

UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS (COP) 2020



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STATEMENT OF CONTINUED SUPPORT OF THE UN GLOBAL COMPACT

Zeaborn Ship Management and its management board confirm and renew their commitment to continuously support the United Nations Global Compact and its ten principles in the areas of Human Rights, Labour Standards, Environmental Protection and Anti-Corruption.

Within the entire international commodity trade, the biggest proportion of transportation is sea-borne. Shipping is therefore an important participant and beneficiary in globalisation processes.

As a result, Zeaborn Ship Management recognizes and appreciates its economic, ecological and social responsibility at both national and international level.

This eighth annual Communication on Progress documents the measures and results of Zeaborn Ship Management in the aforementioned four areas of the ten principles of the UN Global Compact. In this context, it also describes the objectives for the upcoming reporting period. The report will be made accessible to all stakeholders of the company.

Zeaborn Ship Management and its management board are committed to further incorporating the ten principles into their business strategy and to continuously develop and enhance respective objectives and measures.



Rob Grool
Executive Officer



Michael Brandhoff
Chief Operating Officer

ZEABORN SHIP MANAGEMENT (ZSM) - OVERVIEW



Zeaborn Ship Management is a globally acting, dedicated ship manager offering a comprehensive and state-of-the-art ship management product portfolio with particular focus on performance, efficiency, digitization and advanced customer care. We proactively manage a fleet of about 125 vessels focusing on containerships, bulk carriers, tanker and multipurpose vessels of all sizes.

About 4,300 employees on shore and at sea are committed to provide safe, environmentally friendly and reliable ship management operations to the company's clients.

In addition to mandatory certifications according to the International Safety Management Code (ISM-Code), the Maritime Labour Convention (MLC) and to the International Shipboard and Port Facility Security Code (ISPS-Code), Zeaborn Ship Management developed an integrated management system certified to the following standards:

- ISO 9001:2015 (quality management),
- ISO 14001:2015 (environmental management),
- BS OHSAS 18001:2007 (occupational health and safety management),
- ISO 27001:2013 (IT Security)

This management system is established and maintained both on board of the managed fleet and ashore. It will be audited by an independent external party on an annual basis.

Within the reporting period, Zeaborn Ship Management successfully passed the regular audits for the applicable standards at both locations, the headquarters in Hamburg and the site office in Singapore. For the newly acquired tanker branch the latest certification for IT security ac-

ording to the ISO standard 27001 was achieved, thus to protect the data of both, the employees and the assets against any unauthorized access or abuse.

It is the declared goal of the company to extend the ISO 27001 to the dry cargo fleet within the year 2020.

Maintaining the ISO certification remains an essential part of the "DNV GL Excellence 5 Star" award, which is held by the company at both locations.

The award was renewed successfully in 2019. It confirms that Zeaborn Ship Management complies with the highest state-of-the-art standards for the operation of container-, bulk and multi purpose vessels in terms of Emergency Response Service, Environmental Passport (Containerships), Ballast Water Management (Bulkers), advanced internal training schemes for employees and good PSC records (external inspections of vessels by local authorities during port calls) - and also as a founding member of the Container Ship Safety Forum (CSSF) and participant of the UN Global Compact.

Another important issue during the reporting period was application and acceptance to become a member of the Maritime Anti-Corruption Network (MACN), a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. For further details please refer to chapter 04 "Anti-Corruption" of this report. In connection with the MACN membership the management board of Zeaborn Ship Management stipulated a review and revision of the Code of Conduct (CoC) for employees as well as for the Code of Conduct for Suppliers. As part

of the company's compliance program, both documents ensure a continuous improvement of the company's social, economic and environmental performance and enforces the efforts against corruption.

The company's entire Code of Conduct clearly refers to the ten principles of the UN Global Compact. It is available to all stakeholders of the company.

The setup of the company's Whistle Blower Hotline (e-mail and phone) has been revised to make it easily available to all employees on board and ashore to either address further questions, proposals of improvement or to report any violations or non-conformities.

01

HUMAN RIGHTS

PRINCIPLE 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2

make sure they are not complicit in human rights abuses.

Zeaborn Ship Management recognizes and appreciates its social responsibility and is or was engaged in the following activities within the reporting period of 2019 in this regard:

Zeaborn Ship Management and its management board are committed to support and to protect the International Bill of Human Rights within their sphere of influence and throughout all their business activities.

It is further the declared company's policy neither to permit nor to tolerate but to prevent any kind of discrimination and/or harassment of its employees on board or ashore on the grounds of race or the ethnic origin, gender, religion or belief, disability, age or sexual orientation.

Within its management system, Zeaborn Ship Management has established a reporting procedure that enables and encourages all employees to report any non-conformity or complaint with regard to the Maritime Labour Convention and other applicable national, international or internal rules and regulations. The latter also includes the declared company's policy statements available on the website of Zeaborn Ship Management. At the beginning of each year, the management board of Zeaborn Ship Management is carrying out a thorough review of the company's policy statement. The evaluation is based on the yearly Management Review. Necessary adjustments of the policy will be instructed as deemed necessary.

Beside the Company Policy, Zeaborn Ship Management provides further guidance regarding Human Rights to all stakeholders through its Code of Conduct and its Code of Conduct for Suppliers.

The seafarers on board of our vessels are away from their homes for several months. As it is crucial for them to be able to communicate with their families and friends while at sea, all vessels in Zeaborn Ship Management's managed fleet are providing all crew members with internet access.

The company's own social media guidelines are giving a clear orientation regarding a safe web navigation and a polite, respectful and transparent communication in line with all applicable laws and regulations.

Beside of that it is of utmost importance to stay in close contact with all employees on social media. In addition to an already existing own Facebook account Zeaborn Ship Management has launched an official company presence on LinkedIn. This web- and app-based social network is not only an important communication channel which enables all employees to connect with their company, it is also an important recruiting tool.

As recruiting is an important topic the Singapore branch office opened its rooms as an "Open Office for future talents" and hosted a group of forty graduated bachelor students from the MIT World Peace University. All students are

participants in a program that is an academic enrichment and global exposure through visits to the industry and lectures by professionals from various industries, in this case the maritime sector.

Furthermore, numerous employees followed an intranet call in December and donated warm winter clothing for seafarers. As a result, Zeaborn

Ship Management was able to hand over several boxes full of winter jackets, sweaters, hats and gloves to the International Seamen's Club Duckdalben in Hamburg at the beginning of 2019.

02

LABOUR

- PRINCIPLE 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- PRINCIPLE 4** the elimination of all forms of forced and compulsory labour;
- PRINCIPLE 5** the effective abolition of child labour; and
- PRINCIPLE 6** the elimination of discrimination in respect of employment and occupation.

The employment conditions of seafarers employment agreements of the crew members on board of Zeaborn Ship Management managed vessels are based on collective bargain agreements (CBA), fully in compliance with the Maritime Labour Convention of 2006 (MLC 2006), its amendments from 2014 and other applicable rules and regulations.

It is the declared policy of Zeaborn Ship Management that all employees both on board and ashore shall be treated in a fair, just and correct manner based on relevant international and national rules and regulations and applicable working terms and conditions. Zeaborn Ship Management considers harassment and bullying a serious and unacceptable offence.

The company has established a grievance procedure, which clearly defines the right of any seafarer to file a complaint arising from an alleged violation of his contractual or any other rights. Furthermore, anti-bullying posters (“Say no to harassment and bullying! Stand up and raise your voice!”) have been developed in 2018 and displayed on board all managed vessels, providing advice and support (hotline) to the seafarers concerned. A total number of zero MLC complaints were recorded and dealt with in the course of 2019.

The aforementioned MLC 2006 governs the minimum requirements for seafarers to work on a ship and the conditions of employment, the accommodation and recreational facilities as well as food and catering on board, the health protection, medical care, welfare and social security protection of seafarers. The effectiveness of the system was continuously monitored through annual internal audits on board of each vessel since then. Furthermore, the company fully complies with the requirements of the Maritime Labour Convention amendments 2014, which are providing additional financial security for the seagoing personnel in case of repatriation or abandoning of a ship.

External crewing agencies are also audited by Zeaborn Ship Management on a yearly basis. These audits include the verification of their compliance with the MLC 2006 as well.

Zeaborn Ship Management’s internal and external recruiting process ensures that underaged seafarers are not employed on board of Zeaborn Ship Management managed vessels. Personnel documents are being reviewed during various steps of the initiation of employment and also by the Master as a representative of the company on board.

With regard to a safe working environment, Zeaborn Ship Management is obliged to ensure that all identified risks to its personnel are being assessed and appropriate safeguards are established in order to ensure that no unacceptable or avoidable risks are taken.

To fulfill this commitment, procedures to identify critical shipboard operations and to control substances hazardous to the health of employees are established within the management system of the company. All procedures are regularly reviewed and revised. Part of the review is not only the proper implementation of these procedures but also a verification of implementation by conducting internal and external audits on board and in the office. All audits are related to the company's Occupational Health and Safety Assessment Series (OHSAS) certification. Further employee input is obtained through various tools such as the monthly minutes of the Ship Management Meeting, the annual "Master's Review" or by addressing a proposal for improvement.

To bring the company's occupational health and safety measures to the next level the management board decided to start activities for a transfer of the present certification according to the OHSAS 18001 certification to ISO 45001 standard. This should be achieved within 2020.

The verification in the office was carried out successfully during the reporting period of this Communication on Progress. In addition, further positive feedback and impact on the safety system was not only given by the employees but also by clients who carried out own office- and shipboard audits according to their own- or to industry standards.

Based on all input and all previous measures, the company's management decided to launch a permanent and ongoing safety campaign to change and improve the Safety Culture across the entire company, at sea on all vessels and ashore at all locations. The clear goal is to implement and to consolidate a system of Challenge and Response which empowers anyone to challenge an unsafe act and to stop any kind of incident well in advance before it happens.

It is obvious that this demands a collaborative

team work on board, ashore and between the ships and the office.

To begin immediately with that change the company has started to implement the Maritime Resource Management (MRM) training for all seafarer and the worldwide office staff, thus with the clear goal to maintain MRM as a permanent and ongoing safety campaign for Zeaborn Ship Management.

The Health Conscious Behavior campaign was a great supplement to the safety - as a healthy crew is essential for safety on board. As part of our holistic workplace health promotion program 'move on BOARD' we proudly present our online health training video series covering "strength & endurance", "mobility" and "mental fit & relax" (www.moveonboard.com) to actively counter strains arising from daily work routines on board. The training videos are available for our seafarers and their family and friends free of charge.

Our training videos were recognized with the "HR Excellence Award 2018" in the category "Company Occupational Health Management".

- With the focus on fatigue management on board, the company decided to approach this topic with two new training programs covering the fields 'Activation' and 'Relaxation'. The trainings are accompanied with an introduction video have been made available to our seafarers in 2019. The new training programs are based on feedback that we have received from seafarers particularly related to finding rest after the duties.
- An onboard evaluation of the gym and welfare arrangements has been conducted to get an overview of the standard and the quality of the various equipment in the gyms. In average, each vessel has about 30 square meters available for the crew to do sport and relaxation e.g. in a sauna and a pool where available. The evaluation revealed that the vessels overall are well equipped with various sport equipment e.g. tread-mill, ergo-meter bicycle, weights, bench, table tennis, etc. It was noted however that not all vessels were equipped with an ergometer and / or a treadmill or same equipment is not in adequate condition.

The company provided each vessel should have minimum a tread-mill and an ergo-meter bicycle which were supplied to the vessels in the cause of 2019.

- The theme of 2019 Day of the Seafarer, "I am on board with gender equality," ties well with the IMO World Maritime Day Theme for 2019 "Empowering Women in the Maritime Community." These important themes highlight the opportunities for women, as well as the contributions they are making, in a wide range of maritime careers and professions

Within the reporting period the company continued its approach to support and promote risk based assessments of relevant procedural changes on board and ashore, thus to strengthen its own Risk Assessment- and Management of Change procedure. To reach the goals it was decided to continue with regular trainings and workshops. The campaign to promote the identification of unsafe conditions and unsafe acts is also ongoing and the goal of the campaign is still valid: to promote a near miss reporting in order to proactively identify hazards before they will lead to incidents and accidents.

In 2019, the company continued to arrange Fleet Officer Meetings (FOM) for about 120 officers. One was held in Manila in January 2019 as kick-off for the integration process of Zeaborn Ship Management Tanker crew and one meeting was organized in the premises of the company in March 2019 elaborating values for the company and to share expectations between crew, company and owner. We embedded our Health-Conscious Behavior campaign into the meeting in Hamburg where we introduced the new moveonboard.com training offers on 'Activation' and 'Relaxation'.

The PSP (Performance Support Program) team provided training and development to 1.350 crew members on board. PSP will remain a core component of the company's personnel development and training concept for 2019 and beyond.

As a founding member of the Container Ship Safety Forum (CSSF), a global business-to-business network that improves safety performance and management practices in the container shipping industry, the company not only supports the further growth of the Forum, but also its further transition into a Non-Government Organization (NGO).

Again, during the reporting period the CSSF managed to attract further members. The network now consists of 23 members, all of them major container shipping liner companies and ship owning and / or ship managing companies. These 23 companies represent more than 40 percent of the worldwide TEU (Twenty Foot Equivalent Unit) container capacity. Their common objective is to create a container shipping industry with high safety standards, ensuring no harm is caused to people, ships, cargo, and the environment. To achieve this, CSSF members collaborate to advance the continuous improvement of safety culture and performance in the container shipping industry through measurement, reporting and benchmarking, sharing best practices, and engaging with key stakeholders to develop durable solutions.

As a part of the occupational health management ashore the company maintains a weekly "Active Lunch Break" - a holistic movement concept for health promotion. Physical discomforts of the employees, such as back and neck pain, are reduced and health is sustainably promoted.

In order to improve the occupational health management, the company has set up a health programme (MediFit) for its employees in cooperation with the company medical officer. Each month there are individual one-on-one discussions, lectures or workshops on a specific topic.

03

ENVIRONMENT

PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8

undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9

encourage the development and diffusion of environmentally friendly technologies.

This approach is reflected in all company instructions and procedures, which ensure the safe operation of all vessels with regard to environmental protection, in compliance with all relevant laws and regulations and in line with the requirement of the ISO 14001:2015 standard. Further internal and external verification audits were carried out on board of several vessels of the fleet.

Zeaborn Ship Management is clearly committed to protect the environment, which is a broader view compared to the previous approach to prevent any kind of pollution. Therefore, Zeaborn Ship Management is permanently reviewing its company policy, its relevant procedures and KPIs. Consequently, the company was one of the first ship managers worldwide who revised its management system to cope with the latest ISO 14001:2015 standard.

Zeaborn Ship Management is convinced that this is a major step and a significant commitment to protect the environment, prevent pollution,

mitigate and adapt the climate change and protect biodiversity and ecosystems.

All Zeaborn Ship Management employees are informed about this policy. They are trained regularly to enhance their skills and abilities to environmental protection.

Furthermore, Zeaborn's commitment has been shared with all stakeholders when the Environmental Statement was made available on the company's own webpage.

Within the recent reporting period, Zeaborn Ship Management has continued the successful co-operation between the office and ship staff on the one hand and with classification societies, naval architects, shipyards, research institutes, engine makers and charterers on the other hand in order to reduce fuel consumption and CO2 emissions of all vessels under management.

Important measures are listed below and on the following pages.

OPERATIONAL

Slow and super slow steaming - Zeaborn Ship Management's managed vessels were continuing to reduce their normal voyage speeds wherev-

er and whenever trading pattern allowed this measure.

TRAINING

52 senior officers attended trainings concerning “Ship Handling”, “ME MAN Engine course”, “RT Flex Engine course” and “MSPS In-house

Training”. Officers also contributed to the content of such trainings to increase the overall vessel performance.

REDESIGN

IMO and US coast guard regulation force ship owners to implement/retrofit Ballast Water Treatment Systems (BWTS) in order to prevent the spread of harmful aquatic organisms from one region to another and halt damage to the marine environment from ballast water discharge, by minimizing the uptake and subsequent discharge of sediments and organisms. The first Zeaborn Ship Management managed vessel retrofit started in 2018 with the implementation of a 500 m³/h UV/Filter BWTS on a 2,500 TEU container vessel and has been completed and commissioned in the first quarter of 2019. Further 5 vessels have been equipped with a BWTS in 2019 and another 5 installations will be completed in 2020.

Since January 2015, all vessels operating in Emission Control Areas (ECAs) also referred to as Sulphur Emission Control Areas (SECA), have to ensure that their emissions are reduced. Zeaborn Ship Management already started in early 2014 to implement measures and modifications in order to meet these regulations well before the due date. Currently all Zeaborn Ship Management managed vessels calling SECAs / ECAs are fully compliant with the relevant MARPOL Annex VI regulations. Most other vessels managed by Zeaborn Ship Management, which are not sailing in those areas, are modified proactively.

From 01.01.2020, the sulphur content of marine fuels shall not exceed 0.50 % sulphur for operation outside ECA and from 01.03.2020, the carriage of non-compliant fuel on ships not fitted with ‘equivalent’ means of compliance (e.g. exhaust gas cleaning systems) is prohibited. All vessels must have a vessel specific ‘ship implementation plan’ (SIP) on board from now on. The IMO has agreed that administrations and PSC authorities may consider the SIP when verifying compliance with this regulation.

Several owners decided to install an exhaust gas cleaning system (EGCS) on some of their vessels. 10 vessels of the fleet managed by Zeaborn Ship Management have been equipped with an EGCS already and on another 14 vessels EGCS are currently being installed. Remaining vessels managed by Zeaborn Ship Management have been prepared for the use of compliant fuel in 2019.

In addition, the company start conducting an inventory of hazardous materials (IHM) on board of all ships under their management, thus to improve the ecological footprint of a vessel in line with the Company’s Code of Conduct and Environmental Statement.

MONITORING AND REPORTING

During the reporting period, Zeaborn Ship Management continued to use FuelSafe, an integrated tool of the company’s own Vessel Performance Monitoring Center (VPMC) installed on selective vessels representing all vessel classes under management. It enables optimal efficiency regarding to fuel consumption and asset protection. The system retrieves up to 300 measured values. It does not only deliver analytical data but is also indispensable for successful monitoring: It checks the ship’s operation continuously, gathering data on energy output, fuel consumption and sailing conditions on a

day-by-day basis. Its reporting features reveal where steps may be taken to increase efficiency, giving the crew specific recommendations for performance improvement.

On top of that, Zeaborn Ship Management has implemented additional functional modules in its KPI based vessel performance evaluation software to monitor engine performance and lube oil consumption improving the VPMC’s guidance and support for the vessels to improve their operational efficiency.

The effectiveness of Zeaborn Ship Management's energy efficiency system is backed by benchmark systems of its customers. These systems collect and monitor data about vessel performance as well. The fuel efficiency benchmark system of the market leader showed that vessels managed by Zeaborn Ship Management saved fuel in line with the top competitors.

Zeaborn Ship Management supports and uses the Shipping Efficiency initiative, which was launched by the Carbon War Room program. Within Shipping Efficiency Zeaborn Ship Management maintains an up-to-date record of its ships in order to get an external energy efficiency rating of its measures and to share such rating of its fleet in a transparent way with the public.

COMPANY POLICY

The management board of Zeaborn Ship Management reviews the environmental company's policy in regular intervals and confirms its validity. As mentioned earlier, this was done in 2019 and confirmed the broader view of the company's environmental approach.

Greater environmental responsibility is also expected from all suppliers and subcontractors around the world. We see positive trends, especially in Asia, that suppliers are changing their behavior towards greater responsibility.

As an important part, the Code of Conduct for all employees covers the environmental aspects of Zeaborn Ship Management's business. It confirms that the protection of the environment as well as the conservation of natural resources do have a high priority.

CAMPAIGNS

The company continued its approach to reduce the usage of plastic on board. In 2019 it supported national campaigns, e.g. those of the Republic of India, called "Prohibition on use of Single Use Plastic (SUP) on board merchant vessels calling Indian Ports, and amended each ship specific Garbage Management Plan accordingly.

Another amendment to that plan was made to reduce and handle electronic waste on board. To monitor the supplier's environmental performance, a software based supplier rating system is in use and allows both the office and the ship's side to rate the quality of a product and its packaging.

Zeaborn Ship Management is continuously working on a further development of a strong supplier base. In 2019, approx. 1.250 active

suppliers worked for the company. Approx. 45% of supplier spending is based on frame contracts to ensure high quality supplies and observance of high environmental standards and sustainable business behavior.

On average, more than nine evaluations for each of these suppliers and subcontractors have been gathered in the last five years. In 2019 each supplier was rated 2,5 times. The average supplier rating (from 1=poor to 5=very good) within 2019 was 4.06. After an average result of 4.07 the year before, this figure reflects the high and stable standard of the suppliers' performance.

In addition, the Procurement team conducted several vendor audits of major suppliers.

OFFICE

In 2019, Zeaborn Ship Management reviewed its environmental management system for the office. As a result, the management board has confirmed the environmental objectives and targets.

In order to enhance the understanding and support of all employees ashore, the objectives and targets are still divided into three environmental aims:

1. Reduction of waste
2. Saving of resources
3. Avoiding of pollution

All three aims are subdivided into single measures or projects. Each measure or project is

clearly described and defines the responsible team / department, the status and in particular the related risks and opportunities.

The evaluation for 2019 on how far the objectives and targets have been met, is pending at the time of finalization of this report.

Furthermore, the company continues to offer subsidized monthly passes for public transport within the metropolitan area of Hamburg, in order to encourage employees to use environmentally friendly transportation for commuting between home and work.

04

ANTI-CORRUPTION

PRINCIPLE 10

Businesses should work against corruption in all its forms, including extortion and bribery.

The management board of Zeaborn Ship Management is clearly committed to the seven MACN Anti-Corruption Principles:

- Compliance Program Requirements
- Risk Assessment
- Monitoring & Internal Controls
- Due Diligence
- Proportionate Procedures
- Training & Communications
- Reporting, Discipline & Incentives

As a first step, designated instruction were shared with all employees at sea and ashore to support all of them in their daily work with various third party stakeholder worldwide. In this connection the management board has reviewed and confirmed the company's Anti-Corruption policy to counteract fraud, extortion and bribery or any other form of corruption within its sphere of influence and to act in line with all relevant rules and regulations.

A reviewed and revised Code of Conduct will give guidance to all employees regarding:

- Attitude towards business partners and third parties
- Antitrust and fair competition
- Anti-Corruption and improper advantages
- Anti-Money Laundering
- Trade Control Regulations

Further contractual rules and regulation are governing the acceptance and granting of presents, corporate hospitality and other invitations and stipulating in which cases employees have to report to the company if such benefits are offered to them by third parties that uphold or are about to enter into business relations with Zeaborn

Ship Management or its related companies. Any secondary employment or additional business of employees of Zeaborn Ship Management has to be reported to the company and is subject to approval in order to reduce possibilities of contradictions of interest. Salaries paid by Zeaborn Ship Management are ensuring that employees are able to support themselves without the need of an additional income.

The management board continues to held regular meetings to discuss topics related to anti-corruption, reviews the company's policy and revises its guidance to the employees, stakeholders and interested parties.

IMPRINT

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