

CSR REPORT 2018

Contents



SECTION 1 INTRODUCTION

- 4 Letter from the CEO
- 5 NORDEN's business model and purpose
- 6 NORDEN's work with CSR
- 8 CSR governance and strategy
- 10 NORDEN's value chain and CSR risks



SECTION 2 OPERATIONAL FOUNDATION

- 13 Environment
- 16 Climate
- 21 Responsible supply chain management
- 24 Safety
- 27 Labour
- 30 Human rights
- 33 Anti-corruption



SECTION 3 DATA

- 37 Limited assurance report
- 38 CSR performance 2018
- 39 Accounting policies



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.

About this report:
NORDEN reports annually to the UN Global Compact, and this report functions as our Communication on Progress for the financial year 2018. This report also represents our statutory statement on social responsibility and underrepresented gender in accordance with sections 99a & b of the Danish Financial Statements Act.

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



SECTION 1 INTRODUCTION



LETTER TO STAKEHOLDERS

CSR at NORDEN

During 2018, NORDEN has initiated new projects and strengthened our efforts to identify where linkages between social and economic progress in global trade hold potential to increase value for NORDEN's customers, for society and for NORDEN's long-term competitive edge.

Supporting the ongoing decarbonisation agenda is a focus area, and in September 2018, NORDEN made a breakthrough when the Company successfully completed its first test voyage with a large ocean-going commercial vessel, with the main engine powered 100% by CO₂ neutral biofuel. While we acknowledge that biofuel may not be the sole solution in the long run, NORDEN believes that using second-generation biofuels can contribute significantly to reducing the Company's CO₂ emission here and now.

2018 also marked the conclusion of NORDEN's CSR Direction 2016-18 "Joint Efforts – Mutual Benefits" and the development of NORDEN's new CSR strategy based on UN's Sustainable Development Goals.

NORDEN's new CSR strategy "Beyond 20-20" (2019-2021) was developed by mapping the 17 Sustainable Development Goals to our business activities and identifying specific challenges to focus on during the coming years; specifically SDG 9 – Industry, In-

novation and Infrastructure. The CSR strategy is part of NORDEN's overall business strategy and supports 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"

Under the new CSR strategy, we will continue our responsible business practices in our operational foundation, which focuses on environment, climate, responsible supply chain management, safety, labour, human rights and anti-corruption. In addition, we have identified 2 areas under SDG 9 of specific focus where we believe NORDEN has a unique opportunity to apply our experience and make a difference, namely decarbonisation and logistics optimisation.

Another focus area throughout 2018 has been a continued effort to improve digitalisation and automisation across the Company. NORDEN is using increasingly automated systems and has updated our in-house solution for optimising vessel fuel efficiency on both owned and chartered vessels. As NORDEN's business is becoming increasingly asset light, meaning relatively less owned vessels and more on charter, ensuring fuel efficiency is more important than ever before.

During 2019, NORDEN will also be working to prepare for the sulphur emission compliance

regulation for international shipping, effective 1 January 2020. From this date, fuel emissions from vessels sailing the oceans must emit a maximum sulphur content of 0.5%, replacing the former limit of 3.5%. To meet the requirements, NORDEN will in 2019 start fitting of 26 of our owned and long-term chartered vessels with sulphur scrubbers. This in combination with a switch to low sulphur bunkers on the remaining of NORDEN's operated fleet will form NORDEN's compliance measures.

Looking ahead to 2019 and beyond, we are excited to continue the sustainability journey with our operational foundation – all supporting elements of working with resilient and sustainable infrastructure under our SDG 9 focus.

Jan Rindbo
CEO





NORDEN's Business Model

NORDEN

– much more than assets

The true value of NORDEN is much more than the market value of vessels. With an increased focus on short-term operator activities and agile management of tradable positions, NORDEN is becoming less dependent on long-term cyclical market exposure. Instead, a major contributor to the value generation is built on highly sophisticated systems providing advanced analytics and risk systems. This enables the skilled employees of NORDEN to focus on relationships, make the right market calls and deliver industry-leading execution of voyages.

All in a company anchored in 148 years of history and strong values with transparency and well-established corporate governance.

THE NORDEN BUSINESS

DRY OPERATOR

Global transport solutions to dry cargo 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 cargo 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

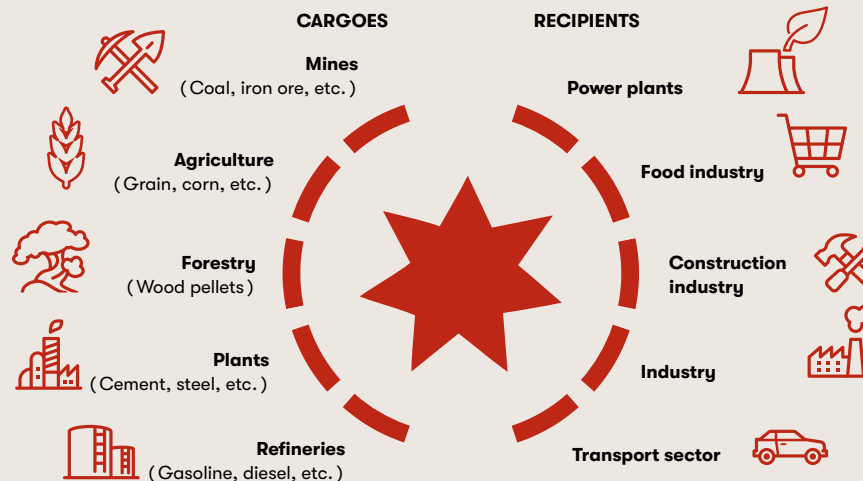
PRODUCT TANKERS

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

Generate superior long-term returns by:

- Maximising 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

CONNECTING THE WORLD



NORDEN's work with CSR

NORDEN's key stakeholder groups are our customers, suppliers, employees, shareholders, financiers, and industry associations and regulators. NORDEN seeks to engage in dialogue with these stakeholders whenever relevant to identify the most important CSR issues to work with going forward.

At least every second year, NORDEN carries out an internal assessment of each CSR issue – a CSR materiality assessment where the significance of each CSR issue's impact, to stakeholders as well as to NORDEN, is considered and categorised as either a risk or a responsibility. The materiality assessment, latest carried out in 2017, is used to reality check our CSR focus and adjust the allocation of our efforts and resources in the Company.

Through the CSR materiality process, the list of material CSR issues has been calibrated and prioritised into a matrix. All issues included in the matrix are considered either important, very important or extremely important, and the materiality assessment also reflects NORDEN's allocation of resources to each of the issues. There was no significant changes in the business organisation during 2018, and the 2017 assessment forms the basis for 2018 as well. In 2019, we will reassess the CSR issues.

NORDEN's stakeholders



Customer



Suppliers



Employees



Shareholders



Financiers



Regulators



Industry associations

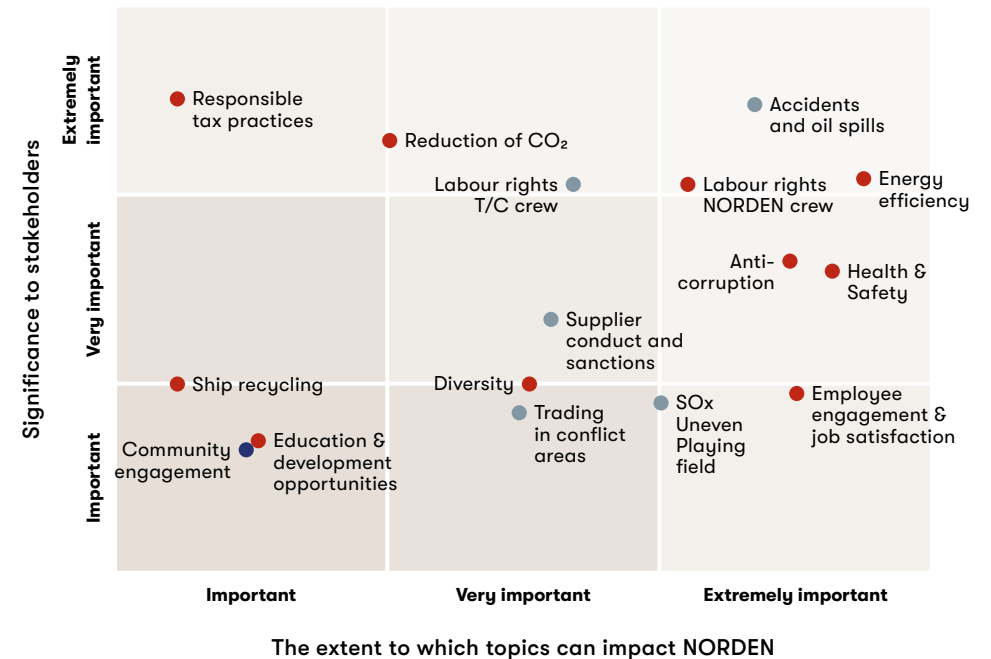
Corporate Social Responsibility

NORDEN's approach to CSR is strategic, long-term and business-driven. CSR is a responsibility and a precondition to be able to operate a resilient business, which creates long-term value for the Company, its stakeholders and society.

CSR materiality matrix 2018

As part of the assessment, NORDEN is subject to the Danish statutory sustainability reporting requirements under the Danish Financial Statements Act.

● Responsibility ● Risk ● Other



With 10 offices across 5 continents, NORDEN is an integrated part of the global commodity trade delivering reliable, safe transport solutions to customers all over the world.



VESSELS

~350

PORT CALLS

8,875

COUNTRIES

127

CUSTOMERS

>500

OFFICES

10

YEARS OF HISTORY AND STRONG VALUES

148



Grain



Soybean



Salt



Wood pellets



Coal



Alumina



Naphtha



Gasoline / gasoil / diesel / jet fuel

Partnerships and initiatives

NORDEN seeks to strengthen global partnerships to support and achieve the ambitious targets of the UN 2030 Agenda, bringing together national governments, the international community, civil society, the private sector and other actors. Partnerships and initiatives listed here have specific CSR focus.

NORDEN is part of the following global partnerships and initiatives, 3 of which are new collaborations for 2018: Plastic change, Clean Shipping Alliance and SRTI. Partner-

ships are important means for ensuring regulatory compliance, level playing field, transparency and stakeholder inclusion.

NORDEN has in 2018 commenced collaboration with 2 pioneering companies GoodFuel and CLIIN. GoodFuel is NORDEN's provider of biofuel, and with CLIIN, NORDEN has developed a cargo hold cleaning robot. More information on the collaborations can be found in the Climate and Safety sections of this report.

NORDEN is part of the following global partnerships, initiatives and collaborations:



CSR governance and strategy

NORDEN's CSR Executive Body, chaired by NORDEN's CEO, is ultimately responsible for CSR across the Company. The CSR Executive Body has cross-functional representation and is responsible for mandating NORDEN's CSR direction, ambition level and policies as recommended by the CSR Department.

During 2018, the CSR Executive Body worked with the Sustainable Development Goals (SDGs) in developing a new 3-year CSR strategy, which will be rolled out in NORDEN in 2019. The ambition with the strategy has been to concentrate on finding new business opportunities within the SDG agenda where NORDEN can contribute to making a significant difference. This is an addition to NORDEN's operational foundation where we work with responsibility and sustainability.

In the strategy development process, based on the SDGs' underlying targets, NORDEN has prioritised the SDGs and subsequently mapped the SDGs to our

core business activities. The mapping of the SDGs in relation to business activities helps identify which SDGs are the most relevant to our business and where we have a positive or negative impact. The exercise considers the fact that business activities are based in a setting built on previous events, known consequences of actions, a governing frame, while understanding that for companies, the SDGs can also be an expression of stakeholder expectations.

From the SDG mapping, we have chosen to focus on SDG 9, while we recognise that further 6, listed below, are material for NORDEN in that they are a key part of our operational foundation.



Sustainable Development Goals

- Adopted by the UN in 2015
- 17 goals and 169 underlying targets define global sustainable development priorities and aspirations for 2030
- For NORDEN, the SDGs are chosen as basis for our CSR strategy 2019-21.
- SDG 9 Industry, Innovation and Infrastructure holds a strategic potential aligned with NORDEN's business strategy

Operational foundation

NORDEN's new CSR strategy is aligned with the Sustainable Development Goals



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.

SDG 9 Industry, Innovation and Infrastructure is where NORDEN has identified we can have a large positive impact through 2 key focus areas: *Decarbonisation* and *Logistics optimisation*, both of which are in line with SDG 9 in creating and supporting resilient and sustainable infrastructure.

NORDEN believes that this is where we can apply our experience and knowledge in

Decarbonisation

Shipping today has a high climate impact. At NORDEN, we have come a long way in increasing fuel efficiency. With the newly introduced IMO targets on CO₂ reductions, it is evident that increased fuel efficiency alone is not enough. We need alternative solutions, and with our recently successful testing of biofuel, we are contributing with a low-carbon transportation option. However, it is not evident that biofuel is the only solution. Under the heading *Decarbonisation*, the following 3 years, we will investigate viable solutions for low-carbon transportation.

KPIs

- Tonnes CO₂ saved
- Number of customers
- Transport work (million tonnes cargo transported 1 mile)

shipping for a large impact and we have a unique opportunity to make a difference.

Under the new CSR strategy, we will continue our responsible business practices with our operational foundation, which focuses on the environment, climate, responsible supply chain management, safety, labour, human rights and anti-corruption.

Logistics optimisation

Effective transport and logistics can help drive the expansion of world trade. We will use NORDEN's knowledge and experience in optimising infrastructure logistics by addressing bottleneck issues with for instance congestion or inefficiencies in port handling, unpredictability in inland transportation or difficulties in transitions from inland transportation to ocean-going vessels. Under the heading *Logistics optimisation*, we will find collaborative ways to remove these barriers, which hold the potential for creating shared value for customers, partners, local communities, regions, and NORDEN.

KPIs

- Hours saved by each optimisation action
- USD saved on demurrage

CSR strategy beyond 2020 (2019-2021)



Enabling smarter global trade



Operational foundation



Safety, labour & human rights



Responsible supply chain management



Environment & climate



Anti-corruption



The CSR strategy is part of NORDEN's overall business strategy and NORDEN's Corporate Soul Purpose.

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 the customers. 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	There is a risk that compliance with NORDEN's integrity standards is not safeguarded in commercial contracts and activities. 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.	Anti-Corruption Compliance Programme including Anti-Corruption Policy.
 Loading/port operations	Ship agents typically arrange for all support activities in connection with loading and discharge operations, including coordination with local authorities on NORDEN's behalf. This makes the Company vulnerable to sub-standard performance of agents when they represent NORDEN. 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.	Anti-Corruption Compliance Programme including Anti-Corruption Policy. Supplier Code of Conduct.

Value chain	Key CSR risks	Guiding NORDEN's approach
 Shipping	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. Vessels chartered in from other shipowners are managed either directly by these owners or their external managers. 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. 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. 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.	Anti-Corruption Compliance Programme including Anti-Corruption Policy. Human Rights Policy. Protective security measures in accordance with the BMP4* standard. Provision on how to deploy and train security guards on board vessels. Safety & Environmental Protection Policy.

* Best Management Practices to Deter Piracy v4



SECTION 2 OPERATIONAL FOUNDATION

The shipping industry handles about 90% of the world's transported goods. Shipping thereby 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 a key component in ensuring sustainable development through trade.

Under NORDEN's operational foundation, we continuously work with responsibility in the areas of environment, climate, responsible supply chain management, safety, labour, human rights and anti-corruption.





Environment



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 and ensuring compliance with local and international regulations.

1 January 2020 marks a turning point for the global shipping industry when the International Maritime Organization, IMO, 2020 sulphur regulations take effect. In 2017, NORDEN set up a task group to plan ahead of this deadline. With several projects looking at market assumptions and

impact, IT systems, tank cleaning measures and scrubber installation, among other topics, we have devised a working plan to ensure compliance, and NORDEN is well prepared for the sulphur regulations to take effect.

Another upcoming regulation focuses on plastic in the seas. Over the past 30 years, the shipping industry has been subject to international regulation, which prohibits the discarding of all plastic sorts globally. Plastic in the oceans poses a risk to biodiversity, and while only a minor part of the plastic found in the ocean is estimated to originate from shipping, the oceans are our place of work and our seafarers experience the plastic problem every day. Therefore, NORDEN has decided to partner with Plastic Change on their Expedition Plastic project, with the goal of mapping the plastic in the oceans and potentially assist with the data collection.

Environmental Performance 2018

NORDEN's ambition

- 0 oil spills into water

Performance 2018

- Oil spills: 0, no change from 2017
- Ballast water management implementation initiated. Expected completion 2023

Emissions

- SO_x: 49,500 tonnes, a decrease of 6% from 2017
- NO_x: 120,400 tonnes, a 2% increase from 2017

Looking to 2019

- Continue 0 oil spills into water
- Fitting vessels with scrubbers to ensure sulphur emission compliance by 1 January 2020
- Continuing ballast water retrofitting systems on all owned vessels
- Investigate the possibility of NORDEN vessels' contribution to plastic pollution data collection

Relevant policies

- Safety & Environmental Protection Policy: All employees in every function execute their work under safe and healthy conditions and with proper concern for protecting the environment. The Company aims to eliminate possible dangers which may result in personal injury, professional illness, accidents, damage to property and damage to the environment.

NORDEN retrofits ballast water control

Ballast water can pose a risk to ecosystems due to the invasive species that can be transported and discharged from ballast water tanks into local waters. IMO is therefore introducing a Ballast Water Management Convention (BWMC), now effective from September 2019. The regulation follows similar rules taking effect in January 2016 across all regions controlled by the US Coast Guard, and NORDEN will retrofit all owned vessels.

The first NORDEN owned vessel was retrofitted during the first half of 2018, while the last vessel is scheduled for completion in 2023. The systems installed and the installation schedule will be compliant with both IMO and USCG legislation.



Sulphur regulation

1 January 2020 marks a significant deadline in international shipping. From this date, fuel emissions from vessels sailing the oceans are only allowed to have a maximum sulphur content of 0.5%, replacing the former limit of 3.5%.

This substantial reduction in harmful sulphur emissions is the result of years of extensive debates and will undoubtedly lead to significant changes in the shipping market, not least of all in relation to fuel for the vessels – known as bunkers.

2 options

Compliance with the new sulphur regulations can be done by switching to a new fuel with a lower sulphur content or by installing open- or closed-loop Exhaust Gas Cleaning Systems

(also known as scrubbers) that reduce the sulphur content from the exhaust gases.

NORDEN has chosen the open-loop scrubber option because it is a simpler design and less complicated to install. Besides, running in closed-loop mode requires that sludge handling facilities are available in the port which is rarely seen today. Vessels with scrubbers will still be able to operate on compliant low sulphur bunkers, in sensitive areas where use of open-loop scrubbers is not permitted by local authorities.

Clean Shipping Alliance

NORDEN is a member of the Clean Shipping Alliance (CSA), which works as an advocate for companies to reduce marine exhaust gas emissions in support of the scheduled implementation and effective enforcement of the IMO's 0.5% sulphur requirement. CSA provides information and research data to better inform the industry, authorities, NGOs and the general public on the environmental performance and benefits of open- and closed-loop Exhaust Gas Cleaning Systems and associated air and water emissions.



Starting in 2019, NORDEN will start fitting 26 of our owned and long-term chartered vessels with sulphur scrubbers. The remainder of NORDEN's operated fleet will switch to low sulphur bunkers.



Plastic Change

NORDEN has entered into a strategic partnership with Plastic Change and over the next 2 years, we will support Expedition Plastic.

The organisation Plastic Change launched Expedition Plastic in 2014, a circumnavigation of the globe with the purpose of documenting plastic pollution in the oceans.

With the 54 feet long sailing ship S/Y Christianshavn and a crew of 8, samples are collected using a manta trawl. This is a trawl that takes a cross section of the sea surface several hours each day, and collects micro plastics down to a size of 0.3 mm. In doing so, it is possible to contribute to the mapping and outlining of the extent to which plastic pollution is taking place in the oceans. In addition, methods are being developed to collect samples down to

a depth of 250 metres, and samples from marine life are also collected on the way.

So far, the only tests showing no microplastic have been taken on the Equator in the middle of the Pacific.

In NORDEN's native Denmark, the organisation Plastic Change has investigated the waters around Denmark alongside the 'By the Ocean We Unite' organisation, looking into potential microplastic in the Danish waters. 8 of the 11 Danish tests proved positive to microplastic, which is comparable to what the expedition has discovered in the world seas.

NORDEN and the foundation D/S Orient's Fond

NORDEN and the foundation D/S Orient's Fond have entered into a strategic partnership with the independent organisation Plastic Change and are sponsoring Expedition Plastic 2017-2020.

plastic change



Climate



Climate change derived from CO₂ emissions is a risk to biodiversity and livelihoods and poses operational and commercial challenges to NORDEN's business.

NORDEN has worked to limit operational air emissions for several years, and our commitment to reducing CO₂ emissions is demonstrated in the Company's work with investigating new low-carbon fuel options, and in our general operation, improving fuel efficiency and optimising across the value chain. NORDEN continues to work on this.

During 2018, NORDEN successfully tested CO₂ neutral fuel on a commercial vessel. Going forward, we aim to offer this as an option to our customers, and we will continue to investigate various decarbonisation solutions.

Climate performance 2018

NORDEN's ambition:

- Further investigate low-carbon shipping options
- Transport work emission reduction of 40% by 2030 compared to 2008
- Total emission reduction of 50% in 2050

Performance 2018

- Successful test voyage with biofuel
- Transport work emission reduction compared to 2008:
 - Dry cargo
 - All Handysize: -15%
 - All Supramax: -6%
 - All Panamax: -12%
 - Tankers
 - All: -11%

Looking ahead:

- Focus on further fuel efficiency and low-carbon options

Relevant policies:

- Climate Policy for Danish Shipowners (Danish Shipping) from November 2017 describes expectations for shipping industry in alignment with the Paris Agreement
- IMO's Greenhouse Gas Reduction Strategy and NORDEN's climate goal in alignment with the Paris Agreement of reducing transport work CO₂ emission reduction of 40% by 2030 compared to 2008 and a total CO₂ emission reduction of 50% in 2050



Climate goal

At NORDEN, we fully support the decarbonisation agenda, and we have come a long way in increasing fuel efficiency. And we want to do more.

In September 2018, NORDEN successfully completed a test voyage with 100% CO₂ neutral biofuel, and this solution will be on offer to our customers during 2019. This is in line with NORDEN's CSR strategy with focus on SDG 9, Industry, Innovation and Infrastructure and with the Paris Agreement's goal of reducing CO₂ emissions.

After several years of negotiations, in 2018, the IMO finally adopted a greenhouse gas reduction strategy for the shipping industry in alignment with the Paris Agreement of 2015. With IMO's new reduction strategy, NORDEN has decided to align and adopt this as our CO₂ reduction targets also. Therefore, we have decided to split up the data points by segment.

NORDEN monitors our reduction of relative CO₂ emissions compared to 2007 through an Energy Efficiency Operational Indicator (EEOI) for owned dry cargo and tanker vessels, respectively. NORDEN's goal has been a 25% reduction from 2007 to 2020. However, this development is difficult to show com-

parably as it does not reflect the change in segment composition over time. The change in segment composition is also the reason why this goal is not realistically reached.

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. NORDEN's segment composition today consists of several smaller vessels and less of the larger vessels compared to 2007. Therefore, we have decided to split up the data points by segments in dry cargo. In tankers, the segment composition does not vary greatly, hence we show the consolidated progress for tankers.

The graph shows NORDEN's progress in transport work emissions by segment. The results from NORDEN's owned vessels in each segment, are 0%, 8%, 15%, and 5%, above the required development trend line on Handysize, Supramax, Panama, and tankers, respectively.

NORDEN's new climate goal is aligned with IMO's:

40%

Transport work emission reduction of 40% by 2030 compared to 2008

50%

Total emission reduction of 50% in 2050 compared to 2008

Development by segment

The required development trend line shows 40% relative reduction in CO₂ emissions from NORDEN's starting point in 2008 as per the IMO reduction goal.

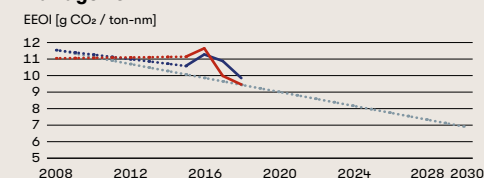
Large variation in graph for owned vessels is due to relatively low rate of owned vessels compared to all.

Since the IMO has yet to define the calculation method for the relative emissions, NORDEN's method uses EEOI to represent relative emissions.

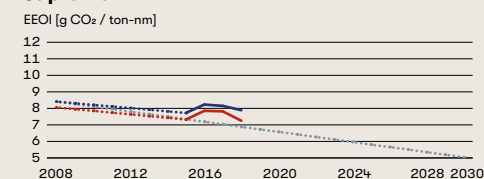
Accounting for absolute CO₂ reduction will commence in 2019 with our decarbonisation initiative.

Transport work emissions by segment

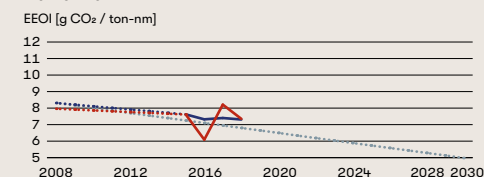
Handysize



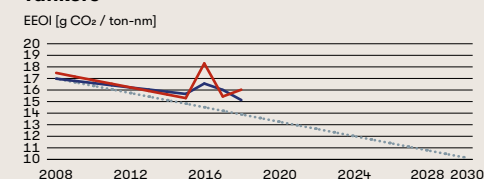
Supramax



Panamax



Tankers



— All vessels — Owned vessels — Required Development

Biofuel

The shipping industry is taking steps to become more environmentally responsible, and rightly so. With the support of global actors such as the International Maritime Organization (IMO), shipping is heading towards cleaner, 'greener' times.

At NORDEN, we fully support this transition, and we want to take a leading role in ensuring the good intentions are more than just that. Actions speak louder than words, and that is why NORDEN has tested the use of biofuel on one of our vessels. We have come a long way in increasing

fuel efficiency and have for example reduced CO₂ emissions per tonne cargo transported on owned tanker vessels by 25% between 2007 to 2017. However, fuel efficiency alone is not enough to reach the newly IMO CO₂ reduction targets. We need alternative solutions, and with this test we have a viable method to help us reach these targets.

Decarbonisation is in focus for the shipping industry, and as a firm advocate of more environmentally responsible shipping, NORDEN has been investigating alternatives to the current fuel types. In September 2018, NORDEN made a breakthrough, when the Company successfully completed a first: a test voyage with a large ocean-going commercial vessel, with the main engine powered 100% by CO₂ neutral biofuel.

The test voyage, which followed months of planning and analysis, was conducted in co-operation with the Rotterdam-based

GoodFuels – an innovative and market leading company in the field of advanced sustainable fuels. The test voyage was a ballast trip from Rotterdam in the Netherlands to Tallinn in Estonia on the 37,000 dwt, 182-meter-long Handysize product tanker vessel NORD HIGHLANDER.

To compare how the engine reacted to the biofuel as an alternative to low sulphur fossil fuel, the departure from Rotterdam was conducted on fossil fuel. After a visual inspection of the engine, the vessel switched to biofuel. During the voyage, the engine was operated at different loads for sufficiently long periods to establish stable performance. After the test, a final visual inspection of the engine was conducted. The engine was not negatively affected by the biofuel.

Looking ahead, following final regulatory approval, NORDEN plans to have carbon neutral transport on offer to our customers during 2019.

“The test documented that second-generation CO₂ neutral biofuel is a technically suitable and thereby realistic alternative to comparable fossil fuel. During the voyage, it was documented that the engine performed as expected, and the engine was able to deliver its power unrestrictedly”

Erik Carlsen, Technical Manager, NORDEN

CO₂ neutral transport

NORDEN is currently working on developing a carbon neutral transport solution. When purchasing a carbon neutral transport solution, NORDEN neutralises the CO₂ emission from the transport by replacing the fossil fuel consumed during the transport with an equivalent amount of CO₂ neutral biofuel. The biofuel will not necessarily be burned on the specific CO₂ neutral transport, but NORDEN guarantees and certifies that biofuel covering the CO₂ emissions will be used on NORDEN vessels. This will mainly happen during operation in the North European ECA (Emission Control Area) zone. The avoided carbon load will be credited to customers who have purchased CO₂ neutral transport following what is known and well recognised as a mass balance scheme. NORDEN will issue certificates documenting that the transport has been carried out in a CO₂ neutral way.



What does CO₂ neutral mean?

NORDEN is focused on delivering CO₂ neutral transport. Shipping is by far the most CO₂ effective way of transporting large amounts of cargo across long distances – the lowest CO₂ emission relative to the cargo NORDEN transports – yet shipping is responsible for large CO₂ emissions. Using biofuel, the transport becomes 100% CO₂ neutral. Furthermore, since the biofuel NORDEN uses is derived from used cooking oil, a waste product, the CO₂ neutral transport is also fully sustainable. Using biofuel onboard the vessels releases no fossil CO₂, meaning it is 100% carbon neutral, “tank to wake”. If the upstream CO₂ footprint is included – from collecting the waste and processing into fuel – the biofuel gives a 85-90% reduction compared to fossil fuels. The latter is the so-called “well to wake” CO₂ footprint.

100%

Using biofuel, the transport becomes 100% CO₂ neutral

Shipping and pollution

With more than 90% of the world trade carried across the seas, the global shipping industry produces a significant amount of CO₂ emissions. The shipping industry accounts for 2.2% of the world's total emissions, which corresponds to a country like Germany. In other words, if shipping were a country, it would be the sixth largest producer of greenhouse gas emissions, only surpassed by the US, China, Russia, India and Japan. The IMO notes that over the past three decades, the shipping industry has grown by an average of 5% annually, and thereby predicts that without regulation, CO₂ emissions from shipping could rise to 1.48 billion metric tonnes by 2020.

2.2%

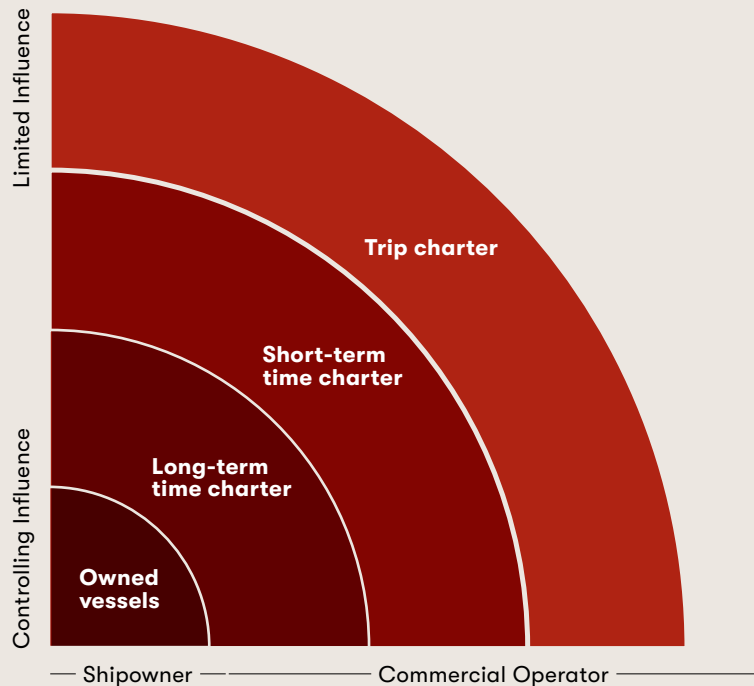
The shipping industry accounts for 2.2% of the world's total emissions, which corresponds to a country the size of Germany



Fuel Efficiency

NORDEN’s strategy of becoming increasingly asset light, with relatively fewer owned vessels and more on charter, means ensuring fuel efficiency before chartering in vessels becomes an even more important task. As a supplement for making better decisions, NORDEN’s Fuel Efficiency Department uses a system to help define the right vessels to take in. Once under NORDEN’s operation, our Fuel Efficiency Department applies our automated system for optimising vessel fuel efficiency called Traffic Light. During 2018, this system has undergone significant updates for even better fuel efficiency optimisation.

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

CO₂ emissions

CO₂ emissions from shipping primarily stem from consumption of bunker fuel. NORDEN focuses on reducing fuel consumption throughout the value chain, including when buying, chartering and operating vessels. NORDEN’s due diligence activities include applying tools for evaluating fuel efficiency, when deciding which vessels to charter in and monitoring data from vessels to ensure optimal performance and energy efficiency.

Traffic light solution

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



Responsible supply chain management



The supplier landscape of shipping companies, including NORDEN, is complex and comprises of numerous and various providers.

Shipping suppliers count providers of bunker fuel, provisions, spare parts and consumables, but also service agencies provide a key role in supporting port operations and facilitating NORDEN's activities around the world.

NORDEN works with its supply chain both up and downstream and has a programme in place for responsible supply chain management (upstream) as well as a policy for responsible ship recycling (downstream).

Supply chain performance

NORDEN's ambition

- Initiating 5 new tier-1 suppliers each year

Performance 2018

- Sparring on Responsible Supply Chain Management Programme update
- 3 companies approved under the Responsible Supply Chain Management-Programme
- Responsible Ship Recycling Policy implemented

Looking to 2019

- Roll out updated Responsible Supply Chain Management Programme

Relevant policies

- Supplier Code of Conduct
The provisions as set forth in this code is part of NORDEN's General Terms and Conditions provide the minimum expectations to suppliers. These minimum expectations are based on the general principles contained in the UN Global Compact and other relevant international principles and are in line with NORDEN's values and principles on ethical and responsible business conduct.
- Responsible Ship Recycling Policy
Describes NORDEN's approach to responsible ship recycling and transparency.





Improving supply chain management in the shipping industry

With a total of 14 approved suppliers and 68 in progress, 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 in this area. When signing up to IMPA ACT, buyers like NORDEN agree to implement the stipulations of a Supplier Code of Conduct, based on UN Global Compact and UN Guiding Principles for business and Human Rights. 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 Supplier 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.

During 2018, NORDEN has worked actively with IMPA ACT on the updating of the Responsible Supply Chain Management Programme. Having worked with the programme since 2013, it was time for a simplification of the process. A more focused company guide was developed to help especially initially in the programme and implementation steps where the company is performing the self-assessment, but also to provide guidance once the company was through this mapping exercise. The updated programme will be rolled out in 2019.

IMPA ACT six step process



IMPA ACT Supplier Code of Conduct is based on:

- The 10 universal principles of the UN Global Compact that require businesses to operate in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.
- The 31 UN Guiding Principles on Business and Human Rights that form the first global standard for preventing and addressing the risk of adverse impacts linked to business activity. This set of principles is more process-oriented, detailing the business requirements for due diligence in the form of human rights impact assessments and remediation.
- The OECD Guidelines for Multinational Enterprises that provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally-recognised standards.

Responsible ship recycling

Conducting business in a legal, ethical and socially responsible manner is core to NORDEN. With our Responsible Supply Chain Management Programme and supplier code of conduct in place as well as a Responsible Ship Recycling Policy, we safeguard responsibility both up- and downstream in our value chain.

NORDEN operates a modern fleet, and we sell and redeliver vessels long before their end-of-life, which also means the Company has not recycled a vessel since 1928.

Nonetheless, should the Company face a situation where this could become necessary, the standards for doing so would be high. To encourage others to have equally high standards and in general promote transparency in the industry of responsible ship recycling, NORDEN is a founding member of the international Ship Recycling Transparency Initiative (SRTI).

NORDEN is adopting several initiatives to support the SRTI, among others regarding the sale of owned vessels and the return of chartered vessels, which are past a certain date.

“While we do not have recent experience with recycling and therefore do not have every detail of the process planned, we believe in taking a stand – and taking responsibility – should the situation arise in the future”

Jan Rindbo, CEO, NORDEN

“As a member of the SRTI Steering Group, NORDEN has provided us with important inputs throughout the SRTI development process, including the development of disclosure criteria for shipowners’ data on ship recycling. While it may not have the extensive recycling experience of other larger shipowners, NORDEN has shown that any shipowner can be proactive and transparent about what is being done with their ships as they approach the end of their useful life. A critical mass of shipowners sharing information through the SRTI online platform will shift the current industry narrative on ship recycling.”

Andrew Stephens
Executive Director, SRTI

Hong Kong Convention

Vessels 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 the safety of workers or to the environment. However, the Hong Kong Convention is still far from entering into force, as only very few countries have ratified the convention to date.

NORDEN has not recycled a vessel since 1928, and 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.

What is ship recycling?

Ship recycling is the process of dismantling the ship at the end of its life, including all associated operations such as mooring, disassembling, recovery of materials and reprocessing.

Safety



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 the Company operates by the principle that no injury or environmental incident is acceptable. NORDEN's dedicated Health, Safety, Environment and Quality Department (HSEQ) is working to support of a robust safety culture. With further focus on safer working environment, NORDEN also successfully tested a cargo hold cleaning robot. Besides doing the cleaning job and thereby assuming the challenging and potentially unsafe parts of the work process, the robot cleans faster and uses less chemicals than the human cleaning crew.

Safety performance

NORDEN's ambition

- 0 accidents

Performance 2018

- Number of piracy incidents stayed at 0 in 2018 as in 2017
- Lost Time Injury Frequency rate decreased from 1.6 per million working hours in 2017 to 0.3 in 2018
- Rest hour non-conformities decreased from 0.34 per FTE in 2017 to 0.33 in 2018
- Number of fatalities in 2018 was 0, decreased from 1 fatality in 2017
- Observations per SIRE inspection increased from 2.4 in 2017 to 3.4 in 2018
- Rate of deficiencies per Port State Control inspection decreased from 1.7 in 2017 to 1.2 in 2018
- New position: Head of HSEQ
- Cargo hold cleaning robot tested

Looking to 2019

- Implementation of HSEQ strategy

Relevant policies

- Safety & Environmental Protection Policy
All employees in every function execute their work under safe and healthy conditions and with proper concern for protecting the environment. The Company aims to eliminate possible dangers which may result in personal injury, professional illness, accidents, damage to property and damage to the environment.



Reinforcing safety

NORDEN's ambition is to have 0 accidents. This means we work with the principle that no injury or environmental incident is acceptable. To further support this, NORDEN has a safety management system and a safety policy compliant with the International Safety Management Code.

Piracy

NORDEN experienced no piracy attacks on the Company's owned vessels during the year. However, in 2018, NORDEN experienced 1 case of theft in Peru, 1 attempted theft in Ghana and 1 case of a stowaway passenger in Algeria.

The coast of Somalia, the Gulf of Aden, the southern part of the Red Sea, the coast of West Africa, and Southeast Asia 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 and follow the Best Management Practices to Deter Piracy v4.

NORDEN's wish to continuously promote a strong safety culture and reduce incidents and injuries resulted in the renaming of the Vetting and QA department to HSEQ department. HSEQ stands for Health, Safety, Environment and Quality. The name is chosen to emphasise that HSEQ is a section with a modern, proactive and holistic focus on all the above areas. It is more than just a "reporting hub", and the aim is to foster understanding, inspiration and support for good HSEQ leadership on board and ashore.

Injuries at sea

2018 vs. 2017



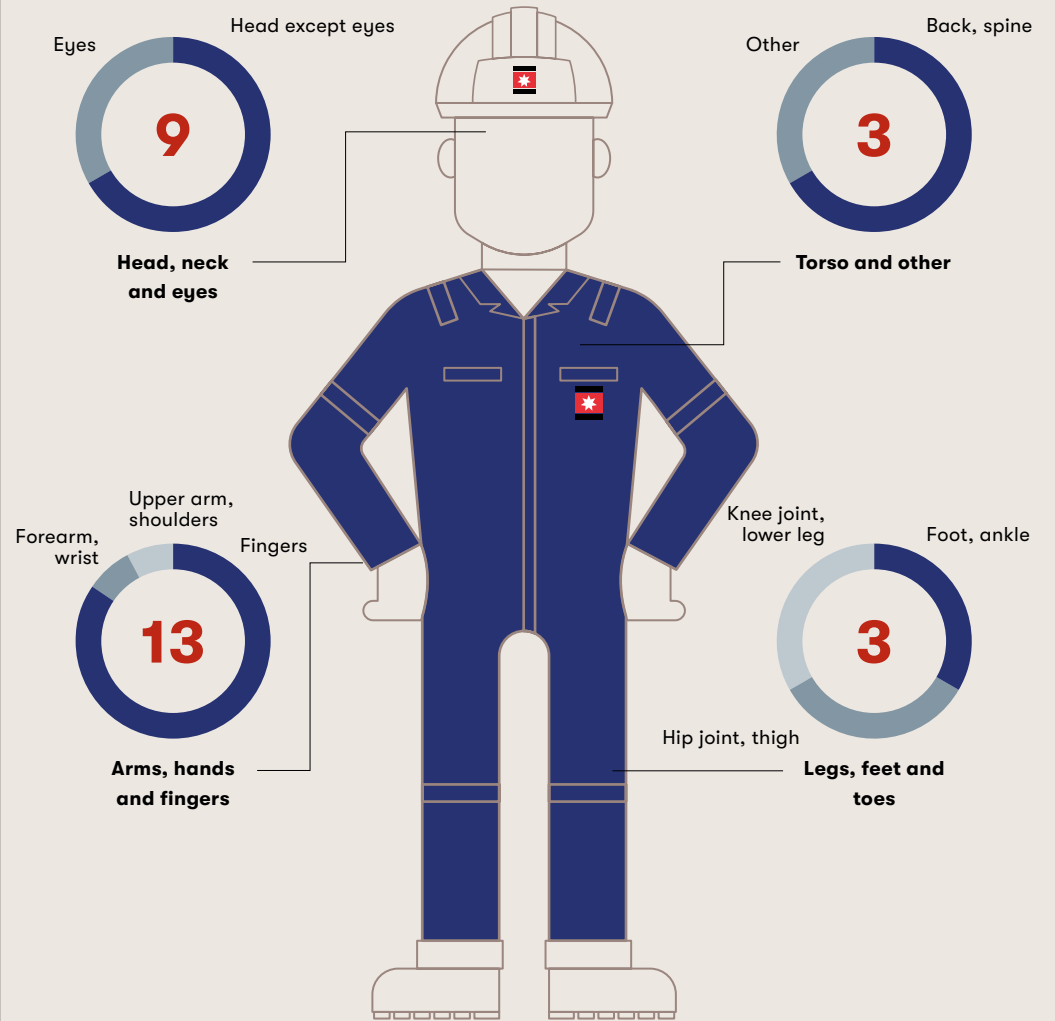
NORDEN takes safety very seriously and will continue to promote and focus on a strong safety culture

Injury trend – 24-month moving average



Fatalities: Work related accidents with fatal consequences for an employee at sea.
Off sign: People signed off due to a work related injury.
Days off duty: While on board due to work-related injuries.
LTIF (Lost Time Injury Frequency) is the frequency a seafarer is unable to work for more than 24 per 1 million working hours.
TRCF (Total Recordable Case Frequency) measures the frequency of any work related injuries beyond first aid.

Areas at risk



The number of incidents (including first aid cases) is shown in the circle. Despite a decrease in total number of incidents compared to previous year, NORDEN will continue to focus on improving safety.

The robots are coming – to clean the cargo hold

With focus on further strengthening a safe work environment, NORDEN entered into a partnership with the company CLIIN on a project for automating the cargo hold cleaning.

One week, the vessel is transporting coal – the next, it is grain. NORDEN's dry cargo vessels are versatile cargo ships that can transport basically anything that can fit into a cargo hold. It does, however, require some preparation to switch from e.g. coal to foods such as soy bean, grain or other edible products. Preparations which include thorough wash-downs and cleaning. Until recently, this process has been both laborious and, at times, dangerous and time-consuming as it has required skilful

employees to clean the cargo holds with high pressure cleaners and chemicals while being suspended from the hatches above. But this process may soon be a thing of the past.

Prototype

NORDEN has tested and participated in the development of a new belt-driven robot which can be operated remotely to go up and down along the sides of the holds while pressure cleaning them. It is the Danish company CLIIN that has developed the robot which has been tested as a prototype on one of NORDEN's vessels. The robot is driven forward by belts that are magnetic and therefore stick to the sides of the vessel. On top, there is a holder for the high-pressure cleaner which can be turned individually.

Ready for operation

In addition to better safety by no longer requiring people having to be suspended from above, the robot is also more environ-

mentally friendly in how it cleans the cargo holds as it does not require as much water or chemicals. Until now, crews have had to complete up to 4 wash-downs to clean the cargo holds. First salt water, then possibly a chemical solution, then salt water again and in conclusion freshwater. With the robot, it can be done with just 1 wash-down of freshwater as the robot is equipped to apply higher water pressure closer to the surfaces that need cleaning.

NORDEN and CLIIN will continue working together to further develop the robot. NORDEN will lease 6 robots, 5 of which will be placed on our Supramax bulk carriers, and the remaining 1 in Singapore. NORDEN is working closely with CLIIN on further development of the robot where we have our ships and expertise at CLIIN's disposal.



“Preliminary results with the robot are positive. The robot is easily operated and reaches those places that can be difficult to get to. I have seen many robots in the market, but this one is a qualified suggestion for how cargo hold cleaning in the future can be done in a better, safer, environmentally friendly and quicker way, and it's about time. It is pretty much the same method being used to clean cargo holds today as it has been for the past 20-25 years”

Jonas Warming,
Senior Optimisation Manager



Labour



NORDEN employees behave ethically and live up to our values as set out in NORDEN's Code of Conduct.

With people at the core of NORDEN's business, engaged employees, colleagues, management, partners and customers are key aspects of NORDEN's future success. Taking the lead on smarter global trade also requires that NORDEN unleashes the full potential of every person in the Company. Education and leadership programmes are also a NORDEN focus. We continue to work with NORDEN's leadership programme Soulship - part of Corporate Soul Purpose - as a foundation for combining knowledge and skills of the entire organisation.

NORDEN also aspires to keeping a high level of employee satisfaction, and we want to be preferred employer within the industry. Another aspect supporting our high employee satisfaction and preferred employer goals is high diversity among employees which is a proven value for business and for employee satisfaction. At NORDEN, we want to concentrate even more on diversity in the years to come.

30

different nationalities represented

1,239

full time equivalent employees at sea and on shore

Labour performance

NORDEN's ambition

- Preferred employer in the shipping industry

Performance 2018

Education

- Shipping Programmes at Copenhagen Business School and Technical University Programmes
- Cadet programme

Diversity

- 30 nationalities
- 22% women in management on shore
- 25% women in senior management on shore
- 33% women in the Board of Directors
- 43 cadets from Denmark, Mexico, India and the Philippines

Employee satisfaction and turnover

- Employee satisfaction on shore: latest measure 2.7 of 3
- 8% turnover (voluntary and involuntary leavers) at sea
- 96% retention (voluntary leavers) at sea
- 12% turnover (voluntary and involuntary leavers) on shore
- 92% retention (voluntary leavers) on shore

Looking ahead

- Update and implement Diversity Policy, including additional diversity aspects

Relevant policies

- Employee Code of Conduct: The code describes the ethical, social and environmental behaviour which every employee, regardless of position, should adhere to when working at NORDEN. It is in accordance with NORDEN's values, which are ambition, empathy, flexibility and reliability.
- Policy for Gender Equality: NORDEN believes in equal opportunities for everyone and fair treatment. The policy sets forth initiatives to increase the share of women in a primarily male industry.



Employees

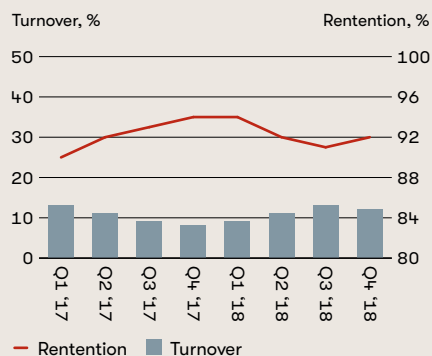
Employee Code of Conduct

All employees are subject to NORDEN's Employee Code of Conduct that frames the standard of conduct expected of all employees in NORDEN. In addition to the Company values of reliability, flexibility, empathy and ambition, the Code of Conduct covers anti-corruption, environment, safety, social conditions and compliance.

Employee engagement and turnover

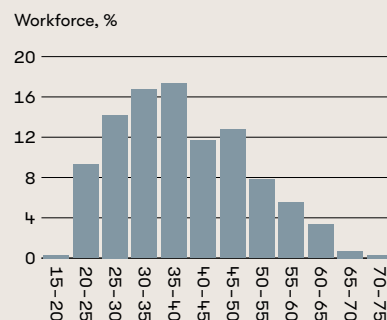
NORDEN wants our employees to be happy, and it is a NORDEN aspiration to become a preferred employer in the industry. In 2017, NORDEN initiated an employee engagement survey where employees respond to 5 assessment questions several times a year. Under the programme, employee engagement is measured on a continuous basis to monitor employee satisfaction, to encourage a culture of dialogue as well as to uncover potential issues before they become actual problems.

Turnover and retention



The employee engagement survey was administered 2 times during 2018. The results of the employee engagement survey show that the NORDEN employees feel empowered, find relevance in the work they do and have a good understanding of the relationship between own and Company goals. One issue that has arisen is the level of ease of access to information, reflecting the increased use of automation and data in our daily work. The matter will be further addressed in 2019.

Workforce demographics



Diversity

Diversity includes gender, ethnicity, race, socioeconomic status, level of education, age, religion, sexual orientation, etc. NORDEN encourages a high level of diversity.

Employee diversity allows for flexible thinking and prevents inveterate conceptions and habits. By assembling teams consisting of a variety of ages, levels of experience and education, 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 also believes that a company with a diversity of people increases employee satisfaction.

NORDEN seeks to reach a balanced gender representation, built on clear requirements for diversity in recruitment and employee development as stated in NORDEN's Diversity Policy. During 2018, we have been working to further update our diversity policy.

NORDEN's board composition is increasingly more international with 1 new international member in 2018 totalling 33% international shareholder-elected board members. As of 31 December 2018, the board composition is at 33% shareholder-elected women (2 out of 6) reaching our target and the target set out by the Danish Business Authority.

Education

NORDEN wants to focus on the 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.

Further, for the 14th year in a row, NORDEN supports the development of shipping-related knowledge at the annual Shanghai Maritime University (SMU) – NORDEN Scholarship Awards Ceremony in China. Jens Fjordgaard Jensen, head of Dry Cargo China and Chief Representative Shanghai, says of the awards:

“NORDEN is delighted to once again be able to recognise the talents of tomorrow as well as those who help foster these talents. China is an important partner for NORDEN both in terms of current and future employees, as well as our valued customers here, evident in this long-term relationship with SMU.”

NORDEN is also a partner with the Singapore Management University by supporting their Maritime Economics Concentration (MEC) programme through a scholarship of SGD 30,000 annually since 2014. This scholarship goes towards supporting the costs of the programme as well as student fees. The MEC programme also partners on an exchange programme with students from CBS in Denmark.



Africa Mercy

Adding to NORDEN's focus on education, diversity and employee satisfaction, the Company provides support to select employees in living out their aspirations. Especially when this dream is a noble cause of volunteering on a hospital ship.

From January to March 2019, chief officer Milan Falsing changes his usual surroundings onboard the modern NORDEN vessels to the world's largest civilian hospital ship off the coast of West Africa.

Milan Falsing is fulfilling a childhood dream as he took over as captain of the Africa Mercy, the world's largest non-governmental hospital ship.

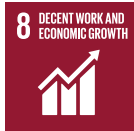
With the support of NORDEN, providing Milan with paid leave, he is now taking command of the Africa Mercy as captain for a 2-month period.

"By choosing to support me as captain on Africa Mercy, everyone in NORDEN, as well as those who use our ships, is supporting Mercy Ships, helping those in Africa who desperately need help. I believe that is CSR at its finest," says Milan. "I am very proud to work for a company which takes its social responsibility seriously, and had it not been for the support of NORDEN, it would not have been possible for me to go."

Milan is humbled to take on the task of captain of the vessel. He takes over control of some 450 crew members, from 40 different nationalities, all working as volunteers to make change happen.



Human Rights



NORDEN is committed to respecting the internationally recognised human rights expressed in the UN Guiding Principles on Business and 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.

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. In 2018, NORDEN decided to join Danish Shipping's human rights working group that focuses on mapping human rights issues in the shipping industry.

Human rights performance

NORDEN's ambitions

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

Performance 2018

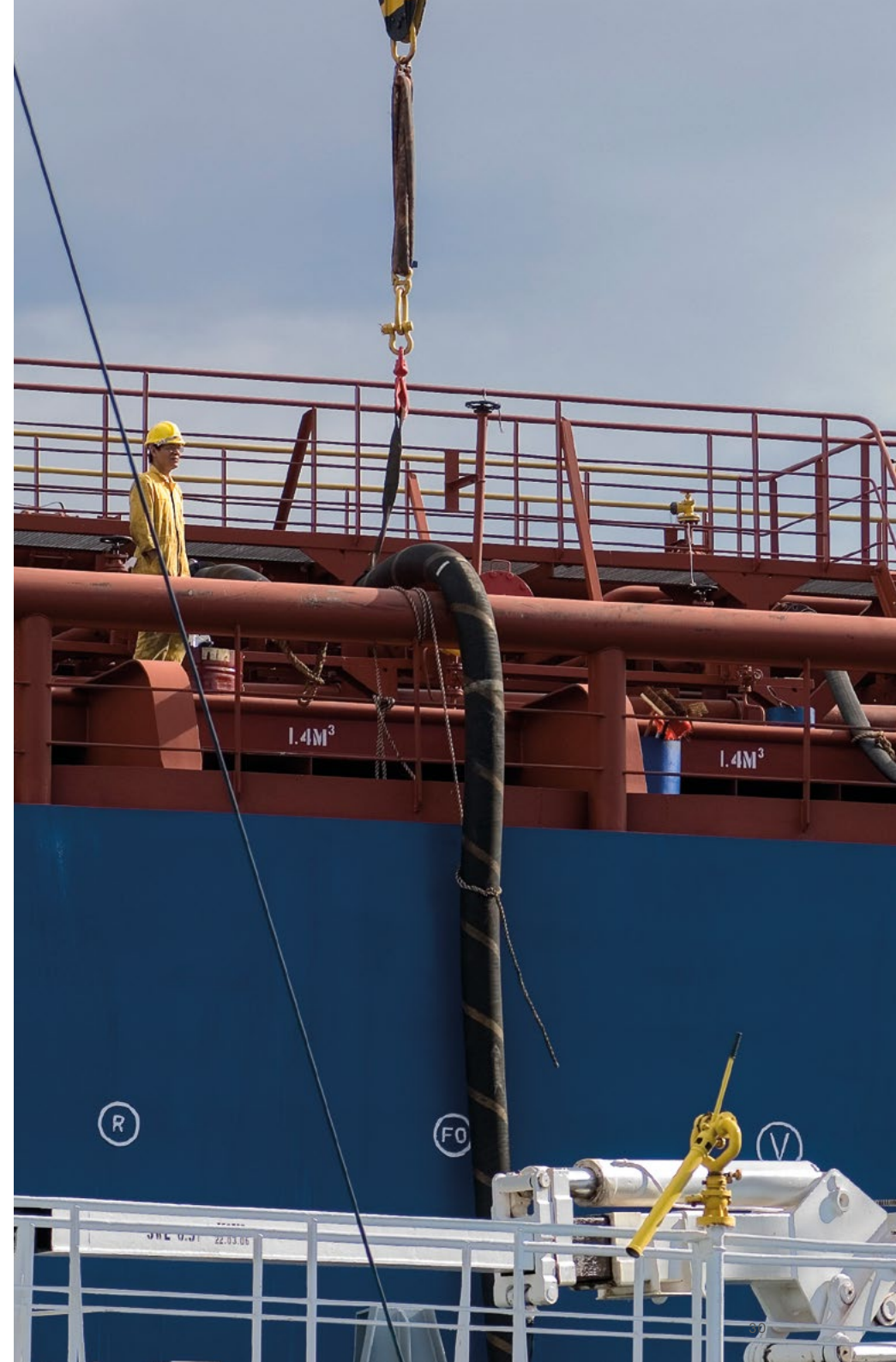
- Decided to participate in working group on mapping human rights risks in shipping

Looking ahead

- Danish Shipping's human rights working group

Relevant policies

- Human Rights Policy: NORDEN's framework for human rights is operationalised by the UN Guiding Principles on Business and Human Rights. NORDEN expects all business relationships directly linked to NORDEN to respect the human rights.
- Supplier Code of Conduct: The provisions set forth in this code, part of NORDEN's General Terms and Conditions, provide the minimum expectations to suppliers. These minimum expectations are based on the general principles contained in the UN Global Compact and other relevant international principles and are in line with NORDEN's values and principles on ethical and responsible business conduct.





Assessment

NORDEN has conducted a human rights impact assessment focusing on owned vessels and employees at sea as well as offices and employees on shore.

The assessment was completed in 2017, and originally, NORDEN was planning to conduct an update of the human rights impact assessment during 2018. However, it was decided best to align this work with Danish Shipping when they initiated their human rights risk and impact assessment of the industry, where NORDEN is part of the working group. This work will commence in the spring of 2019.

Governance of human rights

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

- Reporting measures, including whistle-blower scheme
- Regular 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

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

UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights apply to all states and to all business organisations, including transnationals, regardless of size, sector, location, ownership and structure. The Guiding Principles should be understood as a coherent whole and should be read, individually and collectively, in terms of their objective of enhancing standards and practices regarding business and human rights so as to achieve tangible results for affected individuals and communities, and thereby also contributing to a socially sustainable globalization.

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.	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.	NORDEN operates by the Maritime Labour Convention that defines seafarers’ rights to decent working conditions.
	Right to family life.	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 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.
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.



Anti-corruption



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 2018, NORDEN had 8,875 calls across 127 countries, some of them in regions where concepts of integrity and good business conduct vary. In this context, making the right choice is important and complex.

For the promotion of integrity, NORDEN has an anti-corruption compliance programme, including an anti-corruption policy applicable to all employees and management.

Further, to reduce risk and ensure NORDEN's compliance with legal requirements and stakeholders' expectations, due diligence is used for risk awareness in relation to business partners.

All NORDEN's third-party contacts are screened daily on a number of potential risk factor issues, including sanctions lists, global law enforcement lists, vessel information, and politically exposed persons.

Due diligence, monitoring, training and controls are key tools in implementing the anti-corruption policy.

Anti-corruption performance

NORDEN's ambition

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

Performance 2018

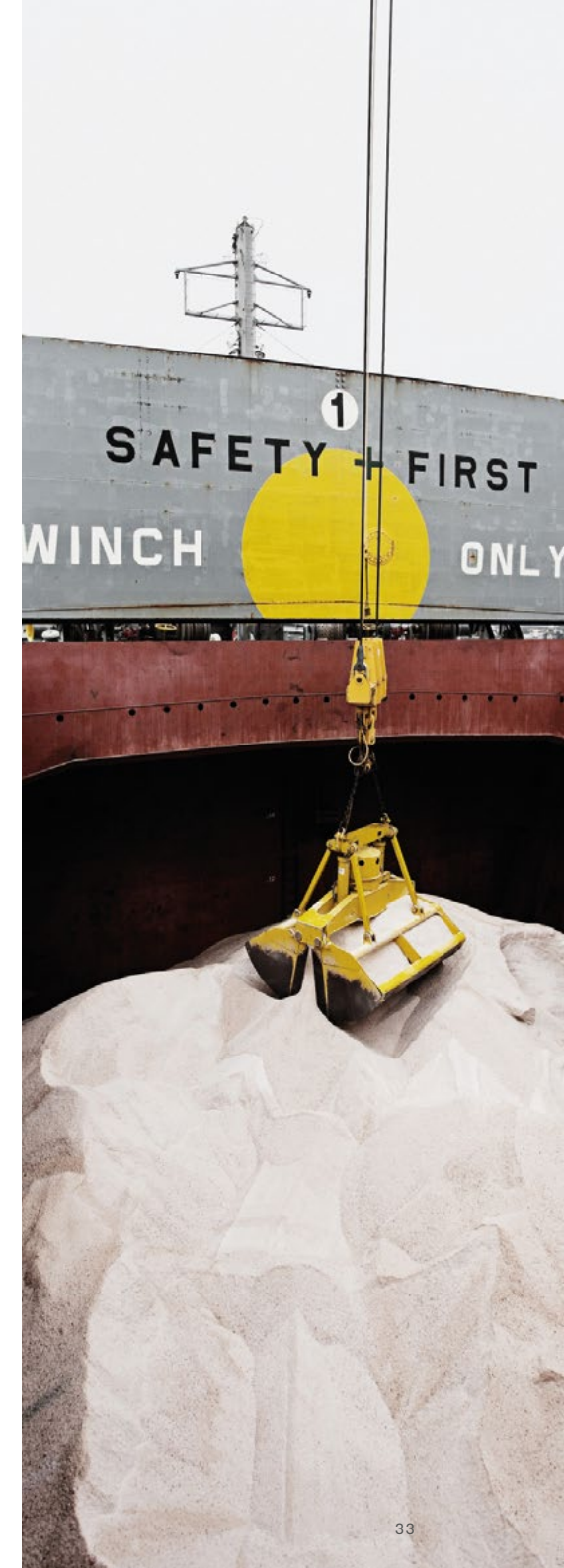
- 0 whistleblower reports received
- Say No in Suez campaign, eliminating facilitation payments
- Employee training: 96% and 78% of land-based and off shore employees, respectively trained in anti-corruption and ethics
- IT application to document training

Looking ahead

- Further work with Maritime Anti-Corruption Network
- Whistleblower scheme campaign
- Update of anti-corruption policy

Relevant policies

- **Anti-Corruption Policy:** The policy aims to ensure compliance with key anti-corruption legislation, protect NORDEN's reputation and guide employees in what is expected when working for NORDEN. The programme applies to all employees, to management, and to the Board of Directors
- **Employee Code of Conduct:** The code describes the ethical, social and environmental behaviour which every employee, regardless of position, should adhere to when working at NORDEN. It is in accordance with NORDEN's values, which are ambition, empathy, flexibility and reliability.



Anti-Corruption Compliance Programme

7 steps

Below are the 7 steps of the Anti-Corruption Compliance Programme.

- 1 Top-level commitment**
- 2 Risk assessment**
- 3 Procedures**
- 4 Training and communication**
- 5 Monitoring and internal control measures**
- 6 Due diligence**
- 7 Reporting, discipline and incentives**

Over the past 5 years, NORDEN has taken several initiatives to fight corruption, aiming at a maritime industry free of corruption while contributing to enabling global trade and providing a safe working environment on board our vessels in line with our overall goal of smarter global trade.

NORDEN's policy on bribery is 0-tolerance. Based on analysis of reported cases, NORDEN plans to update our policy from *trying to eliminate* facilitation payments to 0-tolerance to bribery and no to facilitation payments.

The new wording in the policy is chosen to label the problem correctly and acknowledge that we typically meet examples of extortion rather than facilitation payments.

Facilitation payment is seen as a small payment in money or in kind to facilitate a smooth call, and very often, a demand for facilitation can be waived. Extortion is when officials, using threats, refuse to perform their duties, or abuse their position of authority, resulting in improper fines and delays to our vessels.

We see extortion as a threat to the security on board our vessels, and we wish to place more focus on this in our continued fight against corruption.

The updated policy involves a refusal of facilitation payments. We hope to gain a better understanding of how to address extortion situations on board, and we will continue to provide training and support on demands involving safety on board.

Employee anti-corruption and ethics training

Annual anti-corruption and ethics training is mandatory for all NORDEN employees and comprise of e-learning and tests. Likewise all new employees receive face-to-face training followed by the e-learning and test. For exposed employee groups, NORDEN also conducts face-to-face training.

The training includes topics of anti-corruption, bribery and facilitation payments, gift and entertainment, conflict of interests, commissions, fraud, third-party procedures and whistleblower scheme.

NORDEN's expectation is that every eligible person completes the training. We follow the completion rate closely and take contact to the employee directly if the test has not been completed in time. If the test is still outstanding, we will escalate and involve management and as a last resort the CEO. Due to this approach, in the offices, the completion rate is 96%, and while we are proud of this high rate of completion, we also feel that anti-corruption and ethics

TRACE

During 2018, 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.





training is a natural part of conducting business responsibly and therefore should be a given.

With a new onboard IT application now installed on 42 ships, it is easier to document training onboard. The application also tracks completion of training for employees onboard NORDEN vessels in external management. The completion rate as of 31 December 2018 was 78%. We continue to develop and improve the IT application onboard.

Whistleblower scheme

NORDEN is committed to providing an environment where the high NORDEN standards and best practices are encouraged and safeguarded. In support of this, NORDEN has since 2011 had a whistleblower scheme with a telephone number and email address. In 2018, this solution was replaced by a web-based and app solution.

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 use NORDEN's whistleblowing scheme to report anonymously. In 2018, no whistleblower reports were received.

Port calls

8,875

Countries

127

Networks

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 more than 100 members globally in 2018 and has become one of the pre-eminent examples of collective action to tackle corruption.

In 2018, NORDEN was an active participant in both MACN meetings in Panama and London, respectively, and we are excited to be continuously supporting the network.



MACN
Maritime Anti-Corruption Network





SECTION 3

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 2018.

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 2018 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 2018 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 2018.

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 2018 and whether the NORDEN CSR Report 2018 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 2018), 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 2018 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 2018 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 2018 are free from material misstatement, whether due to fraud or error;
- Assessing whether the NORDEN CSR Report 2018 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, 5 March 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Bo Schou-Jacobsen
State Authorised
Public Accountant

Jens Pultz Pedersen
M.Sc.(eng.)





CSR Performance 2018

	2016	2017	2018
Environmental performance			
Energy consumption			
Heavy fuel oils (1,000 tonnes)	933	1,086	1,083
Distillate fuel oils (1,000 tonnes)	94	117	142
Electricity (MWh)	1,381	1,283	1,276
Total energy consumption (TJ)*	41,517	48,652	49,611
Transport work (million tonnes cargo x mile)			
Owned vessels	38,845	31,153	33,084
Other operated dry cargo vessels	296,487	373,785	381,459
Other operated tankers	24,023	24,926	31,215
Total owned and operated vessels	359,355	429,864	445,758
CO₂ emissions (1,000 tonnes)			
Direct CO ₂ emissions (Scope 1 GHG protocol)**	3,246	3,757	3,829
Indirect CO ₂ emissions (Scope 2 GHG protocol)	0.5	0.4	0.4
Other indirect CO ₂ emissions (Scope 3 GHG protocol)**	3.4	3.3	3.0
Total CO ₂ emissions	3,250	3,761	3,832
Emissions (1,000 tonnes)			
SO _x emissions	44	53	50
NO _x emissions	101	118	120
Spills			
Spills > 1 barrel	0	0	0
Social performance			
Employees			
Employees at sea (FTE)***	-	874	878
Employees on shore (FTE)***	-	346	361
Retention rate at sea (%)	91	94	96
Retention rate on shore (%)	90	94	92
Turnover at sea (%)	-	-	10
Turnover on shore (%)	-	-	12
Nationalities represented (of total workforce)****	27	26	30
Women in management on shore (%)****	22	24	22
Women on Board of Directors (%)	20	17	33
Gender split at sea (%)	-	-	1
Gender split on shore (%)****	33	33	35
Safety			
Rest hour non-conformity (hours per FTE)	0.39	0.34	0.33
Fatalities	0	1	0
Lost time injury frequency (million working hours)	0.89	1.58	0.29

\$

* Restated for the years 2016 and 2017 due to conversion factor mistake, now corrected.

** Restated for the years 2016 and 2017 due to new accounting policy

*** No 2016 data and restated for the years 2017 due to new accounting policy

**** New accounting policy for 2018, not comparable to previous years

Covered by PwC's 2018 report on non-financial data

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 SUMMIT 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's 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 include comparable data from the past 3 years. Significant variations in data 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. In 2018, NORDEN is also publishing an ESG report. The ESG report includes performance data from the CSR report supplemented by additional indicators and accounting policies.

Changes to reported CSR data compared with 2017

Climate: NORDEN has changed accounting practice on GHG Protocol scopes. From 2018, fuel consumption from chartered vessels is included in scope 1 to account for NORDEN's emissions not depending on ownership but consumption. Previously emissions from chartered vessels were included in scope 3. NORDEN has restated the values historically based on the 2018 definition.

Employees: NORDEN has decided to align our accounting policy for employees with the Danish Accountants FSR's recommendations and going for-

ward will account for employee data in FTEs – full time equivalent

NORDEN is liable for consumption, emissions and other environmental elements. For owned assets which are leased out, NORDEN is not liable for consumption, emissions and other environmental elements – the lessee is.

Environmental performance

Energy consumption

Heavy fuel oil and distillate fuel oil (1,000 tonnes): Bunker fuel consumed directly by owned and operated 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 (MWh): Electricity consumed indirectly in operational activities for onshore offices divided by country of purchase.

Total energy consumption (TJ): calculated using heating value 40.2kJ/kg for intermediate fuel and 42.7kJ/kg for distillate fuel. [historical data to be restated since x1000 off]

Leased and owned cars: per 31 December
Transport work (million tonnes cargo x mile): 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. New split: Dry owner and tanker; Dry operator
CO₂ emissions (1,000 tonnes): 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 chartered vessels.
- **Scope 2:** Indirect emissions from purchased electricity and district heating.
- **Scope 3:** Indirect emissions from third party activities. Measures CO₂ emissions from air travel and leased company cars.

NO_x and SO_x emissions (1,000 tonnes)

- **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 (> 1 barrel): includes incidents of oil spills larger than 1 barrel into the sea from owned and/or operated vessels.

Social performance

Scope and boundaries

Scope for FTEs at sea includes area where NORDEN has the direct governing authority and responsibility for safety and environmental management of people, processes, facilities and vessels. Out of scope: Non-owned vessels and vessels on bare-boat charter.

Scope for full-time workforce FTEs on shore includes permanent and time-limited employees (fix-term, student job and temporary) in NORDEN's offices, except for indicators Retention and Turnover where scope includes average FTE on shore of permanent employees and excludes fix-term, student job and temporary.

Employees

Employees at sea (FTE): Average full-time equivalent number of employees at sea during the year. Scope includes employees on NORDEN's owned vessels, including average seafarers employed on permanent and fixed term contracts as defined in NORDEN's crew management system.

Employees on shore (FTE): Average full-time equivalent number of employees on shore as defined in NORDEN's HR system (Fairsail). Scope for employees, women in management, gender split: Average FTE calculation includes permanent and time-limited employees (fix-term, student job and temporary).

Retention rate at sea (%): Retention rate at sea is based on the average number of full-time employees (FTE) at sea employed on permanent and fixed term contracts as well as seafarers between fixed term contracts registered in NORDEN's crew management system. Retention rate at sea is calculated as number of seafarers who resign on their own initiative (excluding beneficial or unavoidable dismissals during the accounting year) out of the total average FTE.

Retention rate on shore (%): Retention rate on shore is based on average FTE on shore of permanent employees in NORDEN's HR system Fairsail, excluding fix-term, student job, and temporary employees. Retention rate is calculated as the number of FTEs who resign on their own initiative (excluding beneficial or unavoidable dismissals) during the accounting year out of the total number of permanent FTEs.

Turnover at sea (%): Turnover rate at sea is calculated as the number of voluntary and involuntary leavers out of total number of FTEs as registered in NORDEN's crew management system.

Turnover on shore (%): Turnover rate on shore is calculated as the number of voluntary and involuntary leavers out of total number of permanent FTEs as registered in NORDEN's HR Management System Fairsail.

Nationalities represented (in total workforce): Number of nationalities in total workforce on shore (based on NORDEN's HR system Fairsail) and at sea for owned vessels in internal management (based on crew management system) during the accounting year.

Women in management (%): Average FTE number of women in management positions on shore out of the total pool of average FTE onshore managers. Managers are defined as a person with responsibility for a team of at least 1 other employee, subject to NORDEN's employee development programme (i.e. excluding students, interns etc.) as defined in NORDEN's HR system (Fairsail).

Women on Board of Directors (%): Percentage of shareholder-elected women in the Board of Directors out of total number of shareholder-elected Board members at year end.

Gender split on shore and at sea (%): The percentage of the average number of women FTE on shore out of total number of FTEs on shore during the year based on NORDEN's HR Management System Fairsail and crew management system respectively.

Health and safety

Rest hour non-conformity at sea (hours per FTE):

Rest hour non-conformities is defined as number of days where a seafarer is not in compliance. The number of non-compliance days per 30-working day period on board. Rest hour non-conformity are monitored onboard in NORDEN's crew management system in accordance with the ILO and STCW conventions.

Fatalities: number of fatalities in the reporting year registered in NORDEN's technical administration system.

Lost Time Injury Frequency at sea (injuries per million working hours): Calculated based on the number of work-related accidents registered in NORDEN's technical management system, which causes 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 exposure hours.

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