



# CORPORATE SOCIAL RESPONSIBILITY REPORT 2012 – On the right course

# CONTENT

NORDEN in brief	2	Vessel safety	10
On the right course	3	Employee conditions	12
NORDEN's performance	4	Environmental management	14
Overview of NORDEN's business	5	Anti-corruption	16
CSR strategy	6	Responsible supply chain management	17
Transparency	7	Annex 1: GRI, facts and figures	18
CO <sub>2</sub> efficiency	8	Auditors' reports	22

# NORDEN IN BRIEF

Dampskibsselskabet NORDEN A/S (NORDEN) operates globally in dry cargo and tankers with one of the most modern and competitive fleets in the industry. NORDEN's active fleet consists of a total of 244 vessels.

In addition, vessels from third parties are operated in pools – Norient Product Pool, NORDEN Post-Panamax Pool and NORDEN Handysize Pool.

In Dry Cargo, NORDEN is active in all major vessel types. The Company is one of the world's largest operators in Panamax and Handymax, in addition to having considerable activities in the Handysize and Post-Panamax vessel types as well as activities in Capesize.

In Tankers, NORDEN's activities comprise Handysize and MR product tankers. NORDEN's vessels are operated commercially by Norient Product Pool, which is the second largest product tanker pool in the world.

NORDEN's core fleet consists of owned vessels and vessels on long-term charter with purchase option. The core fleet is supplemented by vessels chartered on a short-term basis or for single voyages, and this mix allows the Company to rapidly adjust the size and costs of the fleet to changing market con-

ditions. Purchase and extension options on many chartered vessels increase flexibility of the fleet and also contribute to the value creation.

NORDEN has its headquarters in Denmark, and offices in Singapore, China, India, the USA and Brazil, a network of port captains as well as site offices at shipyards in Japan, China and Korea. NORDEN seeks to keep close contact with customers and business contacts. NORDEN has 274 employees on shore and 884 on board owned vessels. In addition, Norient Product Pool has 44 employees at its offices in Denmark, Cyprus, Singapore, the USA and Brazil.

NORDEN was founded and listed in 1871 and is one of the oldest listed shipping companies in the world. Management focus is long-term and rooted in NORDEN's vision, mission and values. The goal is for NORDEN to continuously develop for the benefit of its stakeholders and to achieve high, stable earnings. The share is listed on NASDAQ OMX Copenhagen A/S, and the Company has approximately 16,300 registered shareholders.

Numbers are stated at 31 December 2012.

## GROUP STRUCTURE

### Dampskibsselskabet NORDEN A/S



# ON THE RIGHT COURSE



Even though freight rates are historically low and the global shipping industry is struggling, NORDEN will continue on the right course within CSR, as CSR at NORDEN is business-driven and consequently our efforts are directly linked to our core competencies and bottom line. For instance, our initiatives within CO<sub>2</sub> efficiency enable us to reduce our fuel consumption, and since fuel prices are at an all-time high and account for around 60-70% of total voyage costs, this consequently reduces our costs.

2012 has been an intense CSR journey for NORDEN. We have established a CSR strategy, an Employee Code of Conduct and updated our Anti-Corruption Policy.

In addition, we commenced our work within the field of responsible supply chain management by entering into an industry cooperation developing a common industry toolbox for responsible supply chain management. It is based on the UN Guiding Principles on Business and Human Rights, which we consider a valuable tool for structuring our work within responsible supply chain management.

The 7 CSR focus areas which are defined in the CSR strategy enable us to work targeted and structured with CSR and thus yield the full benefits of our CSR efforts. The 7 focus areas are transparency, CO<sub>2</sub> efficiency, vessel safety, employee conditions, environmental management, anti-corruption and responsible supply chain management. The concrete targets which have been set for the next three years enable us to measure our work, benchmark our results and become more proactive in our CSR work.



*Carsten Mortensen, President & CEO on the right and Michael Tønnes Jørgensen, Executive Vice President, CFO, and chairman of the CSR Executive Body on the left.*

2013 will also be an exciting year for NORDEN with a major objective being to successfully anchor CSR in the organisation. All our efforts and work in 2012 will be collected in a CSR package which will be communicated to our employees in the first half of 2013 through various events and communication tools. In order for CSR to truly become value generating, our employees will be trained in CSR at NORDEN and how it should be integrated into their daily work. In 2013, we look forward to engaging more closely in dialogue with our employees on CSR and creating a common CSR understanding and mindset at NORDEN.

## REPORTING

To ensure transparency and consistency in NORDEN's CSR reporting, we have collected data and developed our report in accordance with the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines and Logistics and Transportation Sector Supplement. Only indicators that are relevant to our business and stakeholders have been chosen.

We have thus created a CSR reporting model which is tailored for NORDEN and our business and is based on recognised standards such as GRI and UNGC. This report also serves as NORDEN's Communication on Progress (COP) Report 2012 to the UN Global Compact.

Our report application level is C+ as the content of this report has been reviewed by PwC and Det Norske Veritas (DNV).

More information on these standards, the indicators we report on, as well as the reporting boundary can be found in tables 8 to 9, annex 1, page 20-21.

GRI guidelines and sector supplement

UN Global Compact's principles

Materiality assessment

CSR strategy

NORDEN's CSR reporting model

# NORDEN'S PERFORMANCE

The following outline gives an overview of some of the key targets set for 2012 and the results achieved.

Reduce CO<sub>2</sub> emissions by 25% from 2007 to 2020 from owned dry cargo vessels exclusive of vessels on contract to third parties (Cargo EEOI) <sup>1)</sup>



Reduce CO<sub>2</sub> emissions by 25% from 2007 to 2020 from owned tanker vessels exclusive of vessels on contract to third parties (Cargo EEOI) <sup>2)</sup>



Pass all Port State Controls (PSC) without detentions in 2012



Zero incidents of piracy on owned vessels in 2012



Minimum 1 near-miss reporting per owned vessel technically managed by NORDEN per week in 2012



Minimum employee retention rate at sea of 80% in 2012



Minimum employee retention rate on shore of 90% in 2012



Reduction of weighted average sulphur content in total bunker purchased of 2.45% in 2012



Reduce waste from owned vessels technically managed by NORDEN by 5% in 2012 (exclusive of category 4 i.e. cargo waste)

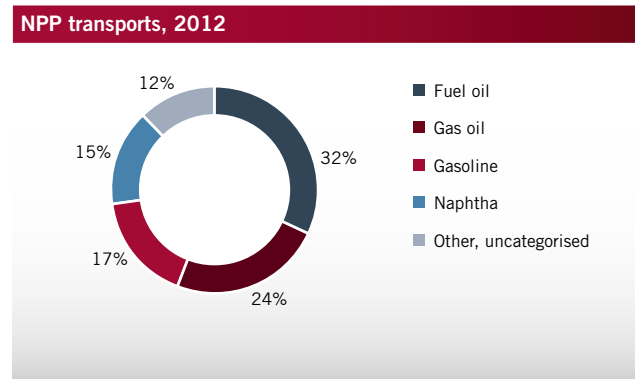
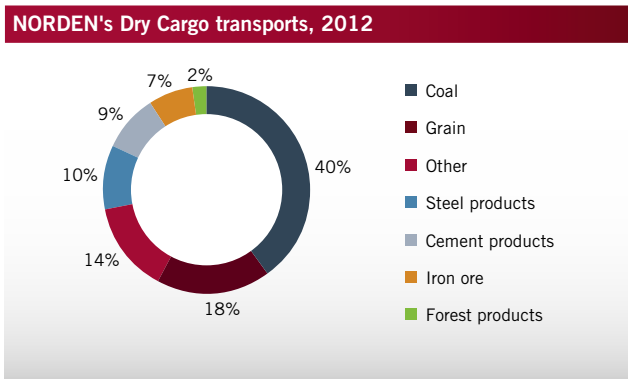


1) + 2) [www.transport.gov.pl/files/0/1790756/GHG231.pdf](http://www.transport.gov.pl/files/0/1790756/GHG231.pdf)



# OVERVIEW OF NORDEN'S BUSINESS

The below illustrations provide an overview of the commodities which NORDEN transports and the markets where they are loaded and discharged.



In 2012, NORDEN transported a total of 64 million tons of dry cargo compared to 60 million in 2011. Similar to last year, NORDEN's largest dry cargo commodity was coal with a little more than 25 million tons transported. But even though NORDEN grew volumes by 6% during the year, coal's share of total dry cargo volumes transported decreased. The volume of grain transported, on the other hand, increased to more than 11 million tons in 2012. Together, these two less cyclical commodities represented 57% of NORDEN's transported dry cargo volumes. In 2012, Norient Product Pool (NPP) transported a total of 28 million tons of liquid cargo compared to 21 million in 2011, which corresponds to an increase of close to 32%. Fuel oil remained the largest liquid commodity category with similar volumes as last year. However, fuel oil's share of total liquid cargo volumes transported decreased due to volume increases within gas oil, gasoline and naphtha on the more traditional routes, such as gas oil from North America to South America and Europe and gasoline from Europe to North America.



The above maps display NORDEN's discharge and loading locations around the world in 2012. Only few coastal areas have not been visited by a NORDEN vessel during the year, with the main exception being the piracy affected areas around Africa, which have intentionally been avoided. In addition, some countries have only been used as either a loading or a discharging area/port. While NORDEN has customers all over the world, Europe and North America remain the main destinations within both segments. For instance, NORDEN's Dry Cargo Department has future contracts to carry salt from Chile to the USA, biomass/wood products from the USA to Europe and coal from Svalbard, Norway, to Northern Europe. While NORDEN's Tanker Department carries large volumes of refined oil products, particularly fuel oil, from the Baltic and the Black Sea to Northern and Southern Europe, respectively. The majority of gas oil and gasoline is carried on the more traditional routes – gas oil from North America to South America and Europe and gasoline from Europe to North America.

# CSR STRATEGY

To ensure a business-driven approach to CSR, NORDEN has developed the CSR strategy “On the right course” which is in line with our business strategy and provides us and our business partners with a clear direction for CSR in NORDEN.

The purpose of NORDEN’s CSR strategy is to focus on those issues which are important to our business and to our stakeholders; to make CSR part of our value proposition to our customers, business partners, investors and employees; to strengthen our position as part of our customers’ and business partners’ responsible supply chain; and to communicate and measure our CSR ambitions and efforts.

## CSR strategy process

The first step in establishing a CSR strategy was to conduct an extensive desk top research and series of internal and external interviews to ensure that our strategy reflects the risks and opportunities which we, as a shipping company, face as well as the expectations which our stakeholders have. The stakeholder groups chosen for the research were employees on shore and at sea, customers and brokers, suppliers, external organisations, investors and analysts, local communities, authorities and regulators and media and NGOs. The research resulted in the identification of 17 relevant CSR issues.

The materiality of these 17 CSR issues was assessed during a workshop attended by NORDEN’s Senior Management and CSR Executive Body. At the workshop, the materiality and level of ambition for each issue was discussed based on issue briefs which summarised the findings of the research. The 17 CSR issues were consolidated into 7 focus areas and classified into 2 ambition levels: Differentiate and comply, which form the basis of our strategy “On the right course”. A visual illustration of the strategy’s main content, i.e. focus areas and level of ambition, can be found below.

The next step was to create a detailed action plan for each focus area to ensure that the targets which have been set within each area could be met. The strategy covers the period 2013 to 2015.



Michael Tønnes-Jørgensen, chairman of the CSR Executive Body, kicking off the CSR anchoring campaign by presenting the CSR strategy and Code of Conduct at the employee information meeting on 25 of January 2013.

## Anchoring CSR in NORDEN

A vital part of any strategy is to anchor it successfully in the organisation. We wrote in our CSR report for 2011 that we would appoint CSR ambassadors in 2012. These have been appointed and will be provided with relevant material to embed our CSR strategy and Employee Code of Conduct in the daily operations of their respective departments.

In January 2013, we held an employee information meeting where the chairman of the CSR Executive Body, Michael Tønnes Jørgensen, presented the CSR strategy, Employee Code of Conduct and other CSR initiatives to our employees.

Each ambassador will now host a workshop with their department to enable an in-depth discussion of what CSR means for NORDEN, how NORDEN works with CSR and how CSR will affect the employees in their respective departments. A survey will be distributed to the employees after the workshop in order to measure whether the key messages have been understood.



# TRANSPARENCY

NORDEN has a strong focus on external and internal reporting and communication, as we believe that transparency is an essential foundation and necessity for being a responsible company.

Part of the Leadership Index in the CDP reporting in 2012

0%

100%

## Reporting

NORDEN believes that reporting is only valuable if it is varied and describes both challenges and dilemmas, as well as opportunities and successes. Therefore, NORDEN puts great effort into communicating relevant and varied information to our stakeholders. NORDEN has been rewarded for its transparency with an award for our ability to describe our expectations for the future in our annual report for 2011. The award was granted by the Confederation of Danish Industry and the Institute of State Authorized Public Accountants in Denmark.

Every year, NORDEN reports to the Carbon Disclosure Project regarding our efforts to reduce CO<sub>2</sub> emissions and the impact of climate change on our business. Regulations which attempt to offset the impact of climate change as well as changes in weather patterns are the main consequences of climate change for the industry and NORDEN. NORDEN's Executive Management embeds climate change implications in their business considerations and in the conduct of long-term market and risk analyses.

NORDEN went from 82 disclosure points to 90 points in our Carbon Disclosure Project (CDP) reporting, resulting in a seventh place out of 260 Nordic companies compared to a seventeenth place in 2011. In addition, for the third consecutive year, we were the only shipping company in the Leadership Index, which comprises the upper 10% of the Nordic listed companies which have displayed the most professional approach to climate change disclosure practices.

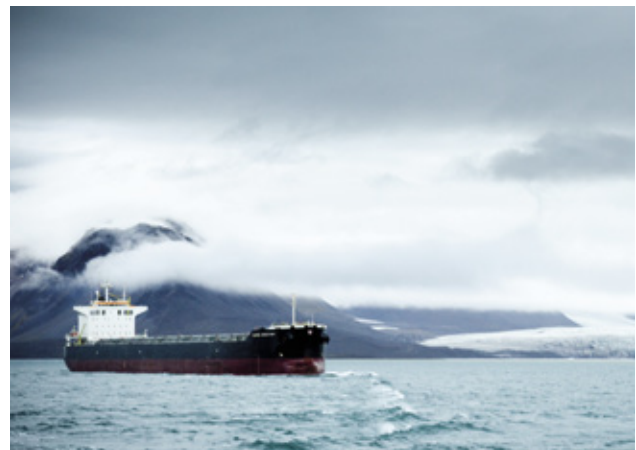
## Whistleblowing

NORDEN's whistleblowing system SafeLine is a means to create transparency within the organisation. The system was launched

in 2011 and provides all employees, the Executive Management and members of the Board of Directors with safe access to report any violations of law and regulation, NORDEN's Employee Code of Conduct, policies and guidelines or other serious irregularities. In 2012, there were no reports.

## Employee Code of Conduct

It is important for NORDEN that our employees are not uncertain about how to behave in a given situation, which is why it is essential to provide transparency and create easy access to all our policies and guidelines. Therefore, NORDEN has developed an Employee Code of Conduct which assembles all our existing values, business principles, guidelines, policies as well as relevant international principles and regulations. The Code will be distributed to our employees in connection with the overall CSR anchoring campaign in the beginning of 2013.



The Panamax dry cargo vessel NORD DESTINY at Svalbard, Norway.

## FUTURE TARGETS

### CSR report

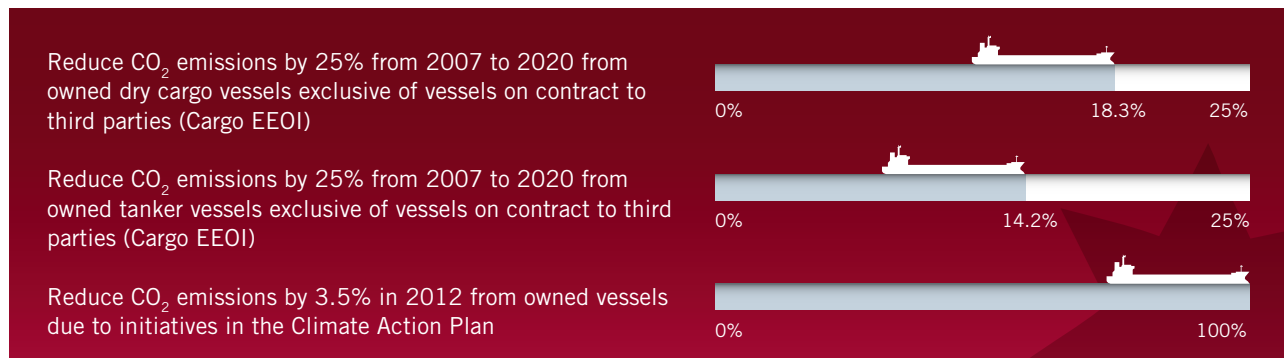
**2013-2015 target:** publish an annual CSR report

### Carbon Disclosure Project (CDP) report

**2013-2015 target:** publish an annual CDP report which qualifies for a place in the Leadership Index

# CO<sub>2</sub> EFFICIENCY

We focus on reducing CO<sub>2</sub> emissions, as the reduction of these are proportionally linked with the reduction of our vessels' fuel consumption and hence our costs.



NORDEN aims to reduce CO<sub>2</sub> emissions from owned vessels, exclusive of vessels on contract to third parties, by 25% by 2020 compared to the 2007 level, which is in line with the target set by the Danish Shipowners' Association. To reach this target, NORDEN has decided to focus on three different areas: technical improvements, speed optimisation and to maintain a young, modern and fuel efficient fleet.

## Technical Improvements

In 2007, NORDEN decided to develop a climate action plan covering a range of fuel saving initiatives to be implemented on board our owned vessels.

In 2012, NORDEN's 10 Climate Action Plan initiatives helped reduce CO<sub>2</sub> emissions from owned vessels by 7.7% thereby more than meeting our target of 3.5%. This reduction is included in the total CO<sub>2</sub> emissions reduction data for owned vessels (EEOI) described in the paragraph "Total reduction of CO<sub>2</sub> emissions".

The illustration on page 9 shows how large a share of the CO<sub>2</sub> reduction each initiative contributed with in proportion to the overall CO<sub>2</sub> emissions reduction of 7.7%. The initiative which helped reduce CO<sub>2</sub> the most is propeller cleaning. All the initiatives are described in table 2, annex 1, page 19.

The effect of the initiatives are calculated based on assumptions about engine size, engine type, voyage conditions as well as guidelines from IMO and Intertanko.

## Speed optimisation

In addition to the technical measures outlined above, NORDEN focuses on performance-driven operation and makes use of both right steaming and virtual arrival voyages<sup>3</sup> to reduce fuel consumption and, consequently, CO<sub>2</sub> emissions. Both of these focus areas have yielded significant results.

Right steaming entails sailing with the optimal speed according to the framework set, i.e. time versus cost. Our performance systems enable us to monitor the vessels' speed and consumption of fuel and thereby determine the optimal speed. The systems also create greater transparency enabling us to streamline procedures and voyages continuously.

NORDEN had 9 virtual arrival voyages in 2012, carried out by Norient Product Pool, compared to only 1 in 2011. This is partly due to the automation of our system, where the operators are prompted by our in-house IT system when a voyage would benefit from becoming a virtual arrival voyage. We are pleased with this positive development, as virtual arrival holds benefits for the customer, the environment and NORDEN. In 2012, NORDEN's virtual arrival voyages resulted in total savings of approximately 289 metric tons of CO<sub>2</sub> emissions and 92 metric tons of bunker, which corresponds to savings of approximately USD 54.000<sup>4</sup>. These savings are distributed equally among the involved parties.

## Total reduction of CO<sub>2</sub> emissions (see EEOI explanation page 9)

	Cargo EEOI		Total EEOI	
	CO <sub>2</sub> emissions reduction in % since 2007	CO <sub>2</sub> grams per ton of cargo per nautical mile in 2012	CO <sub>2</sub> emissions reduction in % since 2007	CO <sub>2</sub> grams per ton of cargo per nautical mile in 2012
Dry Cargo	Owned vessels exclusive of vessels on contract to third parties	18.3%	4.7	7.7
	Owned and operated vessels exclusive of vessels on contract to third parties	4.4%	5.5	7.9
Tankers	Owned vessels exclusive of vessels on contract to third parties	14.2%	8.4	14.5
	Owned and operated vessels exclusive of vessels on contract to third parties	11.3%	8.3	16.1

3) Virtual arrival is a partnership between NORDEN, the customer and a weather routing company with the aim of reducing CO<sub>2</sub> emissions and thereby also bunker costs.

4) Based on Rotterdam fuel prices, 31 December 2012.



### Modern fleet

Investments in fuel efficient vessels are an essential part of our strategy to maintain a young, modern and fuel efficient fleet.

In 2012, NORDEN ordered 2 ECO Handysize tankers at the GSI Shipyard in China. They have approximately 20% lower fuel consumption than comparable existing designs. NORDEN owns 16 tankers and has in addition a total of 6 ECO tankers for delivery. In 2012, NORDEN ordered 1 ECO Panamax ice-class dry cargo vessel with about 25% lower fuel consumption than comparable designs.

End 2012, NORDEN's fleet consisted of a total of 16 ECO vessels for delivery. Besides investments in new fuel efficient vessels, NORDEN continuously evaluates how existing vessels can be optimised, e.g. through retrofitting.

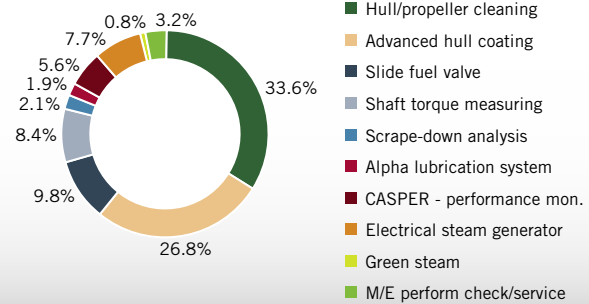
### Total reduction of CO<sub>2</sub> emissions

In order to ascertain how far we have come in reaching our target of reducing CO<sub>2</sub> emissions from owned vessels, exclusive of vessels on contract to third parties, by 25% by 2020 compared to the 2007 level, we use the International Maritime Organisation's (IMO) Energy Efficiency Operational Indicator (EEOI). It enables us to compare our yearly CO<sub>2</sub> reduction regardless of changes in fleet size. The EEOI is defined as: CO<sub>2</sub> emitted per metric ton of cargo transported per nautical mile sailed.<sup>5</sup> A more detailed description of the IMO standard can be found on their website.<sup>6</sup>

EEOI is a complex dimension, and it should be noted that it is not meaningful to compare different vessel segments, types and sizes since the volume of cargo transported per nautical mile sailed can vary depending on the specific vessel segment and type. For instance in dry cargo, a Capesize vessel (180,000 tons deadweight) can transport more cargo per mile sailed than a Handysize vessel (38,000 tons deadweight). It is part of NORDEN's business model to operate different vessel types and sizes, and therefore the choice of fleet composition is a commercially driven decision, which will impact EEOI values irrespective of the efficiency of the individual vessels.

This year, NORDEN has decided to disclose our Cargo EEOI performance in addition to the total EEOI performance, which we disclosed last year. One reason for this decision is that the total EEOI is affected by changing business conditions which causes fluctuations in the EEOI. These parameters include cargo availability, waiting time, port stays, etc., which are factors not manageable by the vessel operator. By focusing on the Cargo EEOI, we focus on the part of the voyage when the ves-

### Climate Action Plan



Note: The efficiency of the initiative depends on its degree of implementation, i.e. how many vessels the initiative has been implemented on.

sel is carrying cargo. In doing so, it is possible to compare a similar condition over a period of time and thereby monitor the development of the vessel's performance without major external disturbance.

NORDEN's reduction of CO<sub>2</sub> emissions since 2007, calculated using both Cargo EEOI and Total EEOI, is illustrated in the table page 8. For instance, the 19.3% CO<sub>2</sub> emissions reduction since 2007 for owned tanker vessels, exclusive of vessels on contract to third parties, is due to the increased use of MR tankers which can transport proportionally more tons of cargo per ton of fuel consumed per nautical mile sailed than, for instance, a Handysize tanker. The increase in CO<sub>2</sub> emissions of 0.7% since 2007 for owned dry cargo vessels, exclusive of vessels on contract to third parties, can be explained by changes in trading patterns, i.e. there are more ballast voyages than in 2007, by longer port stays and by the use of smaller vessels.

As mentioned, our CO<sub>2</sub> emissions reductions are a result of a combination of different focus areas and activities: NORDEN's Climate Action Plan initiatives (technical improvements), right steaming and virtual arrival voyages (speed optimisation) and investments in fuel efficient vessels (maintaining a modern fleet).

Currently, there are no official EEOI benchmarks. In future, it is NORDEN's hope that more companies will report on EEOI and that an EEOI benchmark will develop as this will create more transparency within the area of CO<sub>2</sub> emissions.

A complete outline of our CO<sub>2</sub> emissions and overall environmental performance can be found in table 1, annex 1, page 18.

## FUTURE TARGETS

**Energy Efficiency Operational Indicator – EEOI**      **2020 target:** 25% reduction in relative CO<sub>2</sub> emissions from owned vessels exclusive of vessels on contract to third parties by 2020 from the 2007 level

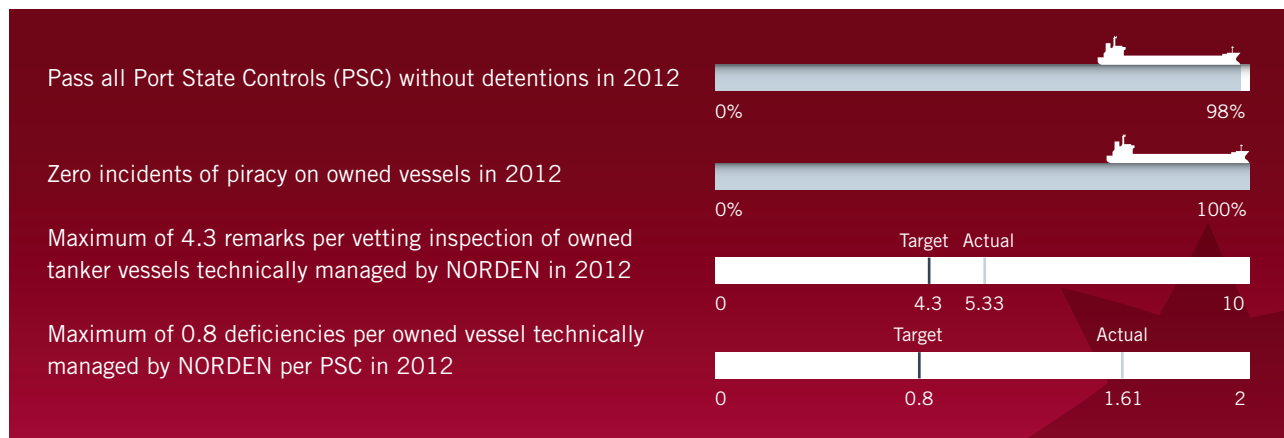
**Climate Action Plan**      **2013 target:** 4% reduction in CO<sub>2</sub> emissions from owned vessels

5) NORDEN only calculates EEOI for voyages where NORDEN controls the operation of the vessel. Time charter voyages are excluded from EEOI as NORDEN does not control the operation of the vessel and therefore has no influence on various parameters affecting EEOI, including cargo utilisation and speed orders. In the 2011 CSR report, the distance used to calculate Total EEOI included both laden and ballast voyages. According to the EEOI formula, only laden distances should have been used. Therefore, the calculation method has been corrected, and the data since 2007 has been recalculated.

6) [www.transport.gov.pl/files/0/1790756/GHG231.pdf](http://www.transport.gov.pl/files/0/1790756/GHG231.pdf).

# VESSEL SAFETY

Vessel safety is a key priority and focus area for NORDEN. We invest numerous resources to ensure that our vessels are safe and operated to a high quality and standard.



## Vetting

Historically, vettings are conducted on behalf of oil companies which are focused on the safety and environmental operation of the tanker fleet such as reducing the exposure to any risk related to the operation of vessels. NORDEN's vessels are eligible for time charter by oil majors.

In 2012, we continued our vetting efforts and had an average of 5.33 vetting remarks, compared to an industry average of 5.90.<sup>7</sup> In 2011, NORDEN had 4.76 remarks. There are different reasons for the increased number of remarks. The trading of the fleet has changed requiring the vessels to be inspected by customers with different views on vetting inspection and this has caused the number of observations to rise. Furthermore, fleet growth has resulted in a relatively high number of new crew members.

## Port State Control (PSC)

A PSC is an inspection of vessels which call at ports to verify that the condition of the vessel and its safety equipment comply with the requirements of international regulations and that the vessel is manned and operated in compliance with these rules. In 2012, we had an average of 1.61 deficiencies per owned vessel technically managed by NORDEN per PSC, which means that we did not reach our target. There is no clear indication of the overrun of the target, but a general action plan has been initiated in order to mitigate the number of deficiencies.

In 2012, we exceptionally experienced 2 detentions out of 85 Port State Controls. In November 2012, NORD THUMBELINA (IMO No. 9309978) was detained in Omisalj, Croatia, for 1 day as the Master on board was under the influence of alcohol. In

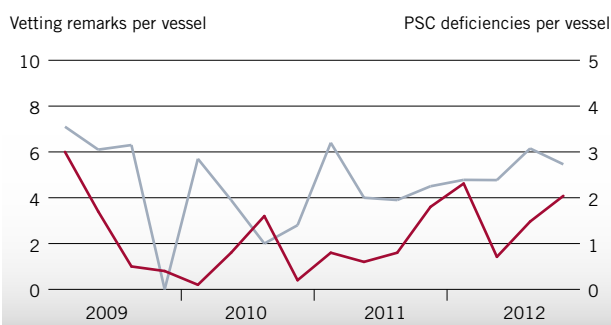
order to avoid a recurrence, NORDEN has strengthened the control procedures to ensure that our alcohol and drug policy is adhered to. Moreover, the Master is no longer employed by NORDEN. Also in November 2012, NORD SEOUL (IMO No. 9544736) was detained in Santander, Spain, for 3 days. The detention was not related to any technical or security issue, but was without factual basis. NORDEN has challenged the detention through the flag state as it is not considered that the allegedly insufficient documentation qualifies the vessel to be detained.

## Incidents at sea

NORDEN constantly strives to ensure that our vessel operations are as safe as possible. During the year, we did not have any incidents that had an impact on the external environment.

## Vetting and Port State Controls (PSC)

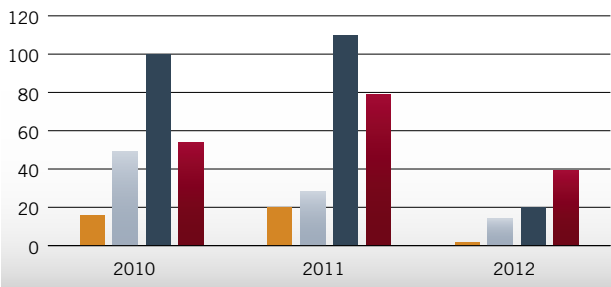
- PSC - deficiencies per vessel
- Vetting - remarks per vessel



<sup>7</sup>) The Tanker Safety Forum's benchmark is used as industry benchmark (end October 2012).

### Actual and attempted attacks by Somali pirates (global figures)

■ Boarded      ■ Fired upon  
■ Hijacked      ■ Attempted Boarding



Source: ICC International Maritime Bureau's 2012 report on "Piracy and armed robbery against ships". The data covers the following areas: Somalia, the Gulf of Aden, the Red Sea, the Arabian Sea and the Indian Ocean. Boarded vessels are vessels that were boarded but not successfully hijacked.

### Piracy

NORDEN has adopted basic principles for anti-piracy measures which can be summed up in three words: avoid, detect and delay pirate attacks. NORDEN has not had any incidents of piracy on our vessels in 2012.

NORDEN maintains the focus on having comprehensive anti-piracy instructions and guidelines as well as protective measures in accordance with the BMP4<sup>8</sup> standards. In 2012, we used independent external security experts to assess some of our vessels in regards to security equipment and procedures. These inspections help us in assessing whether there are areas where we could increase our efforts.

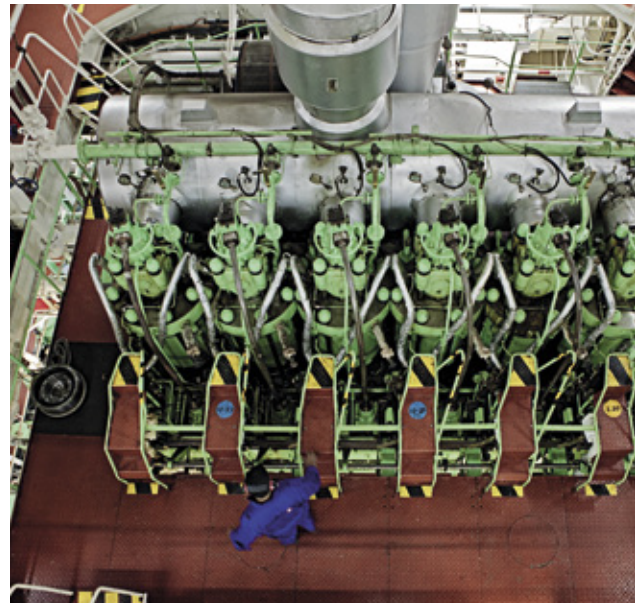
The proposal to alter the procedures for armed guards on vessels, as mentioned in last year's CSR report, has been approved. Danish shipowners have obtained a 1-year permission allowing the use of armed guards on board their vessels. Still, NORDEN has decided to continue assessing the necessity of using armed guards on a case-by-case basis.

Piracy off the coast of Somalia and in the Gulf of Aden has decreased considerably. This is due to a combination of different

factors such as the continued presence of the navy in the area, the increased use by shipowners of armed guards on board their vessels as well as shipowners using the BMP<sup>9</sup> standards more efficiently.

Off the coast of West Africa in the Gulf of Guinea, the increased patrolling by national navy fleets has resulted in a decrease in the number of incidents of hijacking and suspicious approaches. However, the level of pirate attacks remains the same as last year. Another trend is that the risk zone has been expanded, which means that the pirates' operational range has increased. This is illustrated by the hijacking of a tanker vessel off Abidjan in the Ivory Coast. In light of these trends, NORDEN has decided to strengthen our procedures when sailing off the coast of West Africa in the Gulf of Guinea.

A negative development is seen in South East Asia, where vessels' cargoes are being stolen. Recently, tanker vessels have been hijacked and their cargo stolen. NORDEN monitors this development closely.



*Proper vessel maintenance is essential to ensure optimal vessel conditions and vessel safety. Here, the main engine on NORD GOODWILL is inspected.*

## FUTURE TARGETS

**Vetting (owned tanker vessels technically managed by NORDEN)**      **2013-2015 target:** vetting remarks below peer group benchmark average (as measured by Tanker Safety Forum Benchmark and Boston Consulting Group Benchmark)

**Port State Control (PSC) (owned vessels technically managed by NORDEN)**      **2013-2015 target:** deficiencies per owned vessel technically managed by NORDEN per PSC below peer group benchmark average (as measured by Tanker Safety Forum Benchmark and Boston Consulting Group Benchmark)

**2013-2015 target:** aim towards having the same level of performance regarding deficiencies per owned vessel technically managed by NORDEN per PSC in Dry Cargo as in Tankers

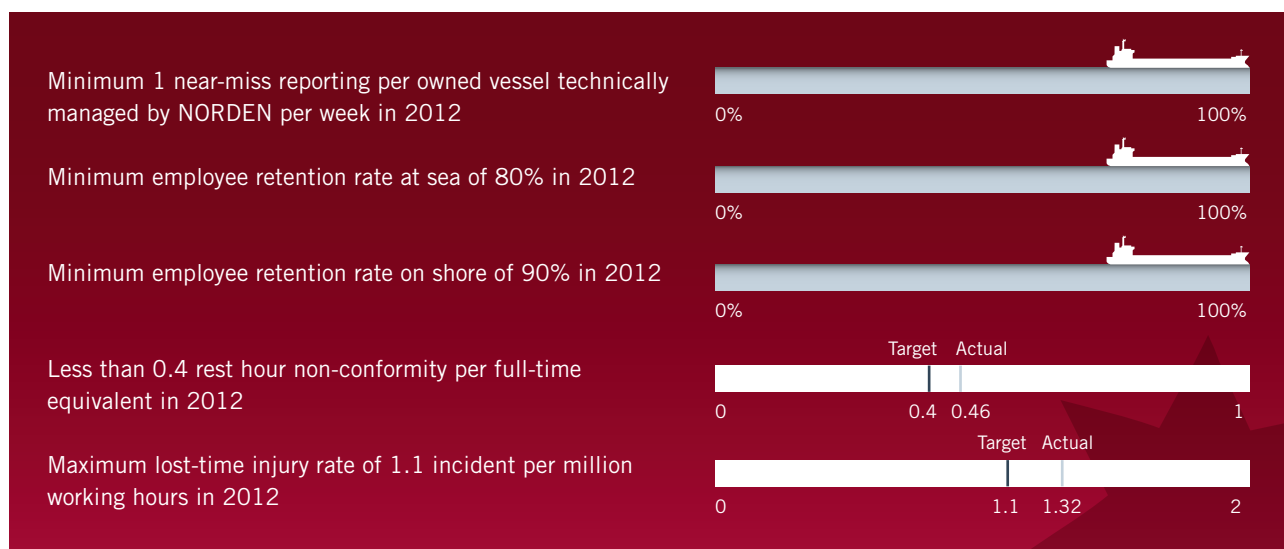
**Piracy**      **2013-2015 target:** we will continue to strive for zero incidents of piracy on owned vessels

8) BMP4: Best Management Practices to Deter Piracy off the Coast of Somalia and in Arabian Sea Area, Version 4 August 2011.

9) BMP: Best Management Practices to Deter Piracy off the Coast of Somalia and in Arabian Sea Area.

# EMPLOYEE CONDITIONS

NORDEN aims to be a "preferred employer" at sea as well as on shore. To reach this target, we focus, among other things, on providing our employees with a safe and healthy working environment, both physical and psychological.



## Rest hours at sea

NORDEN complies with regulations and conventions concerning working hours, rest hours, rest facilities and leave to ensure a safe and healthy working environment for our employees.

In 2012, we had 0.46 rest hour non-conformity per full-time equivalent, meaning 0.46 breaches per 1 crew member on board a vessel during 1 month. NORDEN will continue to strive to reach our target.

## Lost-Time Injury (LTI) at sea

The Lost-Time Injury (LTI) frequency rate provides us with an overview of the number of injuries in the past year giving us a tool to evaluate whether the safety initiatives work. We measure the LTI frequency rate in work-related incidents per 1 million working hours which cause absence from work for more than one working day. The LTI frequency rate is measured as an average over the past 12 months. In 2012, our LTI frequency rate was 1.32, which means that we nearly reached our target of 1.1.

Total Recordable Case Frequency (TRCF), which indicates the number of incidents that have resulted in medical treatment, is another indicator, which NORDEN measures. In 2012, it was 3.29 per 1 million working hours, which is an increase from 2.23 in 2011. The increased number of minor injuries was analysed, and injuries to hands and forearms were found to be over-represented. To assist the ship management in the safe operation of the vessels, a safety campaign with focus on this issue in particular and safety culture in general was established.

## Incidents

Unfortunately, there was one fatal accident in 2012. The chief engineer on NORD GOODWILL drowned after falling from the pilot ladder when trying to get onto a service boat. Even though all existing safety measures were met, he could unfortunately not be saved. Since the incident, NORDEN has decided to add a new measure to our safety procedures. NORDEN has of course been in contact with the relatives as well as the authorities in Denmark and Ghana where the vessel was at port.

## Near-miss reporting at sea

NORDEN also focuses on reporting on near-misses as a safety awareness indicator. Near-misses refer to situations, which could have led to an accident if they had further developed. The goal is to receive as many reports as possible as they reflect the employees' focus on safety. We had an average of 1.44 near-miss reporting per owned vessel technically managed by NORDEN per week, thus meeting our target of minimum 1 near-miss reporting per vessel per week.

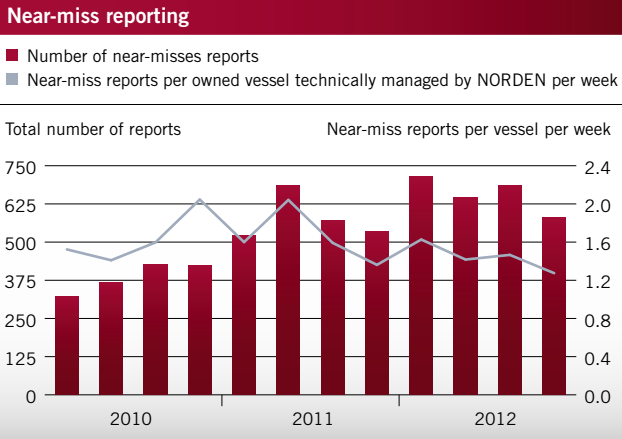
## Employee retention rate at sea

NORDEN's goal is to maintain our high retention rate at sea by continuously focusing on providing a safe, healthy and attractive working environment. Our retention rate was 80.5%, hence meeting our target of minimum 80%.<sup>10</sup>

In 2012, no discrimination incidents at sea was reported.

<sup>10</sup> This retention rate is not the same as the one requested by oil majors, as this reported retention rate includes data from both officers and crew, while the one provided to oil majors only includes officers.





### Employees on shore

NORDEN promotes a working culture where employees are valued, appreciated and heard. We believe that competence development is important, and therefore, training is a natural part of an employee’s work. We continuously focus on maintaining a good working environment which we can see reflected in our retention rate of 90%.

We had planned to conduct our next employee survey, called Cultural Performance Driver, in the autumn of 2012. However, due to implementation of our new IT system, we have decided to postpone the survey to avoid overburdening our employees. The survey will be held in the first quarter of 2013. In addition, a workplace assessment will be held in the beginning of 2013, where the focus will be on the physical and psychological working environment. These two surveys will enable us to structure our work in the coming year and assess which initiatives would be relevant to develop and implement.

We are still facing the same challenges as last year concerning gender distribution in NORDEN. We are aware that, historically, shipping is primarily a male profession and therefore, we aim at creating a more balanced distribution between men and women when possible. This focus has been strengthened with the introduction of new Danish legislation on gender equality

in companies’ Board of Directors and management, which will come into effect in April 2013. Companies must have a policy to increase the share of the underrepresented gender in the Board of Directors and management levels, set target figures as well as communicate on progress. In the first quarter of 2013, the Board of Directors will set a target figure for the share of underrepresented gender in the Board, as well as develop a policy to increase the share of the underrepresented gender in NORDEN’s other management levels.

In 2012, no discrimination incidents on shore was reported. NORDEN endeavours to provide a working environment which is tolerant, respectful and inclusive and in which everyone has equal opportunities regardless of their religion, ethnicity, age, etc.

We have partnered with Specialisterne’s youth education programme to create a tailored educational opportunity for young people at the age of 16 to 25 with a diagnosis classified within the autism spectrum. The project is advancing positively, going from empirical investigations to more operational exercises and actions. These results will form the basis of developing the educational opportunity.

Other employee data, both at sea and on shore, can be found in tables 4 to 7, annex 1, pages 19-20.



All first and second year Shipping and Finance Trainees in NORDEN worldwide. In 2012, 9 Shipping Trainees completed their two years training programme and continued their careers at NORDEN.

## FUTURE TARGETS

<b>Rest hours</b>	<b>2013 target:</b> less than 0.4 rest hour non-conformity per full-time equivalent (owned vessels technically managed by NORDEN)
<b>Lost-time Injury (LTI)</b>	<b>2013 target:</b> maximum 1 incident per million working hours (owned vessels technically managed by NORDEN)
<b>Near-miss reporting</b>	<b>2013-2015 target:</b> minimum 1 near-miss reporting per owned vessel technically managed by NORDEN per week
<b>Retention rate at sea</b>	<b>2013-2015 target:</b> minimum employee retention rate of 80%
<b>Retention rate on shore</b>	<b>2013-2015 target:</b> minimum employee retention rate of 90%

# ENVIRONMENTAL MANAGEMENT

NORDEN's business has an impact on the environment, and therefore, we focus on reducing our environmental footprint.



## Sulphur oxide (SO<sub>x</sub>)

We aim at reducing our emissions of SO<sub>x</sub> through purchase of bunker<sup>11</sup> with reduced sulphur content as emissions of SO<sub>x</sub> are harmful to people and the environment. In 2012, NORDEN's weighted average sulphur content was 2.31% for the total bunker purchased for our operated vessels, reaching our target of 2.45%. After recommendation from Det Norske Veritas (DNV), who verifies the environmental data in our CSR report, we have gone from reporting on simple average sulphur content to weighted average sulphur content as the latter gives a more fair depiction of our SO<sub>x</sub> emissions.

Two SO<sub>x</sub> regulations came into effect in 2012. These were the introduction of a global limitation of sulphur content to 3.5% and

the introduction of a new Emissions Control Area (ECA) comprising Canada and the USA, where the sulphur content limit is 1%.

The first regulation did not have a business impact on NORDEN as we have mainly bought bunker with a sulphur content of less than 3.5% since October 2011. The second regulation increased our bunker costs as bunker with a sulphur content limit of 1% is approximately 5-15% more expensive than that containing 3.5% depending on where you purchase it. As predicted, more ports have begun offering bunker with a sulphur content of maximum 1%, but it is still in the early stages, and the price level has consequently not been affected much. In the coming year, we expect that even more ports in the USA will supply maximum 1% sulphur which can lead to a decrease in costs.



The MR product tanker NORD GOODWILL at Kalundborg, Denmark.

In January 2015, all ECAs will introduce a sulphur content limit of 0.1%, which is a huge challenge as it is doubtful that enough low sulphur fuel oil will be available in 2015. Consequently, we will have to use gas oil instead of fuel oil and this may result in an increase of more than 50% in bunker costs when sailing in the ECAs. For NORDEN and the rest of the shipping industry, this increase is likely to cause rising freight rates in all ECAs.

## Impact from bunker quality

Due to significantly deteriorating bunker quality with increasing amounts of catalytic fines in the bunker oil and due to the fact that the refining industry has increased the catalytic cracking, we frequently see accelerated wear on main engines. NORDEN as well as other shipping companies are therefore incurring increasing and substantial costs in relation to repairs, maintenance and cleaning of bunker tanks. In general, the industry would benefit from improved standards for fuel oil from the refining industry.

11) Bunker is the fuel oil used by vessels.





The MR product tanker NORD GOODWILL approaching Kalundborg, Denmark.

### Waste

Waste from our vessels is disposed of in accordance with the rules set forth by the IMO. NORDEN's target was to reduce waste (exclusive of category 4 i.e. cargo waste)<sup>12</sup> from owned vessels technically managed by NORDEN by 5%. NORDEN reached this target with a reduction of 8%. To get an overview of our waste progress, please consult table 1, annex 1, page 18. The MARPOL regulations have been updated, and to comply with the new requirements, NORDEN has updated our procedures accordingly.

### Ballast water management

Only the first part of the IMO's ballast water management convention from 2004 has come into effect, requiring ballast water to be exchanged during the ballast voyage. The second part of the convention addresses the requirement to clean the ballast water of all organisms before it is pumped out into the sea. This is the part of the convention which poses a challenge as the technology is still undergoing development, and currently, there is no ballast water treatment system in the market which functions under all climate conditions.

We continuously monitor the pros and cons of the different technologies, and approximately one-third of our vessels have been prepared for the installation of ballast water treatment systems in the building process, to ensure the most optimal solution from the beginning.

### On shore energy consumption

As part of our energy partnership with DONG Energy, an "energy check" of our headquarters in Copenhagen was conducted to assess where energy efficiency investments could be made. The result was quite positive and highlighted that our building is energy efficient and many of our previous investments have paid off. NORDEN is currently looking into the initiatives proposed in the report to assess if some of these could be relevant to engage in.

We reached our target to reduce our energy consumption per employee from 2011. In 2012, NORDEN's average energy consumption including all overseas offices was 5.6 MWh per employee compared to 5.8 MWh in 2011.

## FUTURE TARGETS

**SO<sub>x</sub>**      **2013 target:** reduction of weighted average sulphur content in total bunker purchased to 2.35%

**Waste**      **2013 target:** reduce waste from owned vessels technically managed by NORDEN by 3.5% (exclusive of category 4 i.e. cargo waste)

**CO<sub>2</sub> on shore**      **2013 target:** reduce energy consumption per employee from 2012

<sup>12</sup>) NORDEN's waste on board is categorised in six categories in accordance with the MARPOL convention.

# ANTI-CORRUPTION

Industry cooperation and governmental support and action are essential to minimise both actual corruption incidents as well as the corruption mindset. It is not a problem that companies can solve individually.

Maintain our efforts within the Maritime Anti-Corruption Network

0%

100%

## Maritime Anti-Corruption Network

During 2012, NORDEN continued our work in the Maritime Anti-Corruption Network (MACN) and became part of MACN's Steering Committee. In the course of the year, MACN has developed an operating charter, anti-corruption principles and an anti-trust policy.

Several working groups have also been formed, and NORDEN actively participates in two of these. The working groups' tasks will help MACN reach some of its short-term ambitions such as *translate 'anti-corruption' into specific issues and challenges for shipping; map and grade the challenges and issues facing shipping companies; establish a pilot project and take a common approach and long-term ambitions such as find political support for the ideas and projects pursued by the network and influence stakeholders and cooperate with authorities and governments and make a political impact in the affected areas.* The full list of the network's short-term and long-term ambitions can be found on our website.<sup>13</sup>

## Facilitation payments

NORDEN is in the process of developing registration procedures for facilitation payments<sup>14</sup> which will enable us to monitor and record facilitation payments. This makes it possible for us to assess where the demands for facilitation payments come from, who demands them and what the reasons behind the demands are. This knowledge is essential to enable us to reach our target of reducing facilitation payments.

## MACN'S VISION AND MISSION

### Vision

*"A maritime industry free of corruption that enables fair trade to the benefit of society at large."*

### Mission

*"To promote good corporate practice in the maritime industry for tackling bribes, facilitation payments and other forms of corruption by developing and sharing best practice, creating awareness of the challenges and collaborating with key stakeholders to develop sustainable solutions."*



## Policy and programme

In addition, NORDEN has updated our anti-corruption policy from 2009 and it now reflects our current work and focus within anti-corruption.

The updated policy covers bribery, facilitation payments and our whistleblowing system SafeLine. The policy is available on our website.<sup>15</sup>

## FUTURE TARGETS

### Anti-corruption compliance programme

**2013-2015 target:** establish an anti-corruption compliance programme including training and train all NORDEN employees on shore and at sea

### Facilitation payments

**2013-2015 target:** reduce facilitation payments through our anti-corruption compliance programme and work in the Maritime Anti-Corruption Network

13) [www.ds-norden.com/profile/csr/anticorruption/](http://www.ds-norden.com/profile/csr/anticorruption/)

14) Facilitation payment is a small payment made for a service to which a party has a legal right or other entitlement.

15) [www.ds-norden.com/profile/csr/anticorruption/](http://www.ds-norden.com/profile/csr/anticorruption/)



# RESPONSIBLE SUPPLY CHAIN MANAGEMENT

As a responsible company, NORDEN has begun focusing on cooperating and engaging in dialogue with suppliers to ensure decent social, economic, ethical and environmental conditions.

## UN Guiding Principles on Business and Human Rights

Traditionally, companies only focused on respecting and minimising their adverse impacts on few specific human rights such as discrimination. However, with the implementation of the UN Guiding Principles on Business and Human Rights, companies are expected to ensure that their business operations do not have adverse impacts on any human rights listed in the International Bill of Human Rights. In addition, the principles emphasise a process-oriented approach, where both the supplier as well as the specific company should develop and implement the following 3 processes: a policy statement, due diligence and remediation. NORDEN will start developing and implementing these processes in 2013.

The UN Guiding Principles are still quite new and not many companies have updated and aligned their responsible supply chain management programmes with the principles. NORDEN has therefore decided to engage with other shipowners to find a common approach to the UN Guiding Principles.

## Industry cooperation

NORDEN has engaged in cooperation with several other Danish shipowners in developing a common industry toolbox for responsible supply chain management, including a Supplier Code of Conduct, a Supplier Self Assessment questionnaire and an implementation plan. The common tools are based i.a. on the general principles contained in the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the International Bill of Human Rights.



*The MR product tanker NORD GOODWILL at Kalundborg, Denmark.*

The chosen focus is on first-tier suppliers, and the suppliers are selected based on spend, dependency and frequency. In 2013, NORDEN will engage in dialogue with 5 suppliers. The Code and other documents do not merely address human and labour rights issues, but also environmental and anti-corruption issues.

A common approach will ensure consistency and prevent too many different Codes of Conduct at our suppliers as well as reduce costs and resource consumption in the short and long term both for the company but also for the supplier. In addition, together the companies can exert pressure on a supplier to ensure improvements within the areas of human and labour rights, environment and anti-corruption.

In 2013, a workshop will be hosted where purchasers and other relevant employees from the participating Danish shipowners will be trained within responsible supply chain management and the UN Guiding Principles.

## FUTURE TARGETS

The future targets include establishment and implementation of a responsible supply chain management system within the following two areas:

**Responsible procurement:  
first-tier suppliers**

**2013 target:** map suppliers, establish a responsible supply chain management system and test it by engaging in dialogue with 5 first-tier suppliers

**Third party vessels:  
ensure that third party vessels  
actually uphold classification  
and flag state requirements**

**2013-2015 target:** establish a responsible supply chain management system

# ANNEX 1: GRI, FACTS AND FIGURES

**Table 1: Environmental performance**

<b>Energy consumption</b>	<b>Unit</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Intermediate fuel oil (owned vessels operated by NORDEN)	1,000 mt	128.4	162.6	224.0	219.3
Marine diesel oil and marine gas oil (owned vessels operated by NORDEN)	1,000 mt	2.7	6.2	8.0	9.4
Intermediate fuel oil (other dry cargo vessels operated by NORDEN)	1,000 mt	567.4	572.6	710.3	654.1
Marine diesel oil and marine gas oil (other dry cargo vessels operated by NORDEN)	1,000 mt	8.3	10.4	12.2	14.3
Intermediate fuel oil (other tanker vessels operated by NORDEN in Norient Product Pool)	1,000 mt	121.8	94.7	97.7	140.7
Marine diesel oil and marine gas oil (other tanker vessels operated by NORDEN in Norient Product Pool)	1,000 mt	3.5	6.9	7.4	9.3
<i>Direct energy consumption by primary energy source <sup>(a)</sup></i>	<i>1,000 mt</i>	<i>832.1</i>	<i>853.4</i>	<i>1,059.6</i>	<i>1,047.1</i>
Electricity and district heating (offices)	MWh	1,177.9	1,366.6	1,410.9	1,377.6
Indirect energy consumption by primary source (offices)	TJ	4.2	4.9	5.1	5.0
<b>CO<sub>2</sub> emissions <sup>(b,c)</sup></b>	<b>Unit</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Total from owned vessels	1,000 mt	379.4	510.2	726.6	716.4
Other dry cargo vessels operated by NORDEN	1,000 mt	1,802.4	1,825.4	2,262.2	2,093.0
Other tanker vessels operated by NORDEN in Norient Product Pool	1,000 mt	392.4	318.4	329.4	470.1
Total direct CO <sub>2</sub> emissions (scope 1)	1,000 mt	379.5	510.2	726.7	716.4
Total indirect CO <sub>2</sub> emissions (scope 2)	1,000 mt	0.3	0.4	0.4	0.4
Total other indirect CO <sub>2</sub> emissions (scope 3)	1,000 mt	2,247.5	2,279.9	2,595.0	2,566.9
<b>Other air emissions (all operated vessels)</b>	<b>Unit</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
SO <sub>x</sub> emissions (weighted as SO <sub>2</sub> ) <sup>(d)</sup>	1,000 mt	37.1	34.7	42.5	46.9
NO <sub>x</sub> emissions (weighted as NO <sub>2</sub> ) <sup>(e)</sup>	1,000 mt	80.3	81.6	101.4	99.7
<b>Other resource consumption</b>	<b>Unit</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Waste (average per owned vessel technically managed by NORDEN per month) <sup>(f)</sup>	cbm	3.5	3.0	3.1	2.8

(a) The figure includes energy consumption on owned vessels, other dry cargo vessels operated by NORDEN and other tanker vessels operated by NORDEN in Norient Product Pool. In 2012, the direct energy consumption by primary energy source in joules was 42,186.57.

(b) CO<sub>2</sub> emissions from vessels are calculated from the fuel quantity consumed on a voyage times the duration of the voyage (calculated pro rata) times the CO<sub>2</sub> emissions factor for each bunker type (for residual fuel oil the CO<sub>2</sub> emissions factor is 3.13, and for marine diesel oil and marine gas oil the CO<sub>2</sub> emissions factor is 3.19 (source: "Second IMO GHG Study 2009").

(c) Scope 1 emissions include emissions from owned vessels operated by NORDEN and also emissions from owned company cars. Scope 2 emissions include emissions from land-based activities at NORDEN's offices worldwide, except from the Annapolis office since electricity is integrated in rental costs. Scope 3 emissions include emissions from chartered vessels, business travel by air transport and leased company cars.

(d) SO<sub>x</sub> emissions are weighted as SO<sub>2</sub> emissions since this is presumably what the emissions will become in time. SO<sub>2</sub> emissions are calculated from the fuel quantity consumed during the year times the average sulphur content in the bunker fuel (in 2012: 2.31%) times 0.02 since sulphur is about twice as heavy as oxygen. The formula is provided by MAN Diesel & Turbo SE. The figures stated for 2009, 2010 and 2011 are the simple average sulphur content while the figure for 2012 is the weighted average sulphur content. NORDEN will continue to report on the weighted average sulphur content, as it gives a more fair depiction of our SO<sub>2</sub> emissions.

(e) NO<sub>x</sub> emissions are weighted as NO<sub>2</sub> emissions since this is presumably what the emissions will become in time. NO<sub>2</sub> emissions are calculated from the energy that the main engine produces times the Tier I NO<sub>x</sub> limit which is 17 gr/kWh, as NORDEN's owned and operated vessels are Tier I compliant. The energy produced is calculated using the fuel oil consumed in kg divided by the SFOC which in this case is estimated to be 0.173 kg/kWh (source "Project Guide for MAN S50MC-C7 two-stroke engine, 6th Edition, January 2009").

(f) Category 4 Cargo waste is no longer included in the basis for calculating waste, which explains the deviations in the figures from the ones published in the CSR report for 2011.

**Table 2: Climate Action Plan**

1. **Slide fuel valves for main engines:** improves the combustion of main engine and ensures a cleaner engine.
2. **CASPER- Vessel performance monitoring:** ensures an overview of the development of the fuel efficiency for each individual vessel in the fleet.
3. **Alpha lubricator system** for the main engines: ensures an effective dosage of cylinder lubrication oil and a reduction of the cylinder oil consumption can be obtained.
4. **M/E cylinder oil scrape down analysis** for the main engines: ensures an effective dosage of cylinder lubrication oil via the Alpha Lubricating System and a reduction of the cylinder oil consumption can be obtained.
5. **Shaft torque monitoring system:** ensures an on-line real-time monitoring of the propulsion power delivered to the propeller.
6. **Electrical heater:** Instead of using the large capacity oil fired boiler to “top up” steam at low engine loads and/or in cold weather a small electrical heating system can be installed and efficiently generate the required “top up” steam.
7. **Advanced hull coating:** reduce marine growth on the underwater hull.
8. **Propeller cleaning:** adoption of propeller cleaning on an average 6 months basis.
9. **Increased service and check of main engine performance.** More frequent check and service intervals of:
  - the turbo charger
  - fuel oil pump
  - air cooler
10. **Funding of environmental research, for instance Green steam:** on board decision making system that can guide the master to achieve the best possible trim for the actual condition of the vessel as the trim can have significant effect on the resistance of a vessel.

**Table 3: Active core fleet, 31 December 2012**

	DIS flag, (Denmark)	SRS flag, (Singapore)	Other flags	Avg. years of operation
Owned vessels, Dry Cargo fleet	5	20	0	3.3
Owned vessels, Tanker fleet	12	4	0	4.8
Chartered vessels with purchase option, Dry Cargo fleet	0	2	42	2.6
Chartered vessels with purchase option, Tanker fleet	0	0	9	2.8
<b>Total active core fleet</b>	<b>17</b>	<b>26</b>	<b>51</b>	<b>3.4</b>

**Table 4: LA1 Total workforce by employment type, employment contract and region broken down by gender (Women= W, Men= M)**

<b>Employees at sea 2012</b>		<b>W</b>	<b>M</b>										
Full-time		1	883										
Part-time		0	0										
<b>Employees at sea 2012</b>		<b>W</b>	<b>M</b>										
Indefinite or permanent contract		1	121										
Fixed term or temporary contract		0	762										
<b>Employees on shore 2012</b>		<b>Copenhagen</b>		<b>Singapore</b>		<b>Shanghai</b>		<b>Mumbai</b>		<b>Rio de Janeiro</b>		<b>Annapolis</b>	
		<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>
Full-time		47	119	11	39	8	9	1	3	1	2	4	13
Part-time		12	5	0	0	0	0	0	0	0	0	1	0
<b>Employees on shore 2012</b>		<b>Copenhagen</b>		<b>Singapore</b>		<b>Shanghai</b>		<b>Mumbai</b>		<b>Rio de Janeiro</b>		<b>Annapolis</b>	
		<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>	<b>W</b>	<b>M</b>
Indefinite or permanent contract		57	110	10	37	8	8	1	3	1	2	3	12
Fixed term or temporary contract (e.g. trainees and maternity leave replacements)		2	14	1	2	0	1	0	0	0	0	2	1

**Table 5: LA2 Total number and rate of new employees hired and employee turnover by age group, gender and region**

Age	Employees at sea hired in 2012	Employees at sea that left NORDEN in 2012	Employees on shore hired in 2012	Employees on shore that left NORDEN in 2012
<30	198	11	21	11
30-50	194	60	13	13
>50	51	54	3	1
Gender	Employees at sea hired in 2012	Employees at sea that left NORDEN in 2012	Employees on shore hired in 2012	Employees on shore that left NORDEN in 2012
Women	2	2	10	8
Men	441	123	27	17
Region	Employees at sea hired in 2012	Employees at sea that left NORDEN in 2012	Employees on shore hired in 2012	Employees on shore that left NORDEN in 2012
Copenhagen			26	22
Singapore			5	3
Shanghai			4	0
Mumbai			0	0
Rio de Janeiro			0	0
Annapolis			2	0

**Table 6: Employment level**

2012	Copenhagen		Singapore		Shanghai		Mumbai		Rio de Janeiro		Annapolis	
	W	M	W	M	W	M	W	M	W	M	W	M
Management (general managers and above)	4	26	1	6	0	1	0	1	0	1	1	1
Employees excl. management	55	98	10	33	8	8	1	2	1	1	4	12
Management in % of total workforce	2%	14%	2%	12%	0%	6%	0%	25%	0%	33%	6%	6%
Gender distribution in % of management	13%	87%	14%	86%	0%	100%	0%	100%	0%	100%	50%	50%

**Table 7: LA6 Percentage of total workforce represented in formal joint-management worker health and safety committees that help monitor and advise on occupational health and safety**

Employees on shore	100%
Employees at sea	100%

Note: The Work Environment Committee covers all employees on shore. All employees at sea are covered by safety organisation consisting of a safety representative, a supervisor and the Master of the vessel.

**Table 8: Global Reporting Initiative**

The GRI indicators from last year's report have been revised in 2012 by the CSR Executive Body and the CSR Department. This process has led to a reduction from 14 performance indicators to 11 indicators aligned with the CSR strategy.











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

Table 9 page 21 depicts which UN Global Compact principle and GRI indicator the specific section in the report refers to, as well as the fulfillment of the GRI indicator. A GRI table that follows GRI's indicator in a chronological order can be found on our website.<sup>16</sup> Some of the indicators cannot be fulfilled merely via the CSR report; other sources such as the annual report 2012 and our accounting policies should also be consulted. This is the case for indicators 2.3, 2.5-2.9, and 4.1-4.3 which are located in our annual report 2012, and indicators 3.1-3.3, 3.6-3.9 and EN4 are located in our accounting policies on our website.

16) <https://www.ds-norden.com/profile/csr/csrreports/>



Table 9: GRI reporting and UNGC overview

NORDEN's CSR report	Location	UN Global Compact's principles	GRI indicator and fulfilment
NORDEN in brief On the right course NORDEN's performance Overview of NORDEN's business	Pages 2-5		Fully  Partially  1.1 Senior decision-maker statement 2.1 Name of the organisation 2.2 Primary brands, products, and/or services 2.3 Operational structure of the organisation 2.4 Location of organisation's headquarters 2.6 Nature of ownership and legal form 2.8 Scale of the reporting organisation 2.9 Significant changes in the reporting period 
CSR strategy	Page 6		3.5 Process for defining report content 4.14 Stakeholder groups 4.15 Engagement with stakeholders 
Transparency	Page 7		2.10 Awards received in the reporting period EC2 Financial implications and other risks and opportunities due to climate change 
CO <sub>2</sub> efficiency	Pages 8-9	7: support a precautionary approach to environmental challenges 8: undertake initiatives to promote greater environmental responsibility 9: encourage the development and diffusion of environmentally friendly technologies	EN16 Total GHG emissions 
Vessel safety	Pages 10-11	1: support and respect the protection of human rights 2: not complicit in human rights abuses 7: support a precautionary approach to environmental challenges 8: undertake initiatives to promote greater environmental responsibility	LT13 Detainment of ships by port inspectors 
Employee conditions	Pages 12-13	1: support and respect the protection of human rights 2: not complicit in human rights abuses 6: elimination of discrimination	HR4 Discrimination LT9 Policies for working hours, rest hours, etc. 
Environmental management	Pages 14-15	7: support a precautionary approach to environmental challenges 8: undertake initiatives to promote greater environmental responsibility 9: encourage the development and diffusion of environmentally friendly technologies	
Anti-corruption	Page 16	10: work against corruption in all its forms, including extortion and bribery	
Responsible supply chain management	Page 17		
Annex 1: GRI, facts and figures	Pages 18-21	1: support and respect the protection of human rights 3: uphold the freedom of association and the right to collective bargaining 7: support a precautionary approach to environmental challenges 8: undertake initiatives to promote greater environmental responsibility 9: encourage the development and diffusion of environmentally friendly technologies	3.5 Process for defining report content 3.10 Effect of any re-statements of information 3.11 Significant changes 3.12 GRI table 4.4 Shareholders and employee mechanisms EN3 Direct energy consumption EN4 Indirect energy consumption EN16 Total GHG emissions by weight EN17 Other relevant indirect GHG emissions LA1 Total workforce LA2 New employees hired and turnover LA6 Formal joint management committees LT1 Number of ships controlled 
Auditors' reports	Pages 22-23		
Back page	Page 24		3.4 Contact point for questions 

# AUDITORS' REPORTS

## PricewaterhouseCoopers' Independent Auditor's Report

### To the stakeholders of Dampskibsselskabet NORDEN A/S (NORDEN)

We have reviewed NORDEN's Corporate Social Responsibility Report 2012 (the CSR Report) for the purpose of expressing an opinion on the reliability of the 2012 non-financial data stated in the CSR Report and on whether the reporting has been prepared in accordance with Global Reporting Initiative's sustainability reporting guidelines (GRI G3.1), application level C+.

### Criteria for the preparation of the CSR Report

The non-financial data have been prepared in accordance with the criteria set out in tables 8 to 9 of the CSR Report and in the accounting policies. The accounting policies and the GRI G3.1 content index are available on [www.ds-norden.com](http://www.ds-norden.com).

These documents contain information on the scope of the CSR Report, types of data included and Management's reasons for choosing the data as well as the indicators included from GRI G3.1 and the GRI Logistics and Transportation Sector Supplement.

### Responsibilities and limitations

NORDEN's Management is responsible for preparing the CSR Report, including for establishing internal registration and control systems with a view to ensuring reliable reporting, specifying acceptable reporting criteria and choosing data to be collected. Based on our work, it is our responsibility to express an opinion on the reliability of the non-financial data and on whether the CSR Report has been prepared in accordance with GRI G3.1, application level C+.

The scope of the engagement has not included a review of energy consumption and emissions to air data. We refer to the statement prepared by DNV.

### Scope

We have planned and performed our work in accordance with the international standard on assurance engagements, ISAE

3000 ("Assurance Engagements Other Than Audits or Reviews of Historical Financial Information") for the purpose of obtaining limited assurance that

- the 2012 non-financial data in the CSR Report have been stated in accordance with the criteria mentioned
- the reporting has been prepared in accordance with GRI G3.1, application level C+
- the CSR Report meets United Nations Global Compact's requirements for annual communication on progress

The assurance obtained is limited compared to that of an audit engagement as our work has been limited to a review of documentation presented, enquiries and sample testing of information and data.

### Opinion

Based on our work, nothing has come to our attention causing us to believe that

- the 2012 CSR data in the CSR Report have not been stated in accordance with the criteria mentioned
- the GRI G3.1 indicators listed on NORDEN's website have not been stated and disclosed in accordance with GRI G3.1, application level C+
- the CSR Report does not meet United Nations Global Compact's requirements for annual communication on progress

We are thus able to state that nothing has come to our attention causing us to believe that NORDEN has not reported in a reasonable and balanced manner.

Copenhagen, 6 March 2013

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

  
Jens Otto Damgaard  
State-Authorised Public Accountant

  
Birgitte Mogensen  
State-Authorised Public Accountant

### Det Norske Veritas' assurance statement

DAMPSKIBSSELSKABET NORDEN A/S asked Det Norske Veritas, Business Assurance, Danmark A/S ('DNV') to verify data for 2012 according to the scope below. DAMPSKIBSSELSKABET NORDEN A/S is entirely responsible for the content of the data. DNV's responsibility is to DAMPSKIBSSELSKABET NORDEN A/S's management only, according to agreed terms and assuming that all information provided to us is true. This statement is intended for DAMPSKIBSSELSKABET NORDEN A/S management and broader stakeholders.

#### Scope of Assurance and Limitations

DNV verified in February 2013:

- the CO<sub>2</sub> emissions data for 2012 for scope 1, 2 and 3. Scope 1 defined as: owned vessels and owned company cars. Scope 2 defined as: electricity and heating at office premises. Scope 3 defined as: chartered vessels, leased company cars and business travel by airplane.
- SO<sub>x</sub> and NO<sub>x</sub> data
- EEOI data & Climate action plan

We reviewed:

- Excel sheets for accumulation of data and calculations
- Samples of reports / data from suppliers supporting the scope
- Accounting principles related to Climate and Energy and the application of these to the data collection and calculations

We evaluated the GHG data adherence to the three principles; Materiality, Reliability and Completeness, as set out in DNV's Protocol for Verification of Sustainability Reporting.

#### Verification Methodology

We planned and carried out the work in accordance with the DNV's Protocol for Verification of Sustainability Reporting. Through on-site verification of data, reporting tools, documents and interviews, we challenged the data presented in the Report.

Copenhagen, 12 February 2013  
For Det Norske Veritas,  
Business Assurance, Danmark A/S

#### Conclusions

In DNV's opinion, the Report paragraphs "CO<sub>2</sub> efficiency" and "Sulphur oxide (SO<sub>x</sub>)" and Annex 1 tables 1 and 2 provides a fair and credible representation of DAMPSKIBSSELSKABET NORDEN A/S's performance according to the defined scope.

The quality of emission and performance data is acceptable.

We evaluated adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

*Materiality;* Good. Scope 1 and 2 is defined and data collected accordingly.

*Reliability;* The specified performance information in the statements for 2012 is reliable. Data is based on internal or external sources of good quality.

*Completeness;* Good. According to the scope all material information is reported.

#### Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported back to the management of DAMPSKIBSSELSKABET NORDEN A/S. They are generally consistent with management objectives already in place.

- Calculation of average sulphur content of bunker is now complete and based on weighted-average calculation of sulphur content. The used excel tool does not give warnings on missing data. The further implementation of IMOS may give possibilities to implement automated data checks.
- It is expected that the quality of emission and performance data will improve with the implementation efforts related to IMOS.

#### DNV's Competence and Independence

DNV provides sustainability risk management services through qualified specialists worldwide. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality towards people interviewed during the assignment.



Uffe Pilgaard  
Lead Verifier



Jens Peter Høiseth  
Key Customer Manager

## Dampskibsselskabet NORDEN A/S

52, Strandvejen  
DK-2900 Hellerup  
Denmark

Telephone: +45 3315 0451  
Fax: +45 3315 6199  
www.ds-norden.com  
CVR no. 67 75 89 19

### Contact regarding the content of this report

Satnam Kaur Nanda-Jørgensen,  
CSR & Compliance Manager

Ulla Eithz Nielsen  
Director, CSR

Email: skn@ds-norden.com  
Telephone: +45 3271 0881

Email: uen@ds-norden.com  
Telephone: +45 3271 0890

## MISSION

Our business is global tramp shipping. We seek excellence through a dedicated team effort from competent and motivated people.

With ambition, reliability, flexibility and empathy, we

- focus on customers who benefit from our constant commitment to being an independent long-term partner.
- continue our long history of building valued relationships with shipowners and shipyards.

We will maintain a large modern fleet of owned and chartered tonnage, and – in a volatile market – we manage risks to constantly be able to develop our business and create shareholder value.

## VISION

THE PREFERRED PARTNER IN  
GLOBAL TRAMP SHIPPING.

UNIQUE PEOPLE.

OPEN MINDED TEAM SPIRIT.

NUMBER ONE.

## VALUES

### FLEXIBILITY

Adapt and find better solutions.

### RELIABILITY

Honest, good intentions and no cheating.

### EMPATHY

Respect diversity in people and opinions.

### AMBITION

Think ambition into every activity.

**24\*7 seas**



[www.ds-norden.com](http://www.ds-norden.com)