

CSR report 2019



ROYAL  **ARCTIC**

Statement on corporate social responsibility, in accordance with § 99 a of the Danish Financial Statements Act put into effect for Greenland by Royal Decree.

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 operates 13 ports and harbours in Greenland and has a branch in Aalborg (Denmark).

All marine cargo to and from Greenland is sent via Aalborg, or via Reykjavik for cargo to Iceland, the 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 and is thus owned by the people of Greenland.

We create the foundation for doing business in Greenland

Royal Arctic Line is part of the vital infrastructure that is necessary for the continued development of Greenland as a community.

In our efforts to create the best conditions for doing business in Greenland, Royal Arctic Line has undergone a series of major transformations and today we stand on the threshold of implementing our vision to make it easy to do business with Greenland.

We are working hard to fortify the foundation upon which our employees stand, in order to ensure the best possible service for our customers.

Undertaking a task of such importance to the community requires the company to have the right employees who thrive in their work and are able to work under safe and secure conditions. Our employees should see opportunities for professional development and be proud of their company and the company's ability to meet the community's expectations.

In 2019, we started up some important initiatives to support our business and our ability to measure and ensure progress in the areas we want to develop, including our ability to measure the progress of our CSR initiatives.

In 2019, a decision was taken to create a business control function to support ongoing and future initiatives, and to create a Compliance Officer function to strengthen and constantly develop the company's capacity for corporate governance. Determination of the company's CSR focus directly by management will also ensure and support a greater, more long-term focus on the company's ability to live up to its corporate social responsibility.

We have worked to ensure that we meet the expectations of our employees, our customers and the community. 2019 has also been a year with focus on reinforcing the basis for our execution of our corporate social responsibility.

We hope you enjoy reading this report



Royal Arctic Line
Verner Hammeken
CEO

Areas of focus for Royal Arctic Line

Climate and environment

Royal Arctic Line works resolutely to minimise its environmental footprint. We do this by selecting new technology in connection with our shipbuilding programme. We base our decisions on opting to use more environmentally-friendly technology without compromising the security of supply and safety. Based on tested technologies, we seek constantly to optimise the operational challenges faced by our industry. A concrete example is the installation of a scrubber on our new ship Tukuma Arctica, which enables us to clean the smoke from burning fuel, thereby reducing our CO₂ emissions on transatlantic voyages.

Working environment and safety

A company's workforce is key to its success. We therefore always support our employees' health, safety and well-being. Proper training of our employees and correct equipment are vital for our employees to perform their work satisfactorily for themselves, for the company and not least, for the customers we serve. Our annual Employee Satisfaction Survey is a tool we use actively to increase our employees' job satisfaction. Their confidence that the Employee Satisfaction Survey will result in concrete initiatives went up by 4 points from 2018 to 2019.

Development of skills and training

We focus on the training of our trainees and apprentices and on developing the employees' skills at all levels. We have a particular wish to strengthen education levels in Greenland, in order to promote positive development in the community. We design our new ships with extra cabins, to accommodate maritime trainees. In 2019, a new employee was hired to strengthen our maritime training programme.

Involvement in the local community

We have a special responsibility to ensure the positive development of the community that we serve. We therefore seek to support relevant partnerships and projects by making our skills, services and/or sponsorships available. Special areas of focus for Royal Arctic Line's sponsorship committee are children and young people, culture and sports, and the socially vulnerable and education.

Anti-corruption

Royal Arctic Line does not accept bribery, emoluments, or any other type of unethical business conduct. We have tightened our in-house rules, controls and audits to ensure that Royal Arctic Line and its activities always comply with applicable legislation and the principles for ethical business practices.

Suppliers and partners

We work actively with our suppliers to reduce our environmental impact. We engage in active dialogue and we make demands of our suppliers to promote sustainability. For all of our marketing material, for example, we search the market for alternatives with a smaller environmental impact, an issue we focused on in 2019. Consequently, we have reduced our range and replaced products with a more environmentally friendly option. Today, around 20 % of our products are manufactured from recycled materials.

Royal Arctic Line figures for 2017-2019

	2017	2018	2019
Employees	744	760	756
Trainees	38	63	57
Ships	13	11	11
Port terminals	14	14	14
Nautical miles sailed	418,343	419,630	406,471
Cubic metres carried	892,237	875,531	894,454

Fuel consumption, container ships

	2017	2018	2019
MGO	5,393	5,171	4,999
HFO LS	5,103	4,919	4,603
HFO HS	18,414	18,597	16,261
Kilo fuel/nautical mile	69.1	68.3	67.9

Work environment on board

	2017	2018	2019
Near-misses on ships	72	73	78
LTA Lost Time Accidents	3	7	4

Near misses are unforeseen incidents that did not result in an accident, sickness or injury, but had the potential to do so. Near miss reports help to draw attention to "unsafe conditions" on board the individual vessel, making it possible to rectify these before an accident occurs. These written reports ensure that it is possible to

disseminate this information, so that any remedial action required can be applied on the company's other vessels. A high reporting rate indicates on-board awareness, which can positively reinforce the safety culture on board.

In 2019, a total of 4 LTA (Lost Time Accidents) were recorded on the Company's ISM-certified ships, as follows: 3 on Naja Arctica and 1 on Ivalo Arctica.

Number of days since the last LTA, as at 31st December 2019

Pajuttaat	738 days
Naja Arctica	46 days
Mary Arctica	1,006 days
Nuka Arctica	515 days
Irena Arctica	719 days
Ivalo Arctica	510 days
Minik Arctica	1,216 days
Malik Arctica	464 days
Sarfaq Ittuk	1,495 days

An LTA is an event that has resulted in an accident, sickness or injury whereby the person involved has been incapacitated (off work) for more than 24 hours. This report is mandatory and ensures that knowledge is disseminated, so that any remedial action required may be taken on board the company's other vessels.

Royal Arctic Line supports the Association for Greenlandic Children

"In the summer of 2019, Royal Arctic Line transported around 30 boxes of T-shirts, items for indoor activities, soap and much more for our summer camps. It is crucial for us that Royal Arctic Line sponsors the cargo shipment, because we usually have to apply for funding by a lot of foundations for the two camps. It is very important for our association that Royal Arctic Line sponsors transportation."

- The Association for Greenlandic Children

Governance

Royal Arctic Line's CSR policy focuses on areas that support the company's commercial goals that are important for stakeholders and the general public, and where Royal Arctic Line can make a difference. This can be achieved by reducing the environmental effects of the company's operations, improving safety and health at work, and 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 is dedicated to offering employees equal terms, conditions and opportunities in this respect. Applicants with the same qualifications are entitled to the same opportunities for employment, which is why Royal Arctic Line encourages anyone interested to apply for vacant positions, regardless of their background. Since 2016, Royal Arctic Line has worked systematically with data-driven HR which provides a more objective tool for the evaluation of e.g. applications as well as more objective methods to evaluate existing employees with regard to their potential for development and promotion in the organisation. Royal Arctic Line's efforts to safeguard human rights are supported by guidelines established under the staff policy for how the company addresses equality issues and combats discrimination, victimisation, harassment or violence in the workplace. The company has not registered any breach of human rights in 2019.

Working environment and safety

Employees' safety, health and welfare 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 that they can 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 with regard to both safe working conditions and social insurance. These legislative systems require certification and regular controls. Internal safety audits are therefore carried out on every ship each year, together with external verifications at around 30-month intervals. On board, regular risk evaluations of work routines are conducted. To maintain focus on minimising accidents, all of the company's ISM-certified ships are encouraged to report at least one near-miss per month. In 2019, a total of 78 near misses on the company's ships were reported. In 2019, four accidents were reported that were categorised as LTAs (Lost Time Accidents).

On shore

In 2019, there were very few work-related injuries. Royal Arctic Line registered one serious work injury resulting in a prolonged period of sick leave. We attach great importance to discussion of injuries and prevention, so that we learn from previous injuries and can avoid them in the future.

Employees, development of skills and training

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

Job satisfaction and sick leave

The average level of job satisfaction in 2019 was rated at 74 on a scale of 1-100, compared to 71 in 2018. In 2019, sick leave was 4.5 per cent, which is 0.4 percentage points lower than the figure for 2018. This positive development reflects equivalent positive development in employees' job satisfaction. Yet it is still a little high compared to private-sector Danish workplaces, where sick leave in 2018 was 3.3 per cent of possible working hours, the equivalent of 7.3 sick days per employee.

Developing employee skills

Skills development is a natural aspect of the individual employee's opportunities. As a wholly Greenlandic-owned 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
- IT supporter
- IT administrator
- Academic courses specialising in
 - Transport and logistics
 - International trade and marketing
 - Economics and resource management
- Navigator
- Marine engineer
- Ship's mechanic
- Able seaman

Royal Arctic Line offers 12 different training programmes. At Royal Arctic Line, training aims to qualify the candidate for a career with the company and also to provide a sound foundation for career development in other companies.

Royal Arctic Line supports Neriuffik – Fight against Cancer

A donation from the company, sponsorship of transport of the collection's first prize, a sum from a warehouse sale and, not least, collections by employees resulted in total donations from Royal Arctic Line of DKK 84,212.40 in November 2019 for Neriuffit Kattuffiat's country-wide collection drive.

Diversity

In line with the Guidelines on Corporate Governance for Public Limited Companies Owned by the Government of Greenland, Royal Arctic Line prepared a policy for diversity in management and has focus on diversity.

There are guidelines for recruitment procedures which support the wish to ensure diversity. The company's view is that a combination of professional and personal skills is an important parameter in the recruitment of managers. Management-level staff turnover at Royal Arctic Line is relatively

limited in some areas, so that changing the gender representation is a long-term process. At the second management level (port manager, ship's captain, chief engineer, etc.) in particular, the number of women is far below the company's overall gender distribution statistics and, at this level of management, the staff turnover rate is very low.

At non-management levels, the company works with the respective municipalities to create jobs for people who find it difficult to gain a footing in the labour market.

Royal Arctic Line supports children and health

"In class, we have had lessons about the importance of drinking water during the day, and what happens to the body when we become dehydrated. With the water bottles sponsored by Royal Arctic Line, we can make sure that schoolchildren get the fluids they need during the morning and afternoon. Thank you, Royal Arctic Line."

- 6.-9. SA Atuarfik Samuel Kleinschmidt, Nuuk



Gender distribution in management

Statement on the gender composition of management in accordance with § 99 b of the Danish Financial Statements Act, put into effect for Greenland by Royal Decree.

The Board of Directors consists of five members elected at the Annual General Meeting and three members elected by the employees. The members elected at the AGM are two women and three men, which complies with the target

of 40/60 distribution in relation to the underrepresented gender. The three employee-elected members are men. The senior management of Royal Arctic Line consists of the executive group, which has two men and one woman, and a management group consisting of heads of department, with three women and five men (including the executive group).



Climate and the environment

Marine transport is the most economic and environmentally friendly form of commercial transport and consumes less fuel per tonne of cargo moved than rail, road or air transport. Notwithstanding these advantages, it is Royal Arctic Line's policy to limit the negative impact of its ships and its activities.

At sea

In 2019, the company focused on building new ships, ensuring that experience from existing ships was applied to the new ships' systems, as well as to solutions related to the working environment.

Following the shipbuilding programme's first delivery (the oceangoing vessel *Tukuma Arctica*), the oceangoing vessel *Naja Arctica* was laid up in Frederikshavn and is expected to be sold for recycling.

The EU ratification of a major part of the Hong Kong Convention means that by the end of 2020 the company's ships must have a certificate identifying any potential pollutants on board. This is ascertained through sample-taking and materials testing.

Heavy fuel in the Arctic

A meeting was held between the International Maritime Organization (IMO) and the Government of Greenland, attended by the IMO's secretary general, Kitack Lim, and a number of stakeholders, including Royal Arctic Line. The purpose of the meeting was to establish dialogue with the authorities and parties in Greenland that use HFO, and to illuminate the potential consequences of a ban on HFO in the Arctic.

On-shore

As a company, we are committed to safeguarding our climate and the environment and have a strong focus on reducing our environmental impact. One means to achieve this is to use electricity to power our land cranes. We are also investigating how best to operate our machines so that they have the least possible impact on the environment.



Suppliers and partners

Royal Arctic Line wants to have responsible suppliers and partners. This is why we engage in dialogue with our suppliers to promote sustainability in connection with our purchases. Previously, we asked our suppliers to sign the company's Terms and Conditions of Supply, committing them to comply with the UN conventions on child labour, human rights, labour rights and 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 reached in 2016. Since virtually all purchases are made in Greenland and Denmark, where transparency regarding the individual supplier's environmental, social and ethical conditions is high, we have chosen not to require documentation in 2019.

Anti-corruption

Royal Arctic Line aims to operate in a transparent and non-corruptible market, both nationally and internationally. The company therefore does not accept bribery, emoluments or any other type of unethical business conduct. Royal Arctic Line has adopted an anti-corruption policy in order to tighten in-house rules and control

mechanisms, and conducts audits to ensure that the company's activities are always ethical. Via the Group's intranet, all employees have access to these policies and to a form on which to report any gifts given and received. This is a best-practice policy that has been adjusted for company use after a series of employee workshops.

We are not aware of any breaches of the anti-corruption regulations in 2019.

Involvement in the local community

Royal Arctic Line has a sponsorship committee that meets once a month in Nuuk to process applications. Royal Arctic Line contributes to positive development and practices corporate social responsibility for the local community of which the company is part. To this end, the company makes services, skills and sponsorships available for initiatives that benefit Greenland. Through the company's sponsorship committee, support is offered to children and young people, to culture and sports, to the socially vulnerable and to education in Greenland. Royal Arctic Line sponsors freight charges within the company's area of business, and makes cash donations for events or projects that are relevant for Greenland.

Royal Arctic Line supports Koføeds Skole

In 2019, in connection with Royal Arctic Line's corporate social responsibility, whereby the poor and socially vulnerable are also a special focus area, the company bought Christmas trees from Koføeds Skole in Nuuk. The profit from the sale of these Christmas trees, which were made by the students out of pallets, went to Koføeds Skole's student account, which is used for student activities during the year.

"It's nice to be able to collaborate on all fronts. Royal Arctic Line is one of the companies with which we work well!"

- Leader of Koføeds Skole in Nuuk, Gujo Thorsteinsson

Future CSR efforts

In 2020, we will concentrate on implementing the decisions that were made in 2019, with special focus on establishing an overall framework for the company's CSR activities. Attention will also be paid to the final selection of focus areas for the UN's 17 Global Sustainable Development Goals and on implementing the functions to support a systematic and measurable approach to these goals.

In 2019, we laid out the plans to fortify the foundations, while 2020 is the year in which the foundations will be cast and plans for the company's future initiatives will be defined, both in the short term and the long term.



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