

CSR report 2018

ROYAL ARCTIC LINE



This document is an unofficial translation of the Danish original. In the event of any inconsistencies the Danish version shall apply.



About Royal Arctic Line A/S

The Government of Greenland has granted Royal Arctic Line A/S an exclusive concession for the marine transport of cargo to and from Greenland and between towns and villages in Greenland. The Company is therefore vital to Greenland. Royal Arctic Line also operates 13 ports and harbours in Greenland and has a branch in Aalborg.

All concession marine cargo to and from Greenland is sent via Aalborg, and via Reykjavik for cargo to Iceland, USA and Canada.

Royal Arctic Line A/S was formerly part of Den Kongelige Grønlandske Handel - KGH (Royal Greenland Trading Company) which started sailing to Greenland in 1774. The Company has had its present name since 1993. The Company is wholly owned by the Government of Greenland

We future-proof transport to and from Greenland

The formal CSR work is under transformation these years, with increasing focus on UN's 17 Sustainable Development Goals. This report is therefore the last that is based on the structure that was laid out in the 10 principles of UN's Global Compact. Future reports will, in addition to the formal requirements, be based on our approach to the 17 Sustainable Development Goals.

For the same reason, we are no longer associated with the Global Compact, since endorsing the 17 Sustainable Development Goals is considered to be of sufficient size, that everyone in the company can work together with them in a standardized form, without being part of the Global Compact.

Royal Arctic Line is a crucial, community-supporting infrastructure company and its main purpose is to a high degree based on a very high level of social responsibility. This is a task that, as a consequence of our concession, is not just a right, but also an obligation.

Royal Arctic Line is in the midst of a transition from simply providing supply services to creating the best opportunities for Greenland's trade and with that, its development. We want to make it easy to trade with Greenland. We want to ensure most value for Greenland's products and the best chain of supply. We future-proof transport to and from Greenland by creating open and flexible solutions.

We hope you enjoy reading this report

Royal Arctic Line
Verner Hammeken
CEO

Royal Arctic Line supports education

"My son, Ulloriaq Kunuk, has Aspergers Syndrome and despite having more challenges than his peers, he has big dreams. One of his big dreams is to help to make Greenland independent and he wants to do this by working as a network specialist, because we also need secure networks if we are to be independent.

My son had a hard time in school where they did not understand him. We are so pleased now that for the past two years he has attended a day school in Nuuk where they understand him and he is thriving. On his first test he got full marks. This proves he can achieve whatever he wants by going to the right school, one that suits him.

Royal Arctic Line has sponsored Ulloriaq's attendance at the Helle School and I am very grateful, because it is not cheap to send your child to this kind of school when you are a single mother. Your sponsorship is an investment in Ulloriaq Kunuk's future that will later benefit the community"

- Tukummeq Arnaq,
mother to Ulloriaq Kunuk

CSR at Royal Arctic Line

Environment and climate

At Royal Arctic Line, we focus our work on systematically reducing our negative impact on the environment by, among other things, reducing our energy and fuel consumption. We look for ways to use more environmentally friendly technology without compromising security of supply or reliability. This means that, where possible, we are continually seeking to optimize our operations and processes based on tested technology.

We seek to find the best possible solutions for the environmental challenges that face our industry, e.g. ballast water, antifouling measures and waste and pollution of the air, water and land, together with our partners.

Working environment and safety

The safety, health and well-being of our employees are decisive for the success of our Company. We work constantly to ensure compliance and to improve the working environment. Our employees always have the appropriate training, knowledge and equipment to work safely and securely and we work to promote a company culture where safety, health and job satisfaction are always the right choices.

Development of skills and training

We focus on developing the skills of our employees on all levels and on training trainees and apprentices. We are particularly interested in elevating the level of education in Greenland and thereby helping to support a positive development for the country.

Conditions for employees

We respect international human rights and labour rights and we work consistently to ensure our employees are given good, safe conditions with equal opportunities during their employment.

Involvement in the local community

We have a special obligation to ensure a positive development of the community we serve. Therefore, we seek to support relevant partnerships and projects by making available our skills, services, time and/or funds. We focus especially upon children and young people, culture and sports, those who are socially vulnerable and on education.

Anti corruption

Royal Arctic Line does not accept bribery, greasing palms (facilitation payments) or any form of unethical practice. We are therefore tightening our internal rules, controls and auditing to ensure that Royal Arctic Line and its activities always comply with applicable legislation and the principles of ethical business practices.

Suppliers and partners

We want to influence our suppliers and partners to also work systematically and in a structured manner with environmental, social and ethical issues. We therefore work with dialog and demands to promote sustainability – also beyond our own company.

General performance 2016-2018

	2016	2017	2018
Employees	722	706	744
Trainees	38	38	63
Ships	11	13	11
Port terminals	14	14	14
Nautical miles sailed	374,065	418,343	419,630
Cubic metres carried	845,000	892,237	875,531

The Company's ships and ports comply with the International Ship and Port Facility Security Code (ISPS).

Fuel consumption, container ships

	2016	2017	2018
MGO	4,797	5,393	5,171
HFO LS	4,383	5,103	4,919
HFO HS	17,894	18,414	18,597
Kilo fuel/nautical mile	72.4	69.1	68.3

Risk suppliers

	2016	2017	2018
Number identified	135	N/A	N/A
% that have signed purchase terms	88.8 %	N/A	N/A

The target for 2015 was to have the Terms of Purchase with regard to CSR signed by 88 per cent of the identified risk suppliers before the end of the year. We achieved this target in 2016. Since our supplier base is in Denmark and has remained mainly unchanged we have chosen not to include this as a target for 2018.

Work environment on board

	2016	2017	2018
Near-misses on ships	76	72	73
LTA Lost Time Accidents	3	3	7

Near-misses are unforeseen incidents that do not result in an accident, sickness or injury, but which have a risk of doing so. Near Miss reports help to draw attention to unsafe conditions on board the individual vessel, making it possible to correct these before an accident occurs. The written reports ensure that it is possible to spread knowledge, so that any remedial action required may be taken onboard the company's other vessels. A high level of reporting indicates an awareness on board, which is positive when it is about strengthening safety culture on board.

In 2018 a total of 7 LTA (Lost Time Accidents) were recorded on four of the Company's ISM certified ships as follows: 3 LTA on *Malik Arctica*, 2 LTA on *Naja Arctica*, 1 LTA on *Nuka Arctica* and 1 LTA on *Irena Arctica*.

Number of days since the last LTA as at 31st December 2018

Pajuttaat	373 days
Naja Arctica	139 days
Mary Arctica	641 days
Nuka Arctica	150 days
Irena Arctica	354 days
Ivalo Arctica	1,007 days
Minik Arctica	851 days
Malik Arctica	99 days
Sarfaq Ittuk	1,130 days

Royal Arctic Line supports the environment

Royal Arctic Line has bought posters for each port. For every poster the artist sells, she will make a donation to Global Dignity Kalaallit Nunaat, which has, e.g. the environment on its programme - which is completely in line with Royal Arctic Lines CSR policy. The sea is Royal Arctic Line's primary work place.

And we cherish the foundation upon which our company builds. We endeavour to limit our company's climatic and environmental impact and we become involved in the local community by supporting initiatives that are in harmony with our goals.

"The entire world is concerned about how much plastic and waste we produce and what we are doing to the environment. 90 per cent of our export is fish, so the seas are the foundation of our existence and as an indigenous people, we should choose clean and healthy seas"

- Camilla Nymand Petersen,
the painter behind the poster
Imartatsinni uumassuseq

Governance

Royal Arctic Lines CSR policy focuses on areas that support the company's commercial goals, that are important for stakeholders and the public and where - Royal Arctic Line can make a difference. This may be achieved in particular by reducing the environmental effects of the Company's operations, improving safety and health at work, promoting human rights and ethical operations and through involvement in Greenlandic communities. This will add value to society and to the Company.

Human rights

Royal Arctic Line respects international human rights and labour rights and makes a continued effort to offer employees equal terms, conditions and opportunities in this respect. Applicants having the same qualifications must be given the same opportunity for employment, which is why Royal Arctic Line encourages any interested parties to apply for vacant positions regardless of their background. Royal Arctic Line's efforts to safeguard human rights are supported by guidelines established through the staff policy on how the Company addresses equality issues and combats discrimination, victimisation, harassment or violence at the workplace.

Working environment and safety

The safety, health and welfare of the employees are pivotal to Royal Arctic Line's success. This is why regular measures are taken to improve working conditions. There is a strong corporate culture that forms a natural part of Royal Arctic Line's objectives. It is Company policy to always make adequate training, knowledge and equipment available to the employees so they can carry out their work in a safe and secure environment.

At sea

Safety and security measures are based on the International Maritime Organization's (IMO) International Safety Management (ISM) Code and the Safety of Life at Sea (SOLAS) Convention. Under this convention there is a series of codes, including the ISM code that covers safe shipping operations and the POLAR-code that makes further requirements of ships that sail in Polar environments. Furthermore, the Company's ships that sail in international waters operate under the Maritime Labour Convention (MLC), which ensures safe employment, both with regard to safe working conditions and social insurance. These legislative systems require certification and regular controls. Internal safety audits are therefore carried out every ship each year together with external verifications at approx. 30 month intervals. On board, regular risk evaluations of work routines are carried out. To maintain focus on minimizing accidents, all the Company's ISM-certified ships are encouraged to report at least one near-miss per month. In 2018 there were reported a total of 73 Near Misses on the Company's ships. In 2018 7 accidents were reported that were categorized as LTA (Lost Time Accidents).

On shore

In 2018, three fewer work-related injuries were reported compared to 2017. This indicates a positive development and shows that efforts to avoid work-related injuries are headed in the right direction.

Employees, development of skills and training

Royal Arctic Line is privileged to have skilled and committed employees, and continued access to qualified labour is vital to our business. We aim to give our employees a meaningful work life with focus on quality, dedication and motivation.

Job satisfaction and sick leave

The average level of job satisfaction in 2018 was rated at 71 on a scale of 1-100, compared to 66 in 2017. In 2018 sick leave was 4.9 per cent, which is the equivalent of 8.4 sick days per employee. This is a somewhat higher than in the private sector in Denmark, which had on average 6.6 sick days per employee in 2017.

Developing employee skills

Development of skills is a natural part of the individual employee's opportunities. As a wholly owned Greenlandic enterprise, Royal Arctic Line has a special responsibility to contribute to the creation of jobs in Greenland and the Company is working to increase the proportion of Greenlandic managers at Royal Arctic Line by e.g. giving employees access to supplementary training and by playing an active role in the development of maritime training programmes in Greenland.

Trainees

Royal Arctic Line has a long tradition of being committed to raising the level of education in Greenland. The Company's comprehensive trainee and apprentice programmes play an important role in the Company's personnel strategy as well as in its responsibility to train the local workforce.

Royal Arctic Line offers the following training opportunities

- Terminal work
- Terminal manager
- Warehouse and transport worker
- Boilermaker
- Construction equipment mechanic
- Shipping trainee
- IT supporter
- IT administrator
- Academic course specializing in specializing in
 - Transport and logistics
 - International trade and marketing
 - Economy and resource management
- Navigator
- Marine engineer
- Ship's mechanic
- Able seaman

Royal Arctic Line offers 13 different training programmes. Training with Royal Arctic Line is aimed at qualifying the candidate for a career with the company and also providing a sound foundation for seeking careers in other companies.

Royal Arctic Line supports those who are less fortunate

It was busy at the Atuarfik Samuel Kleinschmidt School in Nuuk just before Christmas 2018, when a group of enthusiastic volunteers met to prepare a Christmas dinner and the giving of presents for around 130 homeless people

in Nuuk. Royal Arctic Line supported the charitable event with a cash donation.

"With us organizers and volunteers we will probably 150 people this Christmas Eve and it is with pleasure and gratitude

that we accept this Christmas cheque from Royal Arctic Line"

- Nukaraq Berglund, Inger Berglund Kleist and Agnetha M. Petersen, organizers of Christmas for the homeless in Nuuk

Diversity

In line with the Guidelines on Corporate Governance for Public Limited Companies owned by the Government of Greenland, Royal Arctic Line is continually focusing its efforts on ensuring diversity.

A management report on the gender composition and the participation of local employees in management has been prepared. Guidelines have been laid out regarding employment procedures that support the desire for diversity.

The Company has considered setting concrete objectives, but has decided against this because experience shows that concrete objectives can overshadow the process of achieving results through guidelines. Finally, it is the Company's position that professional competences are of paramount importance when selecting management staff.

The turnover of personnel at management levels at Royal Arctic Line is quite limited and it is therefore a drawn-out



process to change the composition. Especially at the second management level (port manager, ship's captain, chief engineer, etc.) the number of women is far below the Company's overall statistics for gender composition and at this level of management, personnel turnover is very low. In 2018 using guidelines for recruitment procedures, we succeeded in recruiting another female member of the company's upper management.

Climate and environment

Marine transport is the most economic and environmentally friendly form for commercial transport and it consumes less fuel per ton cargo moved than rail, road or air transport.

Despite these advantages, it is Royal Arctic Line's policy to limit the negative impact of its ships and its activities.



At sea

In 2018, Royal Arctic Line ordered two new vessels in order to modernise and renew the fleet. At the same time, the Company's oldest ship Johanne Kristina from 1960 was sold for scrap and recycling to Jatob, Frederikshavn. Recycling of ships with special focus on reducing the impact on the environment has received a great deal of attention in recent years. This has resulted in the IMO Hong Kong convention regarding the environmentally sound recycling of ships. Denmark has acceded to the convention which requires further international accession by 24 countries before the convention can become effective. The EU has already ratified the major part of the convention through regulations regarding the scrapping of ships and registration of dangerous substances on board ships. Due to these regulations and also out of regard for the environment, Royal Arctic Line chose to sell Johanne Kristina to a company approved by the Danish Environmental Protection Agency to scrap old ships safely.

On shore

In 2013, the headquarters became part of Clean Greenland – Green Companies, a three-year collaboration between WWF, CSR Greenland and six Greenlandic companies. The project aims to reduce the environmental impact of administration facilities over time. The project has focused on reducing food waste, reducing energy consumption and focusing on paper and toner consumption in printers. Looking forward, the Company will continue to make the environment and quality active parts of the employees' workdays.

Suppliers and partners

Royal Arctic Line is interested in influencing its suppliers and business partners to deal with environmental, social and ethical issues in a systematic and structured manner. This is why the Company is involved in dialogue and requires its suppliers to promote sustainability – also beyond our own business. Previously, we asked our suppliers to sign the Company's Terms and Conditions of Supply committing them to complying with the UN conventions on child labour, human rights, labour rights, anti-corruption and the Rio Convention on sustainability and environmental protection. In 2016, Royal Arctic Line had identified 134 risk suppliers. The target for 2015 was that 88 % of these should sign the Terms of Purchase. This target was achieved in 2016. Since almost all purchases are undertaken in Greenland and Denmark, where transparency regarding environmental, social and ethical conditions for the individual supplier is high, we have chosen not to require documentation in 2018.

Unfortunately, we did not succeed in implementing an evaluation of the environmental impact of the total purchases made by the Company in 2018. Despite still having this as a goal, an overall statement will not be possible in 2019 either.

Who are critical suppliers?

Suppliers are considered critical if they have one or more of the following characteristics:

- They are strategic suppliers from which the Company purchases essential services/goods or upon which the Company depends in some way
- They operate in critical countries or industries – for example the oil industry
- They supply products that may affect the environment or safety at work – e.g. bunkers, pallets, chemicals or work clothing
- They supply products carrying the Company logo – e.g. merchandise – that could affect the Company's reputation.

Anti-corruption

Royal Arctic Line aims to operate in a transparent and incorruptible market, both nationally and internationally. Therefore, the Company does not accept bribery, greasing palms or any other type of unethical business conduct. Royal Arctic Line aims to operate in a transparent and incorruptible market, both nationally and internationally. Therefore, the Company does not accept bribery, greasing palms or any other type of unethical business conduct. Although the Company's domestic markets in Greenland and Denmark do not experience serious problems in this respect, the development strategy also extends to new markets and new partnerships with players in industries where corruption may occur. Royal Arctic Line has adopted an anti-corruption policy to tighten in-house rules and control mechanisms and audits to ensure that the Company's activities are always ethical. Through the Group's intranet, all employees have access to these policies and to a form for reporting gifts given and received. The policy is based on a best practice policy which has been adjusted for Company use after a series of employee-workshops.

Involvement in the local community

Royal Arctic Line has a sponsor committee that meets once a month in Nuuk to process applications. For this reason, the Company makes services, skills and sponsorships available to initiatives that benefit Greenland. The Shipping Company's sponsor committee provides support for children and young people, culture and sports and those who are socially vulnerable in Greenland. Royal Arctic Line provides sponsorships for freight charges and financial support for events or projects that are relevant for Greenland.

Royal Arctic Line supports Greenlanders in Denmark

Royal Arctic Line has sponsored training clothes for FC Polar, which has members from around Esbjerg. They are Greenlandic Old Boys football players. The chairman of the club, Anthon Nielsen, is very proud to have won in a 4-man match despite the lack of practice facilities and the fact that FC Polar does not receive

financial support. Anthon says they have teamed up with others who have practice pitches, but that it would be better if they had their own place to practice. Despite lack of direct funding, they have arranged transport of their own players and although they live far from each other, they have helped each other in many ways.

"Those of us who live in the Esbjerg area started the football club with the sole purpose of creating a form of social platform for us Greenlanders in Denmark and it has lifted the team spirit a lot, that we have been given training clothes by Royal Arctic Line, and we are very grateful"

- Anthon Nielsen,
Chairman for FC Polar

Future CSR efforts

Making it easy to trade with Greenland is a genuine and noble goal, based on a clear role in the infrastructure, which in itself is CSR.

We will also work with CSR in a more traditional manner. Out of the 17 sustainable development goals, we have focus on areas that develop society, including health (No. 3), education (No. 4) diversity (Nos. 5 and 10) environment (Nos. 11, 12 and 14) and climate (No. 13).

Specific areas of focus for Royal Arctic Line will continue to involve the support of social relationships within the family through a healthy, developing and participating work-life.

The stability which we can contribute to society is of great value for children as they grow up, thus bolstering the foundation for progress in Greenland.

In addition, we consider the impact on the climate and the environment to be an ever more important element in our future CSR work.

The actions Royal Arctic Line has taken and continues to take in 2019, including establishing activities that support family life and ensuring awareness of our work in a vulnerable Arctic environment, are clear evidence of this.

