



SUSTAINABILITY REPORT

2018



Sustainability Report

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Introduction to Blue Water Shipping

Blue Water Shipping is a global transport and logistics provider offering tailor-made transport and freight solutions. We handle all types of cargo - from small parcels to entire oil rigs from one continent to another. Blue Water's services are offered worldwide through our comprehensive network of own offices and through cooperation with trusted business partners.

Our vision is to be 'Best in Town'. We want to be the preferred provider of transport and logistical solutions within selected business areas and locations.

The foundation of Blue Water is our professional and skilled employees. Our knowledge is shared internally so we can benefit fully from our in-house competences and provide the best complete and tailor-made transport and logistical solution to our customers anywhere in the world. Blue Water put great effort into evolving and developing the organisation and our in-house competences. In addition, one of our most important aims is to provide a safe and healthy workplace for all employees.

Blue Water operates within the following six business areas:

- General Cargo
- Port Services & Agency
- Oil, Gas & Industrial Projects
- Wind Logistics
- Reefer Logistics
- Marine Logistics

We value close relationships with our customers because we know it makes a difference and gives us the best opportunities to create optimal solutions together with them. Our mission and values are the key factor for us, and they are together with the employees the foundation for how we do business.

Mission

BWS is a knowledge-based company founded on in-house competences and resources. Our employees must be able to understand the needs of the customers and through committed, skilled and dedicated efforts deliver high service and quality in transports and logistics on selected markets worldwide.

Values

We supply **SERVICE** and high **QUALITY**:

- We work **PROACTIVELY**
- We are **COMPETENT**
- We are **INNOVATIVE**
- We are **FLEXIBLE**
- **WE KEEP OUR PROMISES**

History of Blue Water

Blue Water was founded in 1972 with an ambition to create a local freight forwarding company that could provide clients with a better service and higher quality than our competitors. Over the years, Blue Water has expanded to not only include our own offices throughout Denmark, but also Blue Water offices in

countries around the North Atlantic, in Western and Eastern Europe, in Central Asia and the Middle East, in the Far East and North & South America.

Ownership and Support Functions

Blue Water is 75% owned by the Blue Water Foundation and 25% owned by Kurt Skov Holding A/S. Blue Water Holding has a Board of Directors, and the daily management of Blue Water is governed by the Management Board.

The global support functions consist of the following departments:

- Group HSSE & Quality
- Marketing
- Human Resource
- Finance
- IT Development & Support
- Procurement
- Project Management Office (PMO)

Blue Water Foundation

The Blue Water Foundation was established in 2007 to:

- Ensure continued existence, development and jobs
- Ensure Danish ownership based out of Esbjerg
- Ensure against demerger or sale
- Secure Blue Water's name and identity

Policies

Our policies	The policy in short	Example(s) of policy implementation
Code of Conduct	Our Code of Conduct describes how we want to do business supporting and respecting the protection of internationally proclaimed human rights and good business ethics. At the same time, it describes how we work against corruption in all its forms by increasing the employees' understanding of the rules and minimizing the risk of breaking the rules.	<ul style="list-style-type: none"> • Training in business ethics and anti-corruption incl. an e-learning program in Blue Water Academy. • Implementation of our Whistleblower programme.
Supplier Code of Conduct	The document that all approved medium and high-risk suppliers, used by our ISO- certified offices, have signed. In this way we ensure responsible supplier management by defining and communicating our expectations from the Code of Conduct.	<ul style="list-style-type: none"> • Internal audits of the process Supplier & Agent Management. • Carrying out supplier audits of high-risk suppliers.
Global Quality Policy	The Global Quality Policy describes how we want to ensure that we deliver high-quality solutions to ensure customer satisfaction.	<ul style="list-style-type: none"> • Certified ISO 9001:2015 Management System at the offices in Esbjerg, Oslo, Marseille, Nantes, Brest, Houston, Aberdeen, Baku & Singapore. • Global annual customer satisfaction survey.
Global Environmental Policy	The Global Environmental Policy describes how we want to ensure that Blue Water only produces minimal environmental impact.	<ul style="list-style-type: none"> • Certified ISO 14001:2015 Management System at the offices in Esbjerg, Oslo, Marseille, Nantes, Brest, Houston, Aberdeen, Baku & Singapore.
Global Health & Safety Policy	The Global Health & Safety Policy describes how we want to ensure that Blue Water is a safe place to work.	<ul style="list-style-type: none"> • Certified OHSAS 18001:2007 Management System at the offices in Esbjerg, Oslo, Marseille, Nantes, Brest, Houston, Aberdeen, Baku & Singapore. • Implementation of the HSSEQ Reporting System to record and handle all incidents and accidents at our workplace and take all practicable steps to prevent these events from happening again.

Global Business Risks

The model 'Context of the organisation' is included in our Management System Manual. The model was created, based on inputs from employees representing all business areas and support functions in Blue Water, during a workshop in January 2018 to ensure a global overview of the context of the organisation and the associated risks and opportunities. The Board of Management is overall responsible for the quality/business risk Excel sheet. Locally, the General Managers are responsible for adjusting the sheet to match the local conditions.



In the overall quality/business risk Excel sheet, the risks and opportunities, along with the actions to address these risks and opportunities and how to evaluate the effectiveness of these actions, are mapped for each interested party. Implementation is ensured through internal audits and management review. Each risk/opportunity has been assessed, and the outcome was the top four risks below:

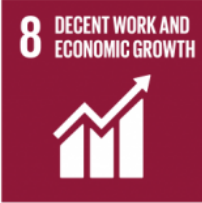
Interested Party	Topic / How can they influence	Risks	Actions to address risks	How to evaluate the effectiveness of these actions
Customers	Liquidity, revenue, loss of profit	Large customers can have great bargaining power Cash flow Cost of capital	Spread the customer base on different customers and make sure not to get too dependent on a few customers. Global Key Account Manager with customer segmentation and special focus on large customers. Involvement of the Treasury department. Compare customer cashflow with supplier cash- flow and make sure it is the same. Implement an improvement mailbox internally in the organization.	<ul style="list-style-type: none"> Monthly economic KPIs / result Monthly cash- flow report
Suppliers and Agents	Rising awareness and consequence on business partners	Bad reputation Bad performance of suppliers is equal to bad performance by Blue Water Cash flow Cost of capital	There is a rising awareness on business partners, as we cannot just blame our suppliers, but to a large extent we are held responsible for our suppliers' actions. Therefore, we must choose the right suppliers and customers (control, consequence and communication). Supplier Audits Involvement of the Treasury department. Compare supplier cashflow with customer cashflow and make sure it is the same.	<ul style="list-style-type: none"> Supplier audit results Supplier performance evaluation Monthly cash- flow report
Customers	Large projects (primarily in the Oil & Gas industry) e.g. NSP2 and TCO FGP	Economic (incl. currency risks) reputation	Continual focus on project planning and implementation. Include interested parties early in projects. Ensure that we have employees with the right competences. We continuously investigate financial opportunities. Projects are defined and the credit policy must be adhered to. Treasury department must be involved in the early stages of a project Build and monitor project organisations.	<ul style="list-style-type: none"> Regular steering committee meetings Project evaluation and lessons learned Audits
Statutory and regulatory requirements	Restrictions/ regulations	Lack of knowledge/ compliance	Education, training and sharing of knowledge, heavy/resource demanding process to ensure legal compliance with e.g. tax, GDPR, intercultural rights and human rights. E-learning is set up and skype meetings are held to ensure knowledge sharing. Create and implement training on trade compliance in the Blue Water Academy	Status on the implementation of training and the quiz results: <ul style="list-style-type: none"> GDPR training Code of Conduct training Anti-corruption training

Our four focus areas in 2018

In 2015, all United Nations Member States adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). This created a framework for addressing the issues and creating a plan of actions in the areas of critical importance for the global society. At Blue Water we are committed to contribute to the 17 SDGs by making them operational and relevant for the way we do business. However, we acknowledge that we do not have the same amount of impact on all 17 SDGs. Therefore, we focus on the five areas where we have high impact. Each area will be described below.

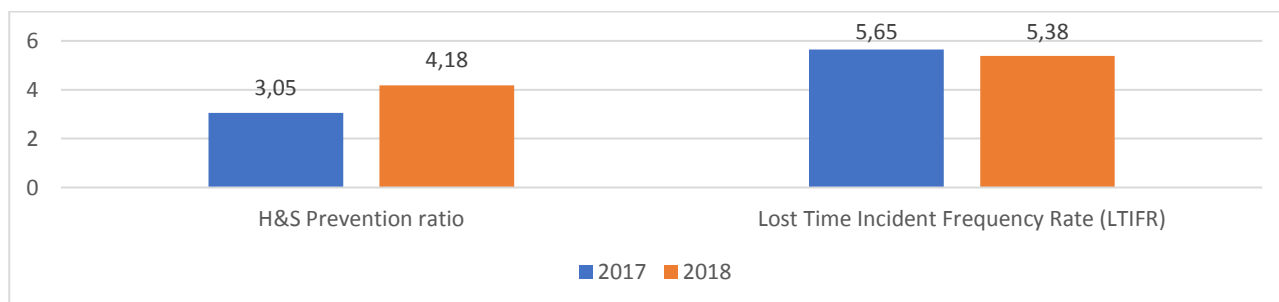


People & Organisation (Health & Safety targets)

Health & Safety <i>A safe place to work</i>	Targets / KPIs	Results
 <p>8-8</p>	<ul style="list-style-type: none"> • LTIFR < 3.2 • H&S prevention ratio > 5 • 1 Safety Dialogue per manager per quarter • 2 Awareness Campaigns a year 	<ul style="list-style-type: none"> • LTI: 5.53 • H&S prevention ratio: 4.18 • Safety Dialogue: 58% compliance • Awareness Campaigns held in 2018: 3

The overall objective of Health & Safety is that Blue Water shall be a safe place to work. Therefore, we want to decrease the number of lost time incidents (LTIs)¹, and we have a long-term target which is zero accidents. The target for 2018 was to have a lost time injury frequency rate (LTIFR)² below 3.2. The way we want to achieve this goal is by having a safety culture with focus on preventive actions. Therefore, it is our objective to have a H&S prevention ratio³ above five. At the same time, Blue Water wants to have a visible Management on-site conducting safety dialogues. All trained managers must register at least one safety dialogue each quarter to keep focus on safety. Additionally, at least two awareness campaigns must be conducted.

The Health & Safety performance for 2018 is unsatisfactory, as only one of four targets were reached. Therefore, our action plan for the Health & Safety target was adjusted accordingly in September 2018 with increased focus on Health & Safety performance. The main cause of the accidents was unsafe behaviour or the human factor, which is why several initiatives have been launched to ensure that additional Health & Safety preventive actions and near-misses are registered and handled, and that management are visible on-site during safety walks. Additionally, safety awareness training will be implemented for all employees over a two-year period, which is expected to decrease the LTIFR over time. However, we acknowledge that creating a safety culture is not something that happens overnight, and it requires leadership and commitment throughout the organisation.




¹A Lost Time Incident (LTI) is defined as a work-related incident where an employee is unable to work the day after the incident.

² The Lost Time Injury Frequency Rate (LTIFR) is defined as the number of lost time injuries per one million hours worked.

³ The H&S prevention ratio is defined as the amount of H&S preventions and near-misses registered per H&S accident.

Responsible Operations (Environment Targets)

Environment <i>Minimal environmental impact</i>	Targets / KPIs	Results
 <p>12-2</p>	<ul style="list-style-type: none"> • Review Car Policy • Global Environmental mapping (at the ISO-certified offices) 	<ul style="list-style-type: none"> • Car Policy reviewed • Global Environmental Mapping finalized

In order to strengthen our climate efforts, Blue Water entered into a five-year climate partnership with the Danish energy company 'Ørsted' in 2016. The vision of the partnership is to contribute positively to the green transition. Specifically, it means that all electricity consumption at the Blue Water offices in Denmark is covered by electricity from the offshore wind farm on the Danish island Anholt. Included in this report was an energy report with saving potentials. In 2017, 205.9 MWh were saved due to two energy saving projects, and in 2018, 11.8 MWh were saved⁴ including a 1,000,000 DKK investment in LED lights.

Transport in Blue Water company cars represents 39.8% of the energy consumption for all the Danish offices⁵. Therefore, one of the environmental targets for 2018 was to ensure a review of the Car Policy. The policy ensures that all company cars in Blue Water are in Environmental Class A or B.


It is a requirement in Blue Water that all ISO-certified offices conduct quarterly environmental mapping. For the past year, focus has been on paper consumption with different initiatives being implemented to decrease the number of prints in the company. The environmental mapping for 2018 showed a 45.3% decrease⁶, in the paper consumption compared to 2017.

⁴ Data from Ørsted

⁵ Energy consumption report from Ørsted (previously 'Dong Energy')

⁶ The consumption decreased from 3,150,383 to 2,168,283 pieces of papers printed from 2017 to 2018

Business Ethics & Governance

Compliance <i>Ensure legal compliance</i>	Targets / KPIs	Results
 <p>16-2, 16-3, 16-5, 16-8</p>	<ul style="list-style-type: none"> Roll out Code of Conduct training to all critical Blue Water employees. 	<ul style="list-style-type: none"> 151 employees have completed the course in BW Academy in 2018.


As we in Blue Water are operating across several cultures, traditions, local laws and practices, it is important to make sure that all employees are aware of the common set of principles providing guidance to what Blue Water considers good business practices and ethical behaviour – principles that are outlined in our Code of Conduct.

Therefore, Blue Water implemented training in BW Academy in 2018, with a slideshow and a quiz as an addition to the introduction that is given when starting in the company. The training was mandatory for all employees working on our TCO project⁷ and optional for the rest of the employees. A total of 151 employees completed the training in 2018. The training will be implemented globally in Blue Water in 2019.

In 2017, a Whistleblower programme was implemented as part of our Code of Conduct in cooperation with an independent company. The programme ensures that we always work within the framework of the law and leads to a successful enforcement in case of unethical or illegal conduct. Also, the programme serves to protect Blue Water and our reputation globally.

⁷ Click here to read more about the TCO project: <https://www.bws.net/en/media/news/2016/05/12/awarded-major-contract-for-oil-project>

Value Chain (Quality Targets)


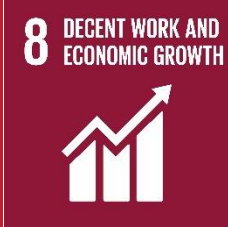
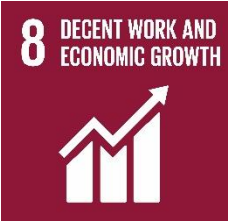
Quality <i>High-quality solutions and customer satisfaction</i>	Targets / KPIs	Results
 <p>17-17</p>	<ul style="list-style-type: none"> Review and develop Supplier & Agent Management process Conduct ten supplier audits of the critical suppliers Train operations within Wind Logistics/Oil, Gas and Industrial Projects in Supplier & Agent Management awareness – both in value and process. 	<ul style="list-style-type: none"> Process has been reviewed. Review is still ongoing and will continue in 2019. Two corporate supplier audits and six TCO project supplier audits were conducted in 2018). The operation was trained in process and value.

As Blue Water is a company heavily relying on suppliers and agents, the supplier performance is a vital part of the performance in Blue Water. To improve the supplier & agent performance, the quality target for 2018 was to review and develop the current process, conduct ten supplier audits and train the operations within critical business areas.

The process review is still on-going and will continue in 2019. An action plan has been developed to ensure completion and handover of the Supplier & Agent Management process. Only two corporate and six TCO project supplier audits were conducted in 2018 due to a general focus in Blue Water Shipping on cost and the financial results.

Working with the Sustainable Development Goals in 2019 and onwards

In the beginning of 2019 it was decided by the top management in Blue Water Shipping that the focus should be on SDG 4 and 8 in 2019 and onwards. These UN SDG targets have been divided into two overall focus areas, which are aligned with the overall strategy in Blue Water Shipping being ‘BW Academy’ and ‘Health & Safety Performance’. Specifically, the following SDG targets are covered by our two focus areas:

Focus areas	UN SDG Targets
<p>“BW Academy” – Trainee program and development of current employees</p> <p>As employees are our strongest asset there will be an increased focus on trainees, talents and leaders in Blue Water Shipping in 2019 and onwards. This will include but is not limited to the following topics:</p> <ul style="list-style-type: none"> • New trainee education in Denmark • Internal training centre at the fourth floor at the headquarter in Esbjerg • Talent program • Leadership training program 	<ul style="list-style-type: none"> • 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship • 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value • 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>4 QUALITY EDUCATION</p> </div> <div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> </div>
<p>Health & Safety performance</p> <p>Health & Safety targets for 2019:</p> <ul style="list-style-type: none"> • LTI < 2,88 (10% reduction compared to the 2018-target which was 3,2. Long-term target = Zero accidents) • Sum of Observations & Near-misses related to all H&S Accidents, ratio > 10 (Target for 2022: ratio > 25) • Safety Dialogues: <ul style="list-style-type: none"> • Minimum 1 safety dialogue pr. quarter for admin people managers • Minimum 1 dialogue pr. month for operational managers (except 2 months pr. year). All in all 10 dialogues pr. year. • Minimum 2 Awareness campaigns pr. year 	<ul style="list-style-type: none"> • 8.8 Protect labour rights and promote safe and secure working environments for all workers. <div style="text-align: center; margin-top: 20px;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div>