



NORDEN

JOINT EFFORTS — MUTUAL BENEFITS

— CORPORATE SOCIAL RESPONSIBILITY REPORT 2017 —

DAMPSKIBSSELSKABET NORDEN A/S

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About this report:

This report is the 9th annual CSR report about NORDEN's CSR performance. The CSR report boundary includes assets and employees in the parent company and in subsidiaries, as well as assets in joint ventures. The report covers the calendar year 2017 and constitutes NORDEN's Communication on Progress to the UN Global Compact as well as NORDEN's reporting on CSR in compliance with the Danish Financial Statements Act section 99a and 99b.

Your feedback is valued. Please send any comments or feedback to csr@ds-norden.com



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

We welcome feedback on its contents.



LETTER TO STAKEHOLDERS

Welcome to NORDEN's CSR report 2017

2017 was another busy year for NORDEN. We reorganised the business by splitting the Dry Cargo Department into 2 distinct business units – Dry Operator and Dry Owner – and continued our work on the CSR agenda. With our CSR Direction 2016-2018 “Joint Efforts – Mutual Benefits” as foundation for our work within Corporate Social Responsibility, we initiated new projects and strengthened our efforts to identify where the linkages between social and economic progress in global trade hold potential to increase the value for NORDEN's customers, for society and for NORDEN's long-term competitiveness.

We continuously work at integrating CSR into NORDEN's daily business, and the CSR Direction is an integrated part of NORDEN's business strategy and NORDEN's Corporate Soul Purpose that states: “As custodians of smarter global trade, we are conscious, soulful people uniting a world, where every person and action matters”. The Corporate Soul Purpose is directly linked to our efforts within CSR, as NORDEN's work with enabling smarter global trade contributes positively to society.

3 key areas

As the new business set-up involves a rise in the number of vessels chartered in, ensuring fuel efficiency becomes increasingly important. In 2017, NORDEN has been working actively to improve the procedures for assessing vessel fuel efficiency before chartering in and the work continues in 2018.

Besides this our work with CSR is centred around 3 main areas: Reliability, Assistance and Anti-corruption. By optimising reliability of operations, we enable smarter global trade which is at the core of our Corporate Soul Purpose. An increase in reliability is not just a matter of operating modern vessels, but very much also about attracting and retaining the right kind of employees and having a mindset that promotes continuous search for improvements throughout the entire supply chain of NORDEN's many customers. Our ambition is to be a trusted partner delivering value to customers by exceeding expectations and by offering knowledge and assistance to optimise the logistic challenges that are part of global shipping.

Being global with offices on 5 continents and operations all over the world also involves interaction with a variety of people

and cultures and handling of challenges. One of these is corruption. NORDEN is a founding member of the Maritime Anti-Corruption Network, MACN, which works towards an industry free of corruption, and progress has been made. Besides taking part in the ongoing work to highlight the burden of corruption, NORDEN also joined the campaign “Say no” in Suez in 2017 to stop pilots' demand for cigarettes when vessels transit through the canal. NORDEN also went through a rigorous certification process from the international TRACE organisation to obtain certification of prudent policies and procedures to counter corruption.

Looking ahead

2017 marked the second year of the CSR Direction 2016-2018. During 2018, besides strengthening our efforts with safety and security, we will adapt the strategy to the new business set-up with increased activity in our operator arm of the Dry Cargo business. This increase in activity will entail closer contact to even more customers, which presents both opportunities and challenges. With a clear purpose and dedicated employees on shore and at sea, NORDEN is ready for both.



Jan Rindbo
CEO



NORDEN's Business Model

Based on a global network of offices and good access to customers, NORDEN generates earnings by combining cargoes with vessels.

THE NORDEN BUSINESS

DRY OPERATOR

Global transport solutions to dry bulk customers.

Generates a margin by:

- Logistical and operational optimisation, matching cargoes and vessels
- Utilising scale, market knowledge and access to customers and tonnage providers
- Taking short-term market positions

DRY OWNER

Cyclical market exposure to the dry bulk market.

Generates superior long-term returns by:

- Timing and negotiating transactions of owned vessels and long-term charter contracts
- Utilising access to off-market deals through long-term relationships with shipyards and shipowners
- Enabling portfolio of long-term cargo contracts

PRODUCT TANKERS

Transport services and cyclical market exposure in the product tanker market transporting gasoline, diesel, naphtha etc.

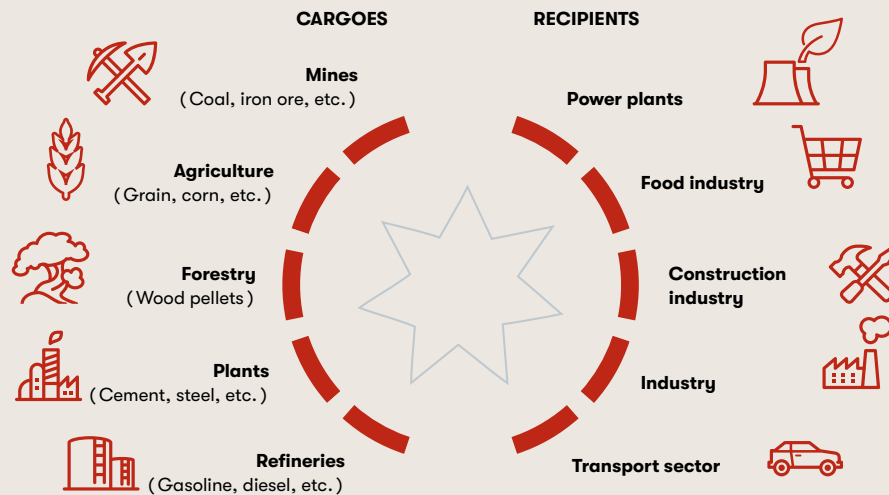
Generate superior long-term returns by:

- Maximizing earnings through positioning and voyage optimisation
- Safe, reliable and cost efficient technical management of the owned fleet
- Utilising access to off-market deals through long-term relationships with shipyards and shipowners
- Timing and negotiating of transactions of owned vessels and long-term charter contracts

VALUES

- Flexibility
- Reliability
- Empathy
- Ambition

CONNECTING THE WORLD



NORDEN's CHARACTERISTICS

- Established in 1871
- Active in both Dry Cargo and Tankers
- Owned core fleet supplemented by extensive chartered fleet
- Combination of long-term, stable cargo contracts and significant operator activities in the market
- Global network of offices and port captains in direct contact with customers
- One of the world's largest operators of product tankers through part ownership (50%) of Norient Product Pool
- Listed on Nasdaq Copenhagen
- Transparency in financial reporting, Corporate Governance and CSR



NORDEN's Corporate Soul Purpose

“As custodians of smarter global trade, we are conscious, soulful people uniting a world where every person and action matters”



VALUE CREATION

- Enabling smarter global trade
- 9,400 port calls annually
- Revenue generation
- Tax contribution
- Jobs created
- Education and training



RESOURCES

- 305 employees on shore
- 690 employees at sea
- ~300 owned and chartered vessels
- >500 customers
- Optimised systems
- Certified safety record
- Strong values



MATCHING CARGO AND VESSELS

- Focus and simplicity strategy
- Global reach
- Skilled employees
- Strong market insights
- Customer focus
- Long-term partnerships
- Financial position

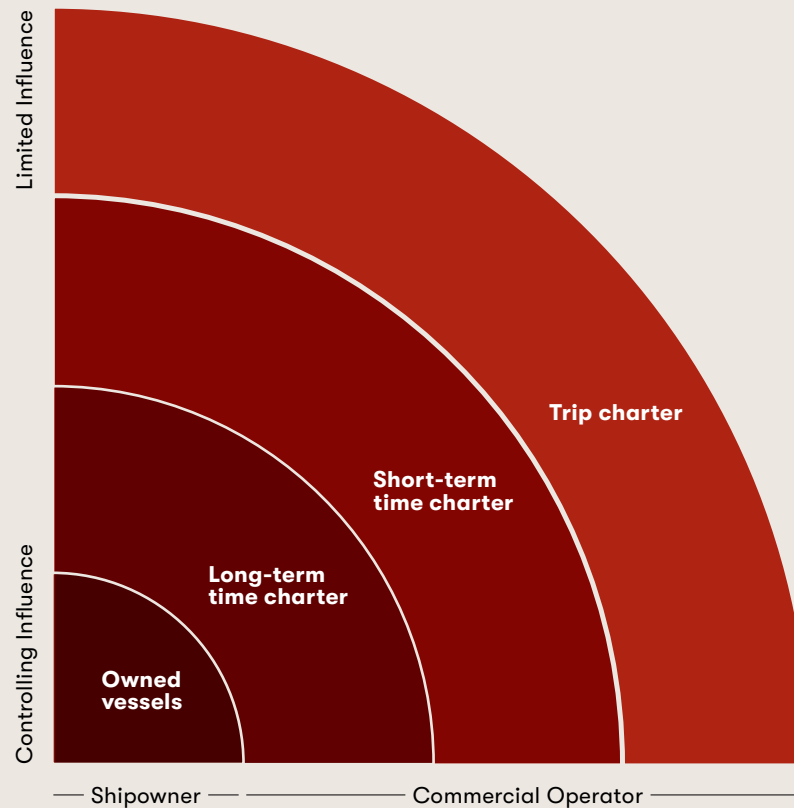


Corporate Social Responsibility

NORDEN's approach to CSR is strategic, long-term and business-driven.

CSR is a responsibility and a precondition to running a resilient business that creates long-term value for stakeholders and society.

Sphere of influence and responsibility



Commercial Operator

- Contracting voyages and cargoes for destinations.
- Arranging support activities for voyages.
- Optimisation of the voyage in collaboration with the shipowner and the customer.

In addition to the above, shipowners also hold the below responsibilities.

Shipowner

- Legislative responsibility towards flag state and international regulation and conventions.
- Employment and training of crew.
- Dry-docking, stores, repair and maintenance.
- Vetting and Port State Control inspections.



NORDEN's value chain



Newbuildings

New vessels are ordered from shipyards. Existing fleet is maintained.



Secondhand tonnage

Vessels are acquired used from third party shipowners.



Chartering – owned vessels and time charter

Vessels are chartered by customers to ship cargo. Owned and chartered vessels may be time chartered.



Loading/port operations

Cargo is delivered by customer. Port operations are supported by port captains and facilitated by port agents, stevedores, linesmen, pilots, surveyors etc.



Shipping

Owned vessels are manned with own crew and crew recruited via employment and recruiting agency. Chartered vessels are manned by the owners.



Unloading/port operations

Cargo is claimed by the customer. Port operations are supported by port captains and facilitated by port agents, stevedores, linesmen, pilots, surveyors etc.




Redelivery of secondhand tonnage and sale

Vessels are sold off to third party shipowners. Time chartered vessels are redelivered if relevant.



Key CSR risks in NORDEN's value chain

Value chain	Key CSR risks	Guiding NORDEN's approach
 Newbuildings	Common CSR risks refer to the safety and employment conditions of workers at shipyards and potential negative impacts on the environment from yard activities.	Risk assessment and inspections of yards.
 Secondhand tonnage	There is a risk that the vessels which NORDEN buys from other shipowners fail to live up to NORDEN's quality standards.	Pre-assessment of quality of the vessels for acquisition.
 Redelivery of time charter tonnage and sale of vessels	Vessels are redelivered or sold to other shipowners for further trade before recycling becomes relevant. However, there is a risk that these shipowners choose to dispose of the vessel in an unsustainable way shortly after sale.	Ship Recycling Policy, outlining NORDEN's support for the UN's Hong Kong Convention as a minimum standard in addition to social issues.
 Chartering – owned vessels and time charter	<p>There is a risk that compliance with NORDEN's integrity standards is not safeguarded in commercial contracts and activities.</p> <p>There is a risk that NORDEN engages with business partners, who fail to live up to NORDEN's standards when assuming NORDEN's business around the world.</p>	Anti-Corruption Compliance Programme including Anti-Corruption Policy.
 Loading/port operations	<p>Ship agents typically arrange for all support activities while calling and loading vessels in ports, including coordination with local authorities on NORDEN's behalf. This makes the Company vulnerable to sub-standard performance of agents when they represent NORDEN.</p> <p>During port calls, NORDEN receives provisions, spare parts and bunker fuel from suppliers, if needed. In doing this, there is risk that NORDEN engages with suppliers who fail to live up to NORDEN's standards.</p>	<p>Anti-Corruption Compliance Programme including Anti-Corruption Policy.</p> <p>Supplier Code of Conduct.</p>

Value chain	Key CSR risks	Guiding NORDEN's approach
 Shipping	<p>Some of NORDEN's owned vessels are managed in-house and some by external ship management companies as per NORDEN's requirements. The fact that some vessels are externally managed means that NORDEN has reduced control and oversight with the risk that externally managed vessels do not perform to NORDEN's expectations.</p> <p>Vessels chartered in from other shipowners are managed either directly by these owners or their external managers.</p> <p>For vessels on bareboat charter to other shipping companies, the external charterer is in charge of managing and staffing the vessel during the time of charter, before returning the vessel to NORDEN. There is a risk that the external charterer does not adhere to the same standards as NORDEN when operating NORDEN's vessels, and this poses a reputational risk to the Company.</p> <p>Seaborne transport involves safety and potentially also security risks. A risk assessment determines whether to bring on board extra security personnel who are contracted to protect the crew, cargo and vessels prior to passage in high-risk areas. However, there is a risk that security threats are not entirely mitigated by the security guards.</p> <p>There is a risk that discharges from vessels, such as waste, ballast water and emissions are not managed in line with local and global standards, potentially impacting ecosystems negatively and posing a risk to human health.</p>	<p>Anti-Corruption Compliance Programme including Anti-Corruption Policy.</p> <p>Human Rights Policy.</p> <p>Protective security measures in accordance with the BMP4* standard.</p> <p>Provision on how to deploy and train security guards on board vessels.</p> <p>Safety & Environmental Protection Policy.</p>

* Best Management Practices to Deter Piracy v4

Governance and Progress

NORDEN’s CSR Executive Body chaired by the CEO is ultimately responsible for CSR in the Company

The CSR Executive Body has cross-functional representation from key functions and is responsible for mandating NORDEN’s CSR Direction, ambition level and policies as suggested by the CSR Department. NORDEN’s CSR governance structure was defined together with the CSR strategy 2013-2015 and the establishment of the CSR Executive Body. NORDEN will revisit the CSR strategy work in 2018.

Global outlook and commitments

NORDEN’s commitment to the United Nations Global Compact contributes to frame the CSR Direction and reporting priorities of the Company. Within CSR, the UN is an important global signpost, guiding companies in where the world is heading and what is expected of the private sector. NORDEN’s commitment to and support of the UN Global Compact, the Sustainable Development Goals, the UN Guiding Principles on Business & Human Rights and more, all contribute to position NORDEN’s CSR activities in a global context.

“In 2017, NORDEN decided that the SDGs should form the basis for an update of the NORDEN CSR strategy covering the years after 2018.”

Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by the UN in 2015 and define global sustainable development priorities and aspirations for 2030. The SDGs mobilise global efforts around a common set of goals and targets and call for action among government, business and civil society alike.

In 2016, NORDEN undertook an initial review of the 17 SDGs and the 169 underlying targets. The review identified goals where NORDEN can advance its positive social or environmental impact, and where NORDEN must take responsibility in order to prevent harm. The identified goals are highlighted with icons in the relevant sections of this report and the graphic below.

In 2017, NORDEN decided that the SDGs should form the basis for an update of the NORDEN CSR strategy covering the years after 2018. On this ground, it was decided to postpone an in-depth assessment of how the SDGs can influence and set the direction for the CSR work in NORDEN from 2017 to 2018.

Assessment of CSR issues

NORDEN’s key stakeholder groups comprise of customers, suppliers, employees, shareholders, financiers, industry associations and regulators. The organisation seeks to engage in dialogue with these whenever relevant.

When defining the most important CSR issues to communicate and work with, NORDEN carries out an internal assessment of each CSR issue on a regular basis – a CSR materiality assessment.

Material SDGs in NORDEN



The assessment was carried out again in 2017 taking into account how the issues potentially impact NORDEN's stakeholders or the business either positively or negatively. As part of the assessment, NORDEN also takes into account the Danish statutory sustainability reporting requirements under the Danish Financial Statements Act that NORDEN is subject to.

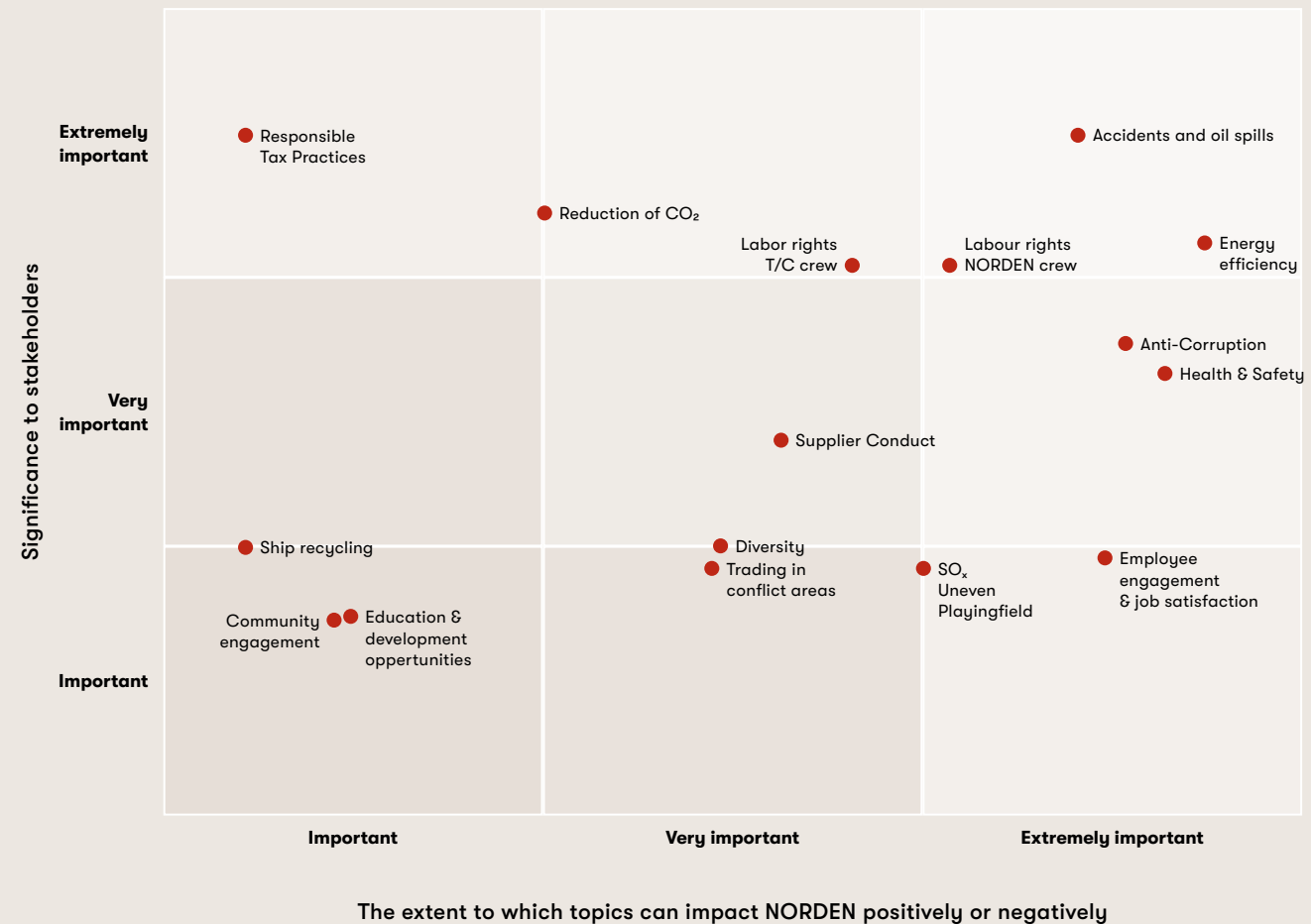
The previous assessment was carried out in 2016 and a new assessment will be part of the work forming a new CSR strategy covering the years after 2018. In 2018, the SDGs will be included in this assessment as an expression of global stakeholder expectations.

CSR materiality matrix 2017

Through the CSR materiality process, the list of material CSR issues has been calibrated and prioritised into a matrix. In 2017, previous CSR issues were evaluated and further adjusted resulting in some issues being split in two to be more specific while others were added. New issues include *Education & Development* and *Employee Engagement*. The results of the assessment are presented in the matrix.

All issues included in the matrix are considered either important, very important or extremely important and are addressed in this report.

CSR materiality matrix 2017



NORDEN is part of the following global partnerships and initiatives:



MACN
Maritime Anti-Corruption Network





JOINT EFFORTS – MUTUAL BENEFITS



CSR Direction 2016-2018

The shipping industry handles about 90% of the world's transported goods.

In this way, shipping links production, people and companies in global trade and contributes to development and growth all over the world. Developing efficient, reliable and smart solutions for transporting goods from producers to buyers is increasingly a key component in ensuring sustainable development through trade.

Recognising that smarter global trade is closely tied to sustainability, NORDEN's CSR Direction is based on the premise that working with the linkages between social and economic progress holds potential to increase value for customers, for communities and long-term competitiveness for NORDEN.

NORDEN's Corporate Soul Purpose

“As custodians of smarter global trade, we are conscious, soulful people uniting a world, where every person and action matters”

* Shared value is defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. The CSR Direction is developed based on a socio-economic impact study.

Joint Efforts – Mutual Benefits

The CSR Direction 2016-2018 is called Joint Efforts – Mutual Benefits and explores 3 interconnected areas of shared value*:



Reliability

Reinforcing crew and vessel quality

The quality of the crew and the vessel determines the safety of the cargo, reliability of operations and the flexibility to deal with unexpected situations. By reinforcing focus on crew and vessel quality further, NORDEN seeks to lower trade costs for business and society.



Assistance

Optimising supply chains

Every day lost due to barriers in the supply chain drives up costs. By coupling customer understanding and local insight, inefficiencies and barriers to trade can be removed. NORDEN seeks to optimise local supply chain solutions and contribute to enable trade for business and society.



Anti-Corruption

Fighting corruption and enabling trade

The cost of corruption on economic, political and social development is high. Corruption adds unnecessary cost and delays to most trades across the spectrum. NORDEN seeks to eliminate the corruption burden on local society and on companies.



Reliability

Reinforcing crew and vessel quality

Materiality and scope

The quality of crew and vessel is important in relation to safety on board, operational reliability and flexibility when dealing with unexpected situations. By focusing on crew and vessel quality further, NORDEN seeks to increase reliability and lower trade costs for business and society.

Performance 2017

Skills are instrumental to reliability

Ensuring reliable service requires that ship-owners bring the right competencies and leadership skills into play on each trip. Recognising that the workforce at sea is instrumental in this ambition, NORDEN wants to attract and retain the best people and be the preferred employer in the market.

NORDEN changed hiring process for seafarers in 2017 focusing on an even better match between skills and the requirements of NORDEN and NORDEN’s customers.

Quality is key to on-time performance

Well-maintained vessels are key to ensuring on-time delivery and a smooth voyage and ultimately the prerequisite to keeping crew and cargo safe as well as preventing expensive delays, idle costs and repairs.

In 2017, NORDEN initiated a leadership development programme at sea to ensure best possible management of our vessels.

On-board training, early action on maintenance and high-quality workmanship are prioritised to deliver a consistent and safe service to customers. Also in 2017, reliability and customer understanding have been strong contributory factors in NORDEN landing a series of long-term contracts. First and foremost, NORDEN sees itself as a service provider.

Retention rate of workforce at sea

Senior officers

93%

Junior officer

95%

Overall at sea

94%

The high retention indicates that NORDEN has an experienced pool of seafarers. Many have been with NORDEN for 10-20 years.

NORDEN’s ambitions

Highly skilled leaders and employees
Keeping a well-maintained fleet

Performance 2017

Hiring process update
Leadership development programme

Looking ahead

Focus on crew and vessel quality

Relevant policies

Leadership development programme
Cadet programme

Sustainable Development Goals:



“To align with future industry changes and to harvest the potential of the next generation of colleagues – adjusting leadership behaviour is key.”

Torben Lykkegaard Pedersen,
Head of Marine HR



Assistance

Optimising Supply Chains

Materiality and scope

Every day lost due to barriers in the supply chain drives up trade costs. By coupling customer understanding, local presence and expertise, inefficiencies and local barriers to trade can be removed. NORDEN seeks to optimise supply chain solutions and contributes to enabling trade for business and communities.

Performance 2017

Removing barriers holds potential to create shared value

Shipping only constitutes a small part of the total export costs for businesses. Yet barriers in other parts of the supply chain can quickly escalate the indirect cost of trade. Barriers can stem from congestion or inefficiency in port handling, unpredictability in inland transportation or difficulties in transitions from inland transportation to ocean-going vessels. Finding collaborative

ways to remove these barriers holds potential to creating shared value.

NORDEN has a broad approach to customer service which goes beyond transporting cargos from A to B. NORDEN is also involved in optimising local logistics and infrastructure and, in doing so, part of reducing transport costs for the customers and the local society. All this is in line with NORDEN's Corporate Soul Purpose on being custodians of smarter global trade.

With their local knowledge of and relation to NORDEN's customers and other business partners, local authorities, port agents and port workers, 10 port captains at NORDEN's overseas offices play a key role. They coordinate port calls from beginning to end in cooperation with operators on shore and the captain at sea. And they do this regardless of the task or problem at hand, be it cargo hold cleaning, documents, defective loading and discharge





“The customers use us as local experts making their everyday easier.”

Port Captain Søren Retz Johansson, Singapore.

equipment, wrong port bookings, cultural differences and barriers or something else completely or unexpectedly.

Power plant in the Philippines

NORDEN has entered into its largest cargo contract so far, which means that NORDEN will transport a total of 20-24 tonnes of coal from Indonesian mines to a new and modern power plant in the Philippines during the next 10 years. This power plant is owned and operated by the Philippine power company GNPow Mariveles Coal Plant Ltd. Co. (called GNPow). The coal is delivered by different vessels, but regardless of the vessel it is always NORDEN’s port captain Jim Jara who will meet the vessel and coordinate discharge.

“NORDEN’s port captain provides GNPow with excellent services. With his vast experience, he contributes to the value creation at GNPow. His knowledge and skills ensure us that the vessels conduct docking and undocking of coal vessels in our jetty in a safe and efficient manner. He also gives much needed advice, which

is especially important during rough sea conditions and inclement weather,” says Materials Handling Manager Almer C. Domingo, GNPow.

Reducing port time by use of data

Starting in January 2017, NORDEN participated in a pilot project with a business partner where more than 8,000 Statements of Facts from port calls around the world were digitised, allowing NORDEN to make detailed analysis on each port manoeuvre. The collected data have been utilised to prepare the vessels prior to port arrival and to optimise the time usage. As a result, NORDEN has reduced vessels’ idle time in ports by more than 3,200 hours.

Further, this project has also reduced the number of tugs assisting NORDEN’s fleet during manoeuvring in and out of ports. This is not just reducing costs, but also reducing the CO₂ footprint.

NORDEN’s ambitions

Efficient supply chains

Performance 2017

Port captains optimise port calls
Safety training completed
Improved port time

Looking ahead

Further work with digitalisation

Relevant policies

Part of Corporate Soul Purpose

Sustainable Development Goal:





Anti-corruption

Fighting corruption and enabling trade

Materiality and scope

NORDEN seeks to enable smarter global trade. Corruption impedes access to global markets and constitutes barriers for economic and social development around the world. For businesses in the maritime sector, corruption also escalates costs, endangers the safety and well-being of the crew and poses legal and reputational risks. In 2017, NORDEN had around 9,400 calls* across 130 countries, some of them in regions where concepts of integrity and good business conduct vary. In this context, making the right choices becomes more complex and more important.

Anti-corruption compliance programme

NORDEN has a zero tolerance policy towards bribery and continuously works to prevent and reduce facilitation payments. To promote a culture of integrity, NORDEN has in place an anti-corruption compliance programme including an anti-corruption policy applicable to all employees and management. Due diligence, monitoring, training and controls are key tools in implementing the anti-corruption policy.

Performance 2017

Employee training

Annual anti-corruption training is mandatory for all NORDEN employees and comprise e-learning and tests. For exposed employee groups, NORDEN also conducts face-to-face training. In 2017, new e-learning was rolled out to all onshore employees with updated training material with relevant examples and dilemmas within anti-corruption. All new employees likewise receive face-to-face training followed by the e-learning and test.

Anti-corruption training of officers was conducted at the annual officers' seminars held in Denmark, the Philippines and India. For employees at sea, it was previously challenging to document completion of training. To address this issue, a new on-board IT application has been developed and tested during 2017. The application also tracks completion of training for employees onboard NORDEN vessels in external management. The application has been installed on 3 ships, however, the number of employees who have taken the test in 2017 is 0. This may be due to challenges with implementation. NORDEN expects every eligible person to complete the training during 2018.

Say no in Suez

NORDEN is a founding member of the Maritime Anti-Corruption Network (MACN), a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. Established in 2011, MACN has grown to include around 90 members globally in 2017, and has become one of the pre-eminent examples of collective action to tackle corruption.

In 2017, NORDEN joined the campaign "Say No" in Suez. Demands for facilitation payment during Suez Canal transits are common, and rejecting demands for cigarettes and other small payments in kind has resulted in pilots' not cooperating, delays, and other forms of extortion. With communication material and support for the captain onboard, the "Say No" campaign focuses on ultimately eliminating facilitation payment demands during canal transits. The experience from the first NORDEN transits in 2017 has been positive and the campaign will continue in 2018 and onwards.

In 2017, NORDEN also participated in an initiative called the Blue Print Working Group formed by Maersk Line and joined by other Danish shipping companies. In this initiative, Danish embassies provide on-site assistance in specific incidents to avoid similar episodes for other Danish shipowners.



IN FOCUS:

TRACE certified

During 2017, NORDEN completed a comprehensive due diligence process administered by TRACE and became TRACE certified. TRACE is an internationally recognised anti-bribery organisation and provider of third party risk management solutions. The certification means that NORDEN has completed internationally accepted due diligence procedures and has been forthcoming and cooperative during the review process. The successful completion of TRACE certification demonstrates NORDEN's commitment to commercial transparency, allowing NORDEN to serve as a valued business partner to multinational companies.

* Includes transits and stops to dock, loading, discharge, bunker and repair.



Whistleblower system

Employees in NORDEN have access to raise workplace and operational concerns directly with their manager or with the HR function. If the matter cannot be managed effectively through these channels, employees may contact NORDEN’s whistleblower system SafeLine at safeline@horten.dk.

In 2017, the external Ombudsman in charge of SafeLine received 1 report. The report was handled in accordance with the rules applicable to the scheme and closed after a thorough investigation.

“NORDEN has a zero tolerance policy towards bribery”

NORDEN’s ambitions

Continued integration of anti-corruption compliance into operations, decision-making and business relationships

Performance 2017

1 whistleblower report received
Say No in Suez campaign

Employee training:

84% of land based employees trained in anti-corruption by year end. Actions taken has since brought the completion rate up to 94%
Developed IT application to document training
Anti-corruption training at officer seminar

Looking ahead

Further work with Blue Print Group
Anti-corruption learning and testing for employees on shore and at sea completion rate >94%

Relevant policies

Anti-Corruption Policy
Employee Code of Conduct

Sustainable Development Goal:





OPERATIONAL FOUNDATION



Vessel Safety and Security

Materiality and scope

Operating at sea involves safety and security risks that must always be managed carefully to safeguard the crew, the vessel, the cargo and the environment. A safe working environment for employees comes before anything else. All employees must return home from work safely.

This means that NORDEN's ambition is zero accidents and that the Company operates by the principle that no injury or environmental incident is acceptable. To support a robust safety culture, NORDEN has in place a safety management system and a safety policy compliant with the International Safety Management Code.

Performance 2017

Reinforcing safety culture

Every year, NORDEN carries out a review of the Company's safety management system and performance. In 2017, NORDEN has taken several steps to support solid safety procedures as well as cultural initiatives to promote strong safety behaviour:

- Focus on change management and critical equipment procedures
- Safety campaign 2017: "Safe by choice – not by chance"
- Safety culture workshops at officers' seminars

1 fatality

During 2017, a fatal accident occurred on the bulk carrier NORD QUEBEC during mooring operation at arrival to the port in Canada. The second officer was hit by a mooring rope during mooring operations. Although immediately evacuated to the local hospital, he was later declared dead. A representative from the Technical Department was sent to Canada to assist in the best possible way and to ensure a proper investigation of the accident in collaboration with the local authorities. The report from the authorities was in course of preparation per February 2018. "The tragic accident is a serious reminder why safety is always essential to us. We want our seafarers to come home safely from their jobs," says Head of the Technical Department, Jens Christensen.

No piracy attacks

In 2017, the industry saw an increase in the piracy activity off the coast of Somalia, in the Gulf of Aden and in the Indian Ocean. NORDEN experienced no piracy attacks on the Company's owned vessels during the year.

However, in 2017, NORDEN experienced 1 case of theft in Indonesia, 1 attempted theft in India, 1 attempted theft in Nigeria and 1 case of a stowaway passenger in



“An old nautical saying goes: One hand for yourself and one for the ship. This still applies – safety should be part of our every decision and action we take.”

Head of the Technical Department,
Jens Christensen

IN FOCUS:

Safety is everyone's business

From rating to master on board and to superintendent and vessel group manager ashore, a safe working environment is essential, and in 2018, NORDEN seeks to further strengthen focus on safety. Partly through existing initiatives such as the Company's Roving Safety Officers, but also with further efforts to make safety everybody's business. NORDEN wants all employees to help each other remember to take appropriate precautions and watch out for themselves while they work. "One hand for yourself and one for the ship," as an old saying goes, is a fundamental precondition for working on board a vessel and still highly relevant.

Nigeria. The southern part of the Red Sea, the coast of West Africa, and Southeast Asia also remain a major security concern.

Identifying and managing security risks to people, vessels and cargo continues to be essential to NORDEN. To ensure adequate safeguards, NORDEN has in place a company security function that assesses security risks on an on-going basis in conjunction with risk intelligence providers and military organisations.

Vessels are put to the test

NORDEN’s fleet of product tankers are regularly tested by inspectors. Oil majors and authorities regularly check that NORDEN meets the safety requirements to vessel condition, training, operation of the vessel and the officers’ experience and years of service for the Company.

Customer inspections

NORDEN’s tanker vessels are chartered by oil companies who conduct vettings and assess NORDEN’s ability to ensure safe working conditions and protection of the marine environment. NORDEN’s Ship Inspection Report Programme (SIRE) performance improved in 2017 from 3.5 observations per inspection in 2016 to 2.4 in 2017. The improved performance was due to a continued high focus on inspection preparation.

Port State Controls

A Port State Control is a vessel inspection by the authorities in port, verifying that the condition of the vessel and safety equipment comply with international regulations and that the vessel is manned and operated in compliance with these rules. The rate of deficiencies registered per Port State Control inspection went up from 0.9 in 2016 to 1.7 in 2017.

NORDEN’s ambitions

Zero accidents
Zero incidents of piracy

Performance 2017

1 fatality occurred as part of operations
Development in LTIF* rate increased to 1.6
Development in rest hour non-conformities decreased to 0.34
Observations per SIRE inspection 2.4
Rate of deficiencies per Port State Control inspection 1.7

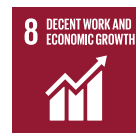
Looking ahead

Further efforts towards achieving zero accidents by strengthening safety focus and efforts to integrate safety awareness into everyday work practice for all NORDEN employees.

Relevant policies

Safety and Environment Protection Policy

Sustainable Development Goal:

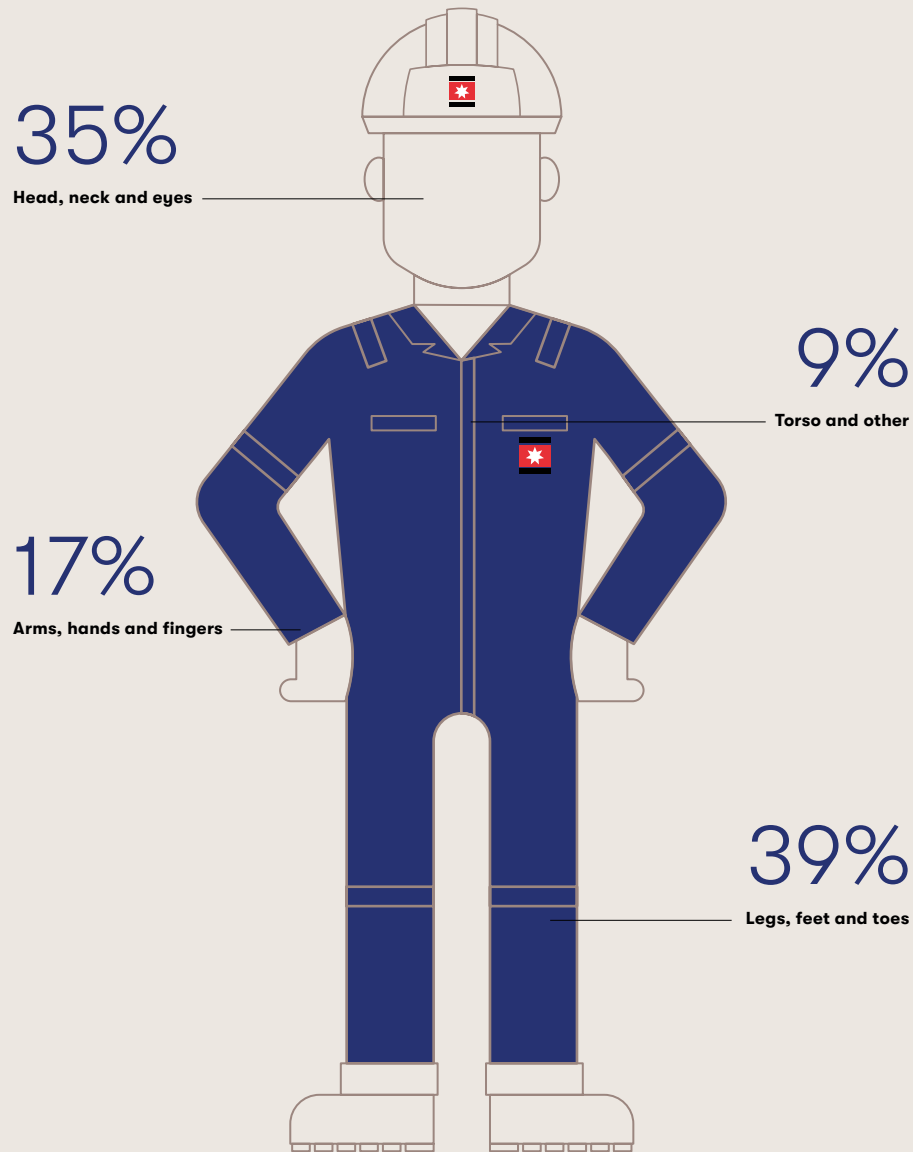


* LTIF (lost time injury frequency) measures the frequency of work-related accidents, which has caused a seafarer to be unable to work for more than 24 hours.





Areas at risk



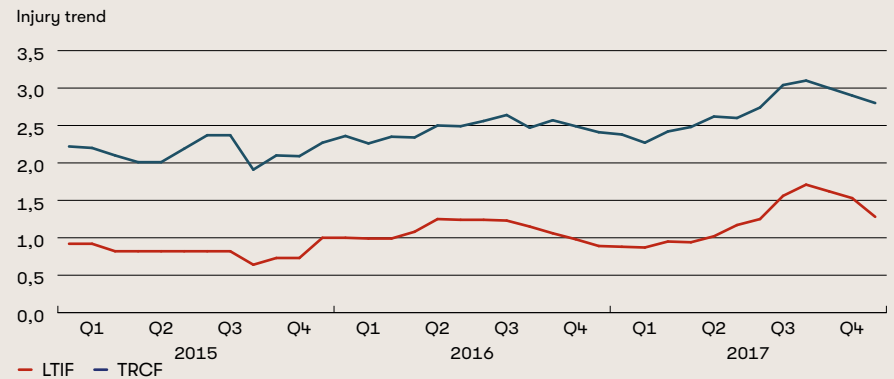
Injuries

2017 vs. 2016



NORDEN takes safety very seriously and to break this development will continue to promote and focus on a strong safety culture.

Injury trend**** – 24 month moving average



* Work related accidents with fatal consequences for an employee at sea.
 ** People signed off due to a work related injury.
 *** Days off duty while on board, due to work related injuries.
 **** TRCF (Total Recordable Case Frequency) measures the frequency of any work related injuries beyond first aid.

Climate Action

Materiality and scope

Climate change derived from CO₂ emissions is a risk to the environment and to livelihoods, and can pose operational and commercial challenges to NORDEN's business. NORDEN has worked with limiting operational air emissions for several years, and our commitment to reduce CO₂ emissions is demonstrated in the Company's work to improve fuel efficiency and increase efficiency across the value chain.

This commitment is expressed in the Climate Policy developed by Danish Shipping in the autumn of 2016, and endorsed by NORDEN at the same time. The Climate Policy specifies the international shipping industry's responsibility to reduce CO₂ emissions in line with the rest of the world economy and the Paris Agreement.

Reduction in relative CO₂ emissions

		Cargo EEOI		Total EEOI	
		CO ₂ reduction since 2007 [%]	CO ₂ g/mt/nm in 2017	CO ₂ reduction since 2007 [%]	CO ₂ g/mt/nm in 2017
Dry Cargo	Owned	1.49%	5.67	-11.39%	8.49
	Total operated vessels	6.81%	5.36	-5.85%	8.05
Tankers	Owned	25.01%	7.39	13.79%	15.44
	Total operated vessels	15.04%	7.70	10.07%	16.01

Negative number indicates an increase in CO₂ emissions

* As measured by the Cargo Energy Efficiency Operational Indicator (EEOI)

Performance 2017

Due diligence processes

CO₂ emissions from shipping primarily stem from consumption of bunker fuel that in 2017 accounted for about 50% of total voyage costs. NORDEN focuses on reducing fuel consumption throughout the value chain, including when buying, chartering and operating vessels. NORDEN's due diligence activities include:

- Developing tools for evaluating fuel efficiency, when deciding which vessels to charter in
- Monitoring data from vessels to ensure optimal performance and energy efficiency
- Adding new and more efficient technology to existing vessel systems

Development of relative CO₂ emissions

Compared to 2007, NORDEN has in 2017 reduced the relative CO₂ emissions by 1.5% for owned dry cargo vessels and 25% for owned tanker vessels* respectively. On the tanker side, this marks a decline of 14% compared to 2016. On the dry cargo side this marks an increase of 9.6% compared to 2016.

The Cargo Energy Efficiency Operational Indicator (EEOI) measures CO₂ efficiency by expressing the level of CO₂ relative to the cargo transported. It excludes ballast sailing and port stays. The improved dry cargo market conditions have, on the dry cargo side, resulted in speed increases leading to a higher EEOI compared to 2016. Opposite, on the tanker side, challenging tanker markets have resulted in speed decrease leading to a lower EEOI compared to 2016. Ballast sailing and port stays are reflected in the total EEOI results.

The 2017 results on the dry cargo side are driven by significantly improved market levels and consequently general increased speeds and thus increased fuel consumption. On the tanker side, the 2017 results are driven by deteriorating market levels and consequently decreased speeds and thus decreased fuel consumption.

NORDEN's ambitions

25% reduction of relative CO₂ emissions from 2007 to 2020 from owned dry cargo and tanker vessels respectively

Performance 2017

1.5% reduction in CO₂ emissions per tonne cargo transported 1 mile for owned dry cargo vessels compared to 2007

25% reduction in CO₂ emissions per tonne cargo transported 1 mile for owned tanker vessels compared to 2007

Looking ahead

Development of advanced data driven decision support systems on fuel efficiency

Relevant policies

Climate Policy for Danish Shipowners

Sustainable Development Goal:





IN FOCUS:

What affects efficiency and EEOI results?

The Energy Efficiency Operational Indicator (EEOI) is a measurement of efficiency and is defined as the amount of CO₂ emitted per tonne of cargo transported 1 mile. EEOI is influenced by commercial effects including cargo availability, waiting time and port stays where the vessel is not active.

Speed

Raising vessel speed will lead to an increase in fuel consumption and hence an increase in EEOI.

Fuel price

Optimal vessel speed is based on a combination of the prevailing cargo rates and the fuel prices. Low fuel prices will often enhance the commercial incentive to speed up, consequently increasing EEOI.

Vessel size

Vessel size determines the amount of cargo that can be transported. Even though smaller vessels might be the right mode of transport, they are less energy efficient compared to bigger vessels and a shift will lead to an increase in EEOI.

Fuel type

The amount of CO₂ produced when a fuel is burned is a function of the carbon content of the fuel. Fuel types with low carbon content limit CO₂ emissions and EEOI.

NORDEN's fleet has increased its fuel efficiency significantly

On 1 January 2013, NORDEN set up a specific department with the task of increasing the fleet's fuel efficiency and this has had a large effect.

The first year was spent on establishing the monitoring of all vessels and the results are remarkable. During the years 2014, 2015, 2016 and 2017, the owned and chartered dry cargo vessels and product tankers in NORDEN's fleet have altogether reduced their fuel costs by USD 40 million – and they have done this entirely by utilising the fuel more efficiently.

If the current efficiency level continues unchanged, total annual savings on the fuel account this year will be USD 17.2 million –

a cost reduction which is directly reflected in the level of CO₂ emissions.

Owned vessels most efficient

Peter Sinding, who heads up the fuel efficiency team, explains that the largest savings have been achieved on NORDEN's owned vessels. In early 2017, they were 10% more efficient compared to 3 years earlier. In terms of the long-term chartered vessels, efficiency improved by 5.4%, while the short-term chartered vessels decreased efficiency by 1.3%.

"The large difference in fuel efficiency is due to the fact that the more control we have of a vessel – and if we own it, we have the full right of disposal – the more influence we have on how efficiently it is run. This is especially the case when we talk about technical measures such as vessel paint, propeller polishing and hull cleaning. Planned measures are always as-

essed in comparison to the expected fuel price, so that we know they make sense financially," says Peter Sinding.

NORDEN's fleet has aged

He points out that the increased fuel efficiency has even been achieved during a period of years when NORDEN's fleet on average has aged. Generally, there is a tendency that fuel consumption increases slightly as the vessel ages, and it requires greater efforts to do something about it.

This is how savings are achieved

- Selection and application of improved anti-fouling systems on vessel hulls
- Systematic propeller polishing
- Cleaning of hull
- More focus on reducing bunker cheating

Efficiency >

Equivalent to the amount of

1.2 million tonnes bunkers

Equivalent to savings of

USD 17 million

Traffic lights

A setup consisting of 3 elements facilitates measuring, sharing and reacting to data in the Fuel Efficiency Department:

- A so-called propulsion module, which makes it possible to continuously measure the efficiency of vessels
- A set of traffic lights with green, yellow and red lights, which distributes data and identifies where actions are required
- Regular meetings between Fuel Efficiency, the chartering and operations departments in NORDEN, and the Technical Department



IN FOCUS:

Before chartering a vessel

NORDEN assesses various components such as design, time since docking, time since cleaning, owner, technical manager and trading history. In addition, on-hire in-water surveys of the ships are increasingly carried out detecting possible fouling and if necessary the vessels are cleaned. From day one after the chartering in of ships performance monitoring is instigated taking into account whether it is economically viable to clean hull or propellers.

Future measures

So far, fuel efficiency improvements have primarily been achieved through increased hull and propeller effectiveness. Going forward, NORDEN expects large savings on especially 2 areas achieved through future projects:

- Better tools for the selection of vessels for short-term charter
- A reduction of the use of the auxiliary engines at sea and in port

NORDEN's Dry Cargo business has decided to increase its operator activities, whereby cargoes are combined with available vessels in the market for a single or just a few trips. It is therefore important to select fuel efficient vessels also for short-term chartering.





Environmental Impact

Materiality and scope

Shipping carries risks to the environment through spills, discharges and emissions to air, land and water. Managing these outputs is critical to environmental protection, the industry, to NORDEN and to our customers. Monitoring and management tools are key in minimising the environmental impact of NORDEN's activities in this area and ensuring compliance with international and local regulations.

NORDEN's policy on Safety & Environmental Protection spells out our commitment to environmental due diligence and how to actively manage spills and operational emissions of sulphur oxides, nitrogen oxides, waste and other discharges.

Performance 2017

Prepared for emergencies

NORDEN has clear procedures in place that aim to prevent operational spills. However, spills may occur due to operational failure or accidents. Therefore, as part of NORDEN's emergency preparedness, oil pollution prevention drills are regularly

carried out both on board and ashore in accordance with NORDEN's safety management system.

Less sulphur from 2020

Sulphur emissions (SO_x) are harmful to human health and the environment, and NORDEN works to reduce emissions from vessels' exhaust in line with the IMO's MARPOL regulation. From 2020, the sulphur content in marine fuel must be reduced from 3.5% to 0.5% or alternatively the emission requirement can be met by applying scrubbers to clean the emissions prior to release into the atmosphere.

A sulphur cap of 0.1% for sensitive coastal areas, the so-called emission control areas (ECAs), has been in force since 2015. These areas comprise the Baltic Sea, Iceland, the North Sea, the English Channel, most of the US and Canadian coast and parts of the Caribbean. Adding to this, a number of countries have implemented local regulation.

NORDEN acknowledges the importance of this step in reducing the environmental impact from shipping.

IN FOCUS:

Ballast Water Management Convention in force in September 2019

While ballast water is essential to ensure safe and stable vessels at sea, it can pose a risk to ecosystems due to the invasive species that can be transported and discharged from ballast water tanks into local waters.

In 2016, IMO's Ballast Water Management Convention (BWMC) was ratified, but later postponed. The convention will now enter into force September 2019. In the meantime, the USA has implemented its own regulations. As of December 2017, the US Coast Guard (USCG) has granted type approval to 6 treatment systems.

NORDEN has ordered one of the approved systems for retrofit of the fleet. The first vessel will be retrofitted during the first half of 2018 while the last vessel is scheduled for completion in 2023. This is all governed by IMO and USCG regulations.



However, the added cost of the new cap will be significant and without compliance across the industry, the new regulation will distort competition.

Therefore, NORDEN joined the Trident Alliance that advocates stronger global enforcement of SO_x regulation with the aim to minimise non-compliance and unfair practices in the industry.

New NO_x zones in the North Sea and Baltic Sea

The International Maritime Organisation has passed a proposal limiting the nitrogen oxides emissions (NO_x) from vessels in the Baltic Sea and the North Sea by 75% from vessels built in 2021 and onwards. NO_x is known to contribute to smog, and the new regulation focuses on reducing NO_x emissions from marine diesel engines installed on ships.

Managing waste on board

NORDEN continues to focus on discharge from vessels, and all waste is disposed of in accordance with the rules set forth by the IMO's MARPOL regulation*. To minimise the amount of generated waste, NORDEN encourages suppliers to reduce or take back packaging, resulting in less garbage accumulated on board.

* International Convention for the Prevention of Pollution from Ships

NORDEN's ambitions

Zero oil spills into water

Performance 2017

Oil spills > 1 barrel: 0

52,700 tonnes of SO_x emitted

118,200 tonnes of NO_x emitted

Looking ahead

Implement new ballast water regulation on all owned vessels.

Relevant policies

Safety & Environmental Protection Policy.

Sustainable Development Goals:





Responsible Supply Chain Management

Materiality and scope

The supplier landscape of many shipping companies, including NORDEN, is complex and comprises several thousand providers worldwide. Shipping suppliers count providers of bunker fuel, provisions, spare parts and consumables, but also service agencies who play a key role in supporting port operations and facilitating NORDEN's activities around the world.

Responsible Supply Chain Management programme

NORDEN's Responsible Supply Chain Management (RSCM) programme and Supplier Code of Conduct cover direct spend (excluding bunkers). They aim to drive responsible procurement practices and to build the capacity of first tier suppliers to comply with the Supplier Code of Conduct that sets forth the UN Global Compact's 10 principles on core labour rights, environment and anti-corruption, and the UN Guiding Principles on Business and Human Rights. The goal is to engage 5 new first-tier suppliers per year.



“We have experienced that our suppliers are getting a better understanding and acknowledgement of a robust RSCM policy.”

Ole Lykke, Head of Strategic Purchasing



IN FOCUS:

Improving supply chain management in the shipping industry

IMPA ACT is a responsible supply chain management system run by the International Marine Purchasing Association and developed by NORDEN, the Danish shipowner J.Lauritzen and IMPA in 2012. It is the first standard for the shipping industry on this area.

When signing up to IMPA ACT, buyers like NORDEN agree to implement the stipulations of the Code of Conduct, just as the suppliers in the programme commit to be part of the work and implement the processes necessary to ensure that they operate in alignment with the Code of Conduct.

By supporting the IMPA ACT programme, the aim is to ensure a uniform approach across the industry and to build a joint database of buyers and suppliers of benefit to all members.

Performance 2017

Engaging suppliers

Under the RSCM programme, NORDEN engages with first-tier suppliers. The suppliers are selected based on an assessment of 3 criteria; total spend, dependency and frequency of interaction. Some suppliers are still undergoing the RSCM process, as it takes time to implement the UNGPs into the company and towards business relationships. NORDEN expects all suppliers in the programme to conduct a self-assessment against the stipulations of the Supplier Code of Conduct and as such, the Code is a valuable tool for dialogue on supplier performance and risk management. In 2017, NORDEN completed the RSCM programme with ExxonMobil Lubricants, International Paint, Inchcape Shipping Service and Viking Life-Saving Equipment.

NORDEN's ambitions

Expand NORDEN's RSCM programme with 5 additional first-tier suppliers each year

Performance 2017

5 additional first-tier suppliers enrolled in RSCM programme in 2017

20 key first-tier suppliers have been part of RSCM programme since 2013

Looking ahead

Re-visit IMPA ACT model and for code of conduct accessibility

Work with Ship Recycling Transparency Initiative.

Relevant policies

Supplier Code of Conduct

Sustainable Development Goals:



IN FOCUS:

Recycling of ships

Vessels are hazardous waste that must be recycled under safe conditions with respect for human health, safety and environment. In 2016, the Danish government took the first step to ratify the Hong Kong Convention, adopted in 2009 by the UN's International Maritime Organisation.

The Hong Kong Convention aims to ensure that ships, when recycled after reaching the end of their operational lives do not pose a risk to safety of workers or to the environment. However, the Convention is still far from entering into force, as only very few countries have ratified the convention to date.

Historically, NORDEN's vessels have been sold to other shipowners for further trade long before recycling has been relevant. If a NORDEN owned ship should be up for recycling in the future, this will be done at an approved yard and as a minimum in compliance with the UN's Hong Kong Convention and in alignment with the 10 principles of the UN Global Compact covering not only environmental issues, but also social issues and anti-corruption.

IMPA ACT six step process



Human Rights

Materiality and scope

NORDEN is committed to respecting the internationally recognised human rights as expressed in the UN Guiding Principles on Business & Human Rights (UNGPs). Assessing human rights impact is a complex task for any company, especially companies with global operations and business relationships all over the world. The responsibility does not increase in this business context, but the challenge of fully meeting those responsibilities may do.

With this backdrop, NORDEN recognises that implementing the necessary policies, due diligence processes and grievance mechanisms in line with the requirements of the UNGPs is part of a continuous process.

Governance of human rights

NORDEN works to embed respect for human rights into everyday practices and decision-making by ensuring:

- Regularly reporting to Executive Management on identification and management of human rights impacts

- Coordination and guidance on human rights provided to functional units by the CSR Department
- Ownership of human rights allocated between key functions including HR, Marine HR and Procurement
- Consultation with human rights experts on a regular basis

Performance 2017

Human rights due diligence

NORDEN's human rights impact assessment focused on 1) owned vessels and employees at sea, and 2) offices and employees on shore. Findings from these assessments led to a number of key activities:

- Mapping relevant policies and procedures with linkages to the relevant human rights
- Exploring internal business procedures and identifying potential gaps
- Consultation with stakeholders and development of action plans for prioritised risks

NORDEN reviews the impact assessment on a continuous basis, and during 2018 the plan is to conduct an impact assessment with focus on NORDEN's business activities across the supply chain.

NORDEN's Responsible Supply Chain Management programme is an important part of the human rights due diligence process in the Company.

NORDEN's ambitions

Ensure that NORDEN conducts business with respect for human rights as a process of continuous improvement

Performance 2017

Human rights impact assessment

Looking ahead

Review impact assessment and expand assessment scope to include suppliers
Develop priority list of human rights risk based on impact assessment

Relevant policies

Human Rights Policy
Supplier Code of Conduct

Sustainable Development Goals:



Key findings of human rights impact assessments

NORDEN’s impact assessment points to 2 severe* issues, both at sea, which are described in the list of key risk areas below:

Topic	Relevant right	NORDEN’s context	NORDEN’s approach in brief
Health & Safety 	Right to safe and healthy working conditions. Right to life.	Vessels are high-risk workplaces and severe injuries and even fatalities can happen if safety instructions are not followed at all times. The health and safety of NORDEN’s crew and people on board our vessels will always be a severe issue to the Company.	NORDEN ensures that vessels are properly maintained and that our crew has the necessary safety training at all times. This includes promoting a strong health and safety culture and having in place a comprehensive health and safety management system and training compliant with the International Safety Management Code.
Security 	Right to life, liberty and security of person. Right of detained persons to humane treatment. Right to freedom from torture or cruel, inhuman or degrading treatment or punishment.	NORDEN operates globally and monitors global security threats. When calling areas exposed to piracy or other security risks, it may be necessary to make use of security guards on board vessels to protect people and assets. Due to the potential impacts of such a situation, this will always be a severe issue to NORDEN.	It is often a psychological burden for the crew when passing in high-risk areas. NORDEN conducts due diligence on the security providers that we contract with in order to ensure that they are qualified to tackle potential extreme risk and security situations. Security providers receive training in advance of any deployment.
Crew 	Right to rest, leisure and paid holidays. Right to family life.	NORDEN may have an impact on the crew’s right to rest on board vessels, whenever rest hour regulation is not followed. Non-compliance with rest hour regulation can have an adverse impact on vessel safety and employee well-being, which makes this area a priority area to NORDEN. The working conditions for seafarers can mean longer periods away from family and friends. This may have an adverse impact on family and personal relations at home.	NORDEN operates by the Maritime Labour Convention that defines seafarers’ rights to decent working conditions. NORDEN continuously works to ensure compliance with regulations and conventions concerning working hours, rest hours and leave to ensure employee well-being and a safe and healthy working environment on board vessels. NORDEN seeks to provide an attractive workplace for our seafarers, which includes the opportunity to keep in close contact with family and friends at home and providing for family insurance. It is NORDEN’s priority that seafarers can always keep in contact via internet or phone and that officers can bring their family on board from time to time.
Equal treatment 	Right to non-discrimination, equal treatment and diversity.	Non-discrimination, equal treatment and diversity are important focus areas to NORDEN, both in terms of ensuring the rights, well-being and respect towards employees – and in terms of navigating respectfully in different cultural contexts worldwide.	NORDEN works to mitigate discrimination and to promote diversity and equal opportunity among sea and land-based staff, for example by conducting ‘global mindset training’ for employees and by ensuring transparency around promotion criteria and needed competencies. NORDEN’s internal grievance mechanisms can be used to voice potential concerns in this area.

* Severe human rights issues refer to impacts where the scale, scope and/or irremediable nature make this a significant adverse impact for those affected by it.

People

Materiality and scope

With people at the core of business, engaged leadership, employees, colleagues, partners and customers are key aspects of NORDEN's future success. Taking the lead on smarter global trade requires that NORDEN unleashes the full potential of every person in the Company. With this aspiration, NORDEN has initiated a host of efforts focusing on strengthening the organisation's leadership capabilities and working smarter together.

Employee Code of Conduct

NORDEN's Employee Code of Conduct frames the standard of conduct expected of all employees in the NORDEN Group. In addition to the company values of Reliability, Flexibility, Empathy and Ambition, the Code of Conduct covers amongst other topics anti-corruption, environment, safety, social conditions and compliance.

Performance 2017

Diversity and equal opportunity*

Employee diversity allows for flexible thinking and prevents inveterate conceptions and habits. By composing teams with a variety of ages, levels of experience, nationalities, languages and genders,

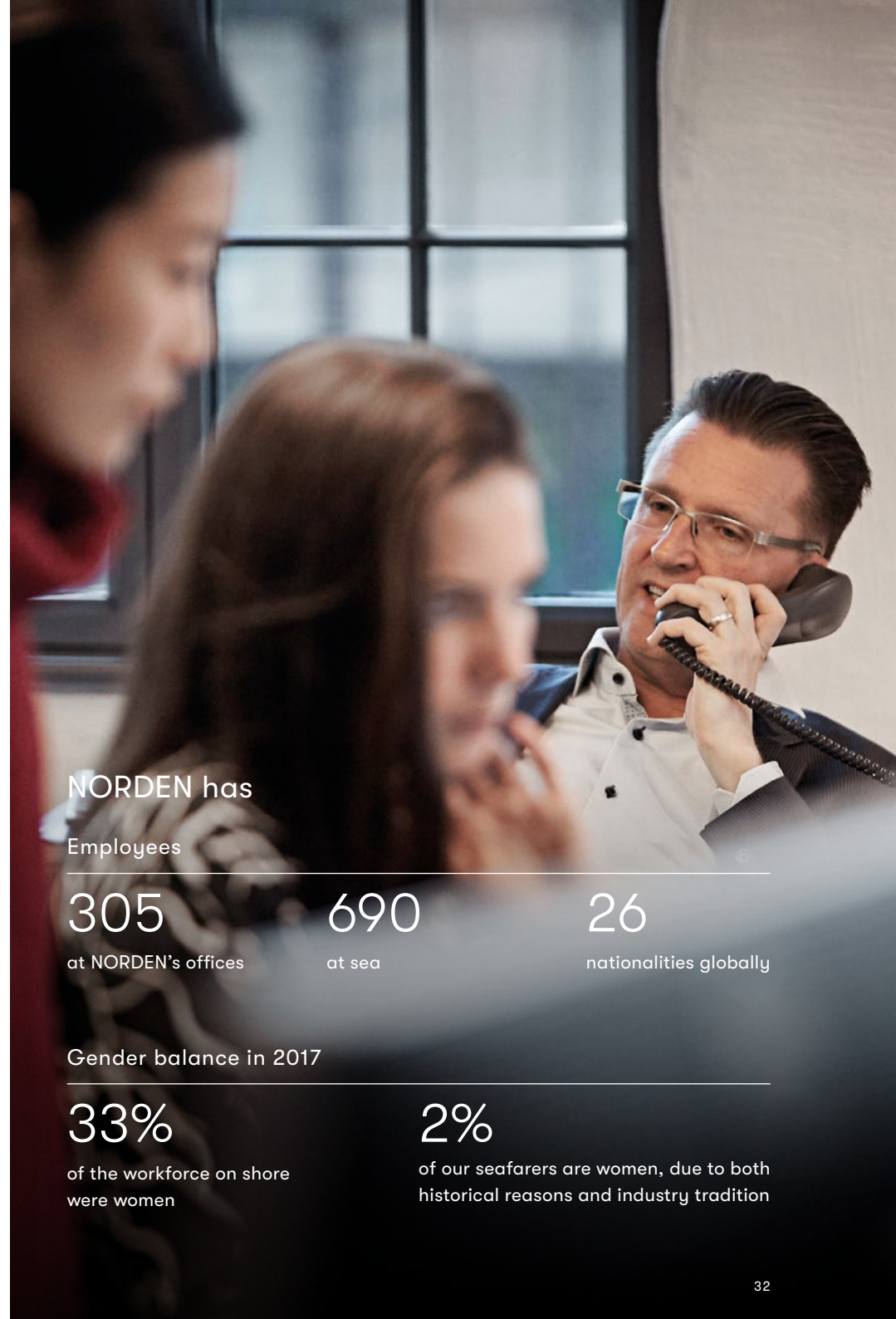
NORDEN brings all its employees' unique contributions into play for the benefit of improved customer service. This supports our ambition to contribute to smarter global trade – a part of NORDEN's Corporate Soul Purpose.

NORDEN seeks to reach a balanced gender representation where possible through clear requirements for diversity in recruitment and employee development as stated in NORDEN's policy for Gender Equality. Specifically, NORDEN works to attract female candidates to shipping trainee positions to grow the share of women in shipping. In 2017, NORDEN employed 14 trainees in total with a gender distribution of 29% female and 71% male trainees.

NORDEN's board composition is increasingly more international with 2 new international members in 2017 totalling 50% international shareholder-elected board members.

The board composition remains at 17% shareholder-elected women (1 out of 6). The target for shareholder-elected women on the Board of Directors was to increase representation of women to at least 33% (2 out of 6) by 2017. In accordance with company policy, appointment of minimum 1 more female member to the Board of

* Refers to section 99b in the Danish Financial Statements Act.



NORDEN has

Employees

305

at NORDEN's offices

690

at sea

26

nationalities globally

Gender balance in 2017

33%

of the workforce on shore were women

2%

of our seafarers are women, due to both historical reasons and industry tradition

Directors would be preferable. However, it has not been possible to find female candidates with qualifications to match the elected candidates. The Board of Directors' target is 33% women (2 female members out of 6) by 2020. To reach this goal the Board of Directors consistently considers female candidates when recruiting new board members.

Exercising leadership

NORDEN is operating in fast changing markets where demands, products and companies are developing quicker and in more unforeseen ways than ever before. Successful organisations today acknowledge that to succeed in such a disruptive environment, the ability to unleash and use all employees' full potential in an atmosphere of common purpose, mutual respect, inclusion and trustful cooperation is crucial.

NORDEN's Corporate Soul Purpose and business objectives rely on strong individual engagement and leadership. Soulship is the collective name for Corporate Soul Purpose, how we lead and individual soul purposes and Leadership Manifestos. Soulship is a part of the programme that merges strategy, goals, culture and leadership.

To bolster long-term leadership capabilities, NORDEN continues its leadership programme.

The leadership programme began with onshore managers in 2015 and consists of a mix of group sessions and individual coaching. So far, 60 managers have been through the programme to strengthen their abilities to help their employees release their potential. In 2017, 2 global leadership coaches have been hired to assist leaders on board in developing their leadership skills further in a programme similar to that for onshore managers.

Soulship is about enabling us to draw on the combined knowledge and skills of the entire organisation in order to succeed. With this foundation in place, the results are expected to support a long-term organisational transition.

Employee engagement survey

In 2017, NORDEN initiated an agile employee engagement survey where employees respond to assessment questions a number of times every year. Under the programme, employee engagement is measured on a continuous basis to monitor employee satisfaction and thereby introducing a culture of dialogue as well as uncovering potential issues before they become actual problems. Maybe the effect of the survey is reflected in the increase in retention rate on shore from 90% in 2016 to 94% in 2017.

The results of the agile employee engagement survey show that the NORDEN em-

ployees feel empowered, find relevance in the work they do and have a good understanding of the relationship between own and company goals. One issue on easy access to information requires further action which will be taken during 2018.

Investing in education

NORDEN is involved in the identification and education of new skilled persons to the shipping industry. With input from NORDEN and the industry, Copenhagen Business School has established a Bachelor programme in International Shipping and Trade, which is completed with an internship during the fifth and sixth semester. In 2017, 2 interns completed their degree at NORDEN's head office while 10 new shipping trainees began their training, bringing the total number of trainees at NORDEN offices around the world to 18. 4 trainees completed their training and were subsequently hired by the company.

This effort adds to NORDEN's current cadet programme for Danish and Philippine mariners and marine engineers, along with NORDEN's deep involvement with Shanghai Maritime University, Singapore Management University and Maritime Academy of Asia and the Pacific in the Philippines. From 2017 and onwards, NORDEN started a programme for Indian cadets – contributing to the education of future officers in one of NORDEN's key markets.

NORDEN's ambitions

Preferred employer in the shipping industry

Performance 2017

- 24% women in leadership
- Quarterly employee engagement survey
- 94% retention rate on shore
- 32 cadets in Denmark
- 8 cadets in India
- 20 cadets in Philippines

Looking ahead

Leadership training at sea.

Relevant policies

- Employee Code of Conduct
- Policy for Gender Equality

Sustainable Development Goals:





NORDEN – close to the customers

With 9 offices on 5 continents, NORDEN is physically present in relevant markets – and close to the customers





Other Contributions

Engaging with Community

While the Orients Fund is an independent legal entity separate from NORDEN, the fund's donations to maritime-related projects are made at the request of NORDEN. In 2017, Orients Fund donated about DKK 28 million for maritime-related purposes such as education, communication, research and initiatives promoting NORDEN's activities, as well as for non-profit and charitable projects.

Orients Fund generates earnings through shareholdings – primarily by owning two-thirds of Motortramp, which is NORDEN's majority shareholder with an equity interest of 31%.

NORDEN is a merger between the shipping companies Dampskibsselskabet NORDEN and Dampskibsselskabet Orient, established by Mads C. Holm in 1871 and the

EAC/ØK-founder H.N. Andersen in 1915, respectively. The formal merger between NORDEN and Orient came in 1994. Legally and for accounting purposes, Orient continued as the operating company but under the NORDEN name. The charitable foundation Orients Fund was established in 1962 through an amalgamation of Orients Pensionsskasse and Orients Understøttelseskasse.

Corporate tax

NORDEN is subject to the Danish tonnage tax regulation, to taxation on capital income and in some instances to taxation on profits from sale of vessels. In some countries a special freight tax is levied. The amount of tonnage tax payable is defined by the size of the fleet, flagged in Denmark.

NORDEN follows the tax regulation in the countries, where the Company operates.

The Philippino children who take part in NORDEN's health programme live in Mariveles where NORDEN delivers coal for the power supply.

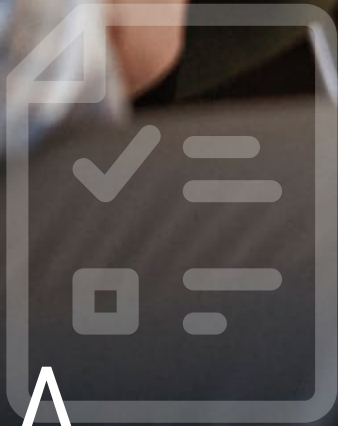


Reaching the unreached children

With a donation from Orients Fund of DKK 120,000, NORDEN's port captains Jim Jara and Søren Retz Johansson have launched a health project in Mariveles in the Philippines, where the poorest of children have very limited or no access to public health care. 100 children have been thoroughly screened. "90% have serious dental problems, and more than 20% have tuberculosis and maybe also other diseases. Added to this, approximately 40% are underweight because of malnourishment and illnesses," explains Søren Retz Johansson. The money from Orients Fund is spent on equipment and medicine while treatment of the children is delivered free of charge by Jim Jara's daughters – one is a dentist and the other a doctor – and by Søren Retz Johansson's wife who is a dentist.

“In recent years, the fund has handed out DKK 20-50 million a year, and the majority of the money is donated to maritime-related projects.”

Business Manager Dan Pode Poulsen,
Responsible for the day-to-day management of the fund



DATA

Limited Assurance Report of the Independent Auditor

To the Stakeholders of Dampskibsselskabet NORDEN A/S

Dampskibsselskabet NORDEN A/S (NORDEN) engaged us to provide limited assurance over the CSR performance data on page 38 in the NORDEN Corporate Social Responsibility Report for the year ended 31 December 2017.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us not to believe that

- The NORDEN CSR Report 2017 has been prepared in support of the UN Global Compact principles, and that
- The CSR Performance Data as stated on page 38 in the NORDEN CSR Report 2017 are free of material misstatements and have been prepared, in all material respects, in accordance with the CSR Accounting Policies as stated on page 39 in the NORDEN CSR Report 2017.

This conclusion is to be read in the context of what we say in the remainder of our report.

What we are assuring

The scope of our work was to provide limited assurance over consolidated CSR performance data as stated on page 38 in the NORDEN CSR Report 2017 and whether the NORDEN CSR Report 2017 has been prepared in support of the UN Global Compact principles.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance

Engagements other than Audits and Reviews of Historical Financial Information'. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

Data and information need to be read and understood together with the accounting policies (page 39 of the NORDEN CSR Report 2017), which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the consolidated CSR performance data. In doing so and based on our professional judgement, our procedures have included:

- Inquiries regarding methods, procedures and internal control, observation of processes performed and selected interviews with data and reporting responsible personnel;
- Checking data on a sample basis to underlying documentation, and evaluation of the appropriateness of quantification methods and compliance with stated non-financial accounting policies;
- Analytical review of the data and trend explanations submitted by data suppliers for consolidation at Group level;
- Assessment of internal and external documentation to determine whether information in the NORDEN CSR Report 2017 are supported by sufficient evidence;
- Assessment of how NORDEN have reported upon the ten principles of UN Global Compact.

Management's responsibilities

Management of NORDEN is responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of the CSR Performance Data that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing data;

- Measuring and reporting the CSR Performance Data based on the accounting policies;
- Preparing the NORDEN CSR Report 2017 in support of the UN Global Compact Principles.

Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the CSR Performance Data as stated on page 38 in the NORDEN CSR Report 2017 are free from material misstatement, whether due to fraud or error;
- Assessing whether the NORDEN CSR Report 2017 has been prepared in support of the UN Global Compact Principles;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Stakeholders of NORDEN.

Hellerup, 6 March 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Bo Schou-Jacobsen
State Authorised
Public Accountant

Jens Pultz Pedersen
M.Sc.(eng.)



CSR Performance 2017

	2015	2016	2017
Environmental performance			
Energy consumption			
Heavy fuel oils (1,000 tonnes)	882.8	932.5	1,086.0
Distillate fuel oils (1,000 tonnes)	108.7	94.3	116.8
Electricity (MWh)	1,395.4	1,380.7	1,283.4
Total energy consumption (TJ)	45.2	46.5	53.3
Transport work (million tonnes cargo x mile)			
Owned vessels	45,891	38,845	31,153
Other operated dry cargo vessels	278,407	296,487	373,785
Other operated tankers	28,846	24,023	24,926
Total owned and operated vessels	353,144	359,355	429,864
CO₂ emissions (1,000 tonnes)			
Direct CO ₂ emissions (Scope 1 GHG protocol)	454.3	439.1	351.6
Indirect CO ₂ emissions (Scope 2 GHG protocol)	0.5	0.5	0.4
Other indirect CO ₂ emissions (Scope 3 GHG protocol)	2,646.5	2,807.1	3,408.7
Total CO ₂ emissions	3,101.3	3,246.7	3,760.7
SO_x emissions*			
SO _x emissions*	40.1	43.7	52.7
NO_x emissions**			
NO _x emissions**	97.4	100.9	118.2
Spills			
Spills > 1 barrel	0	0	0
Social performance			
Employees			
Employees at sea	689	642	690
Employees on shore	288	284	305
Retention rate employees at sea (%)	94	91	94
Retention rate employees on shore (%)	84	90	94
Nationalities represented (of total workforce)	21***	27	26
Women in management (% based on headcount)	n/a	22	24
Women on Board of Directors (%)	20	20	17
Gender split (% of onshore workforce)	n/a	33	33
Rest hour non-conformity per FTE (%)****	0.42	0.39	0.34
Fatalities	0	0	1
Lost time injury frequency (million working hours)*****	0.88	0.89	1.58

* The increase of 21% in absolute sulphur emissions from 2016 to 2017 is due to increase in fuel consumption by 17% because of increased activity. The sulphur content in the oil has also increased by 3% but this is unlikely to impact the sulphur emission increase significantly.

** The calculation of NO_x has been adjusted to include emissions from both heavy fuel oil and distillate fuel oil. Historical data has been adjusted accordingly. From 2016 to 2017 the 17% increase in NO_x to correlates to 17% increase in total fuel consumption.

*** Onshore employees only.

**** Rest hour non-conformity/FTE: Incomplete data due to change of supplier in 2017. This is not considered significant for the total number since under 5% is missing for the year.

***** Despite all efforts, safety bulletins and safety campaigns introduced last year we experienced a negative lost time injury development with our colleagues at sea. In 2017, 11 crew members were injured with 1 fatal accident as the worst.

Covered by PwC's 2017 report on non-financial data

CSR Accounting Policies

Boundary setting

The CSR report boundary includes assets and employees in the parent company and in subsidiaries, as well as assets in joint ventures (JVs).

Assets in JVs include vessels owned by NORDEN together with partners in the company NORD SUM-MIT Pte. Ltd. NORDEN' owns 50% of the JV Polar Navigation Pte. Ltd that holds assets in the form of chartered vessels. Common to the vessels in JVs is that they are managed and operated by NORDEN, but all material decisions regarding the commercial, operational and technical management of the vessels are made in agreement with the partners.

The reporting boundary includes

- Owned vessels
- Operated vessels
- Employees on shore
- Employees at sea
- NORDEN Site Offices

Data quality and data collection

Collecting information and data on NORDEN's CSR performance, the reporting principles of balance, clarity, accuracy, reliability, timeliness and comparability are applied. Data are presented with comparative data from the past 3 years. Significant variations in data of over 5 % are explained in the relevant section of the CSR report. The CSR assurance provider, PwC, provides independent limited assurance on NORDEN's CSR performance indicators.

Changes to reported CSR data compared with 2016

Due to updated materiality assessment and new business model, in 2017, the following CSR indicators have been excluded from the CSR report:

- Other discharge: Waste
- Other discharge: Spills < 1 barrel
- CO₂ emissions: Owned vessels
- CO₂ emissions: Operated dry cargo vessels
- CO₂ emissions: Other operated tankers

In 2017, NORDEN consolidated data to form new indicators in the CSR Report:

- Heavy fuel oils
- Distillate fuel oils (Gas)
- Electricity
- Total energy consumption

Environmental performance

Energy consumption

Heavy fuel oil and distillate fuel oil: Bunker fuel consumed directly by owned and operated and chartered vessels including all the fuels and gas oils used on board for activities such as steam, generating electricity, marine boilers, heating, main and auxiliary engines.

Electricity: Electricity consumed indirectly in operational activities for onshore offices divided by country of purchase.

Total energy consumption: Sum of heavy fuel oil, distillate fuel oil and electricity. Calculated using heating value 40.2kJ/kg for heavy fuel oil and 42.7kJ/kg for distillate fuel oil.

Transport work: Transport work of owned and operated vessels as well as vessels chartered and operated. Transport work expresses the mass of cargo transported over distance. Compared with the amount of CO₂ emitted, it provides a picture of fleet efficiency.

CO₂ emissions: Compatible with the Greenhouse Gas (GHG) Protocol.

- Scope 1: Direct emissions from NORDEN's own consumption of fuel from owned company cars and energy from owned and operated vessels.
- Scope 2: Indirect emissions from purchased electricity and district heating.
- Scope 3: Indirect emissions from third party activities. Measures CO₂ emissions from chartered vessels, air travel and leased company cars.

NOx and SOx emissions

- NO_x: Nitrogen oxide emissions from combustion of fuels from owned and operated vessels
- SO_x: Sulphur oxide emissions mainly stem from the burning of the sulphur compound in the fuel from owned and operated vessels.

Spills: includes incidents of oil spills larger than 1 barrel into the sea from owned and/or operated vessels.

Social performance

Employees

Number of employees: The number of employees on shore and at sea employed by NORDEN at year-end. Scope includes employees at NORDEN's offices and on NORDEN's own vessels.

Retention rate at sea and on shore: Resignations include employees who resign on their own initiative excluding beneficial or unavoidable dismissals during the accounting year. Retention rate at sea is based on the number of seafarers employed on permanent and fixed term contracts as well as seafarers between fixed term contracts. Retention rate on shore is based on permanent employees.

Number of nationalities: For employees on shore at year-end and among all employees at sea during the accounting year at sea.

Women in management: The percentage of the number of women in management positions on shore at year-end. A manager is defined as an employee who hold responsibility for a team of at least one other person.

Women in the Board of Directors: The percentage of shareholder-elected women on the Board of Directors at year-end.

Gender split: The percentage of the number of women on shore at year-end.

Health and safety

Scope includes area where NORDEN has the direct governing authority and responsibility for safety and environmental management of people, processes, facilities and vessels. NORDEN holds the International Safety Management (ISM) Code and Document of Compliance (DOC) for the vessel.

Out of scope: Non-owned vessels, vessels for which NORDEN does not hold the ISM DOC and vessels on bare-boat charter.

Rest hour non-conformity: The rate of rest hour non-conformity per full-time equivalent (FTE) per month. Rest hours are monitored onboard in accordance with the ILO and STCW conventions. All violations of rest hour conventions are recorded on board each vessel and they are all reported to office. Rest hour non-conformities is defined as number of days where a seafarer is not in compliance.

Fatalities: reported throughout NORDEN during the accounting year.

Lost Time Injury Frequency: Calculated based on the number of work-related accidents, which cause a seafarer to be unable to work for more than 24 hours (based on exposure hours), in accordance with OCIMF's 'Marine Injury Reporting Guidelines', per one million working hours.

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