'readiness'; the ability to ensure that a vessel can use zero carbon fuel once this becomes feasible and available, either through newbuilding, or conversion of existing vessels. But readiness is not defined. It can mean anything from a vessel fully equipped to bunker with alternative fuel today, to a ship that could potentially be converted at some point in the future. Many so-called 'ready' vessels will require a major retrofit, with significant safety implications and costs that could render the project uneconomic.

The development of LR's Zero Ready Framework presents a readiness framework that provides clarity, guiding investment in assets that have the greatest prospects for success as we transition to zero carbon fuels. We seek commitments from across the industry to use this framework in development of energy transition strategies, in turn reducing risk.

My message from the last 12 months is that now is the time to turn commitment into action, to save our planet and support a good future for everyone, inside and outside our industry. We will continue working together for a safe, sustainable, and thriving ocean economy.

**Nick Brown**  
**Chief Executive Officer**



## Overview

Lloyd's Register Group (LR) funds the charitable Lloyd's Register Foundation (LRF) with both delivering projects individually and in partnership. LR's Corporate Social Responsibility policy was reviewed and updated this year, covering issues of compliance, human rights, professional development, workplace health and safety, environmental standards, and stakeholder engagement.

Resilience Rising and LRF are collaborating on a new cornerstone programme that will harness the World Risk Poll's data and insights collected from over 125,000 people in 121 countries to improve the global understanding of risk, resilience, and decision-making.

The Maritime Just Transition Task Force, funded by LR, has been focusing in 2022 on green skills on board ships. In addition, a key priority has been understanding the upskilling and retraining needed to retain a high-skill seafarer workforce in a way that leaves no seafarer behind. A study was conducted which is to be released at COP 27, with an accompanying policy brief. Work has started on developing a second phase of activity, leading constructive discussions with stakeholders, and undertaking a comprehensive, value-chain driven stakeholder mapping to identify priority areas for future work.

## Environment

LR's Marine Decarbonisation Hub (MDH) has become a significant contributor to activity in the maritime sector's transition to net zero. It provides regular expert input to government, industry and academic events, and has influenced the formation of green corridors and creation of the Clydebank Declaration through the First Movers framework. It is recognised by UK parliamentarians as an important contributor to policy development.

MDH has convened 11 leading cross-supply chain stakeholders to develop a fleet fuel transition strategy that can enable the establishment of a highly scalable Green Corridor Cluster. The Silk Alliance was initiated by MDH and brings together a diverse group of organisations whose collaboration can advance the decarbonisation of the maritime industry. At the outset, these members will collaborate to send an aggregated demand signal for other stakeholders such as fuel providers, port operators and governments to support the Green Corridor Cluster. The Silk Alliance members will draw from their individual areas of expertise to develop a fleet-specific fuel transition strategy for container ships operating primarily in Asia, based on LR's First Mover Framework.

LR published "First movers in shipping's decarbonisation. A framework for getting started", in December 2021. The framework contains a methodology for detailed comparison of different fuel transition pathways for a shipping fleet of a given vessel type and trade route and is able to be used as the foundation principles for establishing a Green Corridor.

LR has influenced and advised expert organisations across the sector, including Mission Innovation and funded "Climate Action in Shipping – Progress towards Shipping's 2030 Breakthrough", launched during New York Climate Week, providing an honest stocktake of the industry's decarbonisation progress to date, highlighting where coordinated effort and collaboration is needed.

MDH has been invited to join other leading industry initiatives including the experts' group in the Renewable, Low Carbon Alliance and Taskforce Australia, and helped the Global Maritime Forum to shape the concept of green corridors. MDH also peer reviews output from other decarbonisation centres, providing information to LR's clients and enabling the development of targeted commercial resources for the sector by LR.

Over the last reporting year, LR has restructured our activities to bring Health, Safety, Quality and Environment (HSQE) and sustainability functions closer together to better support business needs. This year the global HSQE team have attended an 8-week Environmental Sustainability Skills course structured around the United Nations Sustainable Development Goals and accredited by the Institute of Environmental Management and Assessment (IEMA). This is part of our longer-term plan to develop HSQE teams globally and potentially extend to other functions. LR has also achieved re-certification of ISO 14001 Environmental Management System (EMS) by the British Standards Institute (BSI).

LR is continuing our internal emphasis on good environmental practice including the Waste 'Duty of Care' hierarchy to reduce, re-use and recycle. A new focus on installing electric vehicle (EV) chargers, free for staff to

use, transitioning to EVs for internal fleet in territories where the infrastructure makes this practicable, and encouraging personnel to make EV choices, are part of this. LR's travel policy was updated in 2022, reflecting the increased capabilities of digital communications and aiming at reducing travel-related emissions.

Partnering with Arup, a new report on port energy supply for green shipping corridors has been published. Our First Movers' Framework is new this year, with new research on ships looking at technology, innovation and the human element.

LR's Zero-Carbon Fuel Monitor, an evidence-based framework to assess the readiness of the most promising zero-carbon fuels and related technologies, was released from beta-testing this year. LR is working in partnership to help develop and deliver new technologies for decarbonisation, including ammonia, hydrogen, methanol, biofuels and fuel cells, offering significant environmental benefits. As part of this focus, we are providing good practice advice and solutions, tools and technologies for how shipping can navigate more economically to save on fuel and reduce emissions. The Maritime Decarbonisation Hub focuses on techno-economic assessment of future fuels.

We have also published a new resource for clients to assess their compliance with the Energy Efficiency eXisting ship Index (EEXI).

Our new sustainability strategy "Working together for a sustainable, thriving ocean economy" is being rolled out with increased focus on the ocean economy and decarbonisation, providing support to our clients through advice and technology.

The Sustainable Shipping Initiative, of which we were a co-founder, has continued its work on vessel recycling, decarbonisation and seafarers' rights, adding a new strand on transitioning to a circular economy. In July 2022, one of our team joined an expert panel for a podcast exploring how circularity applies to shipping and its decarbonisation journey. LRF was again a Gold Sponsor of Climate Action Week held in New York in September 2022.

LR's CEO, Nick Brown, was present at COP26 for the launch of the Clydebank Declaration for the creation of green shipping corridors to bring zero-emission vessels into service by the middle of the decade, combining the deployment of new fuels and new shipping technologies. Following COP26, LR co-hosted a webinar with Maritime London, providing first assessments on the outcomes for shipping.

## Human Rights

Following last year's comprehensive training programme for mental health & wellbeing champions, LR has begun embedding this across the wider organisation. To assist with broader understanding of the challenges faced by people working in the marine environment, LRF has produced a suite of videos looking at the challenges facing small scale fishers in Senegal, the role of women in the UK's Royal National Lifeboat Association (RNLI) and fisherwomen in Maine in the US.

A new Diversity and Inclusion (D&I) Team has been created to develop and deliver the organisation's D&I strategy. Early work has included policy reviews and agreeing a new target for representation, to increase the number of women with senior roles and non-white leaders around the world.

Four new colleague networks have been created, covering gender equality, LGBTQ+, ethnicity and disability, with a 50% increase in representation on these resource groups. These are colleague-led networks for advocacy support, with structure, governance and resources provided by the company. The LGBTQ+ group ran a campaign for Pride across the business including changing the LR logo on the website and social media channels to rainbow colours.

LR also engaged in International Women's Day and is building initiatives around safer spaces. LR is actively showcasing stories of individuals from diverse groups across the business, using LinkedIn and other channels to promote the opportunities for the broader workforce and in attracting new recruits.

This year also saw the launch of a diversity review to collect reliable data on representation aligned to the employer resource groups, to make sure that our processes are working as intended, including avoidance of unconscious bias.

Launched at COP26, the Just Transition Maritime Taskforce is a new collaboration between LR and the UNGC, looking to shape direction in the marine sector to ensure that decarbonisation in the industry properly reflects the human and social impacts of a just transition.

## Labour

This year LR have introduced several initiatives focusing on safety in the workplace and in the maritime sector more broadly. For example, a worldwide survey on attitudes to safety was undertaken for the LRF World Risk Poll, with results published in July 22. One of the key findings is that 2 in 3 people view climate change as a threat to their country.

In September 2022, the Foundation published “A Safer World”, marking ten years of Lloyd's Register Foundation, detailing the current pressing global safety challenges and how these are being tackled by one of the UK's oldest business organisations, using its international presence and unique ownership model to make the world a better, safer place. This followed LRF's free, international two-day hybrid Safer World conference, held in May 2022, bringing together thought leaders from research, academia, business, and government to discuss today's biggest safety challenges and new approaches needed to create a safer world. Demonstrating LR's commitment to holistic, sustainable operations, this event was subject to a carbon life-cycle assessment (LCA) with the objective of developing a procedure for ensuring that future LRF events are designed and delivered to be low to zero carbon.

There is also a new emphasis on digitisation, supporting capacity to deliver appropriate services remotely, resulting in reduced travel emissions and reduced H&S risk, for the health and well-being of LR's people.

An overhaul of parental support policies is underway to assist working mothers to stay in work and maintain their career path. LR has created the new post of Talent Acquisition Director, reporting to the Chief People Officer (also a new post) and has a new over-arching People Strategy to help create an enabling culture to support colleagues and attract new talent to the business.

In February 2022, LR's Safetytech Accelerator announced a new acceleration programme, “Waypoint 3: Maritime Risk”, which is working with and supporting tech companies to develop the next generation of maritime risk solutions. This is critical to the ESG focus on digitalisation for multiple benefits that progress sustainability, especially using technology to improve workplace safety.

Colleagues from LRF played a part in the UN Ocean Conference 2022 held in Lisbon. This included running official breakout sessions on topics covering the barriers, opportunities and innovative approaches to science-based and data-fuelled collaborations in the ocean space; the safety challenges faced by small scale fishers in Senegal; and the multiple contributions of seaweed to achieving the targets of SDG 14 and its relevance to other SDGs, describing the progress to date and identifying next steps required.

Work is underway to establish a network of Ocean Stewardship Centres in key economies in the global south. The Sustainable Shipping Initiative's Seafarer Roundtable on Human Rights in October 22 was partly funded through LRF. Full funding was provided to phase one of the UNGC-led Just Transition Maritime Taskforce which shared a position paper at COP27. This paper featured a 10-point action plan for delivering a just transition for seafarers. LR and LRF are also members of the industry peer working group featured in the paper.

In June, LR and LRF published the landmark *Shining a light on seafarer wellbeing* report, highlighting the challenges to seafarer wellbeing during the Covid 19 pandemic and beyond. The report recommended five proactive steps to improve seafarer wellbeing.

Any form of modern slavery is completely incompatible with LR's values. Our policy is to ensure that everyone who works with a member of LR understands that unlawful or unethical business practices, including any form of modern slavery, will not be tolerated within our business or supply chain.

In support of the modern slavery policy, we are a signatory to the UN Global Compact and commit to ensuring that these principles are reflected in our business strategy, day-to-day operations, organisational culture, sphere of influence and relationship with suppliers.

LR maintains a code of ethics that helps us to ensure business is done safely, ethically, and responsibly. In addition, LR's suppliers are mandated to commit to fair employment policies, including humane treatment of their employees and no use of child labour.

LR also maintains a whistleblowing facility that enables all employees and contractors to raise concerns without fear of reprisals. Finally, our Group Ethics and Compliance Committee meets regularly to monitor, and take action to maintain, the effectiveness of LR's Safeguarding Against Modern Slavery Policy.

## Anti-corruption

LR's Head of Compliance continues to ensure that anti-bribery and corruption procedures and processes and the 'Speak Out' whistleblowing policy meet the needs of LR and our clients. The Head of Compliance oversees any necessary investigations raised under any of these policies and procedures. These systems have been reviewed as part of the annual due diligence process.

Annual update training is given to key personnel across the business, using real-world case studies referencing the 'high materiality' of the aspects and impacts involved. In response to some of the consequences of the Ukraine war, LR has strengthened compliance work around sanctions. This has involved investing in access to high quality international datasets that a new in-house analyst function interrogates.

## Metrics

Overall emissions in priority areas have been reduced at rates more than commensurate with the recurring annual reductions of 4.2% (Scopes 1 and 2) and 2.5% (Scope 3) necessary to meet LR's Science-Based Targets. Four key areas have been identified within LR's sustainability strategy: air travel, supply chain, car travel and property.

Total emissions for the 12-month period to the end of June 2022 comprised 2,413 tCO<sub>2</sub>e Scope 1 (6%), 3,836t CO<sub>2</sub>e Scope 2 (10%) and 33,789tCO<sub>2</sub>e Scope 3 (84%), a total of 40,038tCO<sub>2</sub>e.

Travel activity had returned to 40% of pre-pandemic levels by mid-year 2022 but is not expected to ultimately return to pre-pandemic levels, as a result of the 'remote first' policy which has been implemented.

Over the last two years, average CO<sub>2</sub>e emissions across LR's UK fleet have fallen over 40%, to 59g/km, with the average for vehicles on order at 33g/km. Almost one quarter of the fleet is now full battery electric vehicle (BEV) with 80% either BEV or hybrid. One third of vehicles on order are BEV with none based on Internal Combustion Engine. The new fleet policy mandates full EV once a 30% general uptake has been reached in each market, and by 2025 at the latest.

As a consequence of merger and acquisition activity, and a managed move to home-working, good progress has been made in Property, reducing LR's occupancy footprint to some 610,000 sq. ft. and 140 offices (from 850,000 sq. ft. and 190 offices). This is projected to shrink by a further 85,000 sq. ft. (14%) over the next 3 years.

Work has recently been initiated to re-baseline LR's emissions, to reflect the new make-up of the Group, which will inform new Science Based Targets by the end of the 2022-23 financial year and reflect both a bolder ambition, as well as the expected impact of the group's new digital tools and remote capabilities.

An additional seven personnel have been seconded into the Marine Decarbonisation Hub. In addition, the MDH have published 4 substantive reports; 7 press releases; and reviewed and consolidated knowledge from more than 150 external publications.

As part of the First Movers Framework, MDH have developed three new models: fuel supply, fleet evolution, and fuel demand market at port. LR's Zero-Carbon Fuel Monitor, maintained by the MDH, has received 17,000 website views since launching in December 2021.

LRF has launched the "Changed World" and "Resilient World" reports presenting findings from the 2021 World Risk Poll.

The quarterly Neptune Declaration Indicators show a continued rise in vaccinations and still fewer crew members onboard after expiration of their contracts.

Launched on the Day of the Seafarer in June 2022, LR's report "Shining a light on seafarer wellbeing" identified five priority intervention areas towards a more supportive and human-centric working environment for seafarers.

LR has put in place four new colleague networks covering gender equality, LGBTQ+, ethnicity and disability. Representation on the networks has increased 50% since their launch.

100% of the global Health, Safety, Quality and Environment (HSQE) team attended an 8-week Environmental Sustainability Skills Course, accredited by the UK's Institute of Environmental Management and Assessment. A full programme of compliance and risk avoidance training was also delivered.

With the acquisition of OneOcean during the reporting year, LR now offer decision support software covering 14 classes of record format and the maritime environmental regulations of 171 countries with a further 500 environmental zones. This latter product is used by over 10,000 vessels.