



# ESG Report 2022

## Spar Shipping AS

# Norwegian Transparency Act - Spar Shipping AS

The ship owning office was established in 1994 and it is a privately owned company operating in the supra / ultramax segment. Head office is in Bergen, Norway.

We are a long-term tonnage provider, servicing the worldwide dry bulk trade on a 24/7 basis all year around. Focus being on commitment to the industry and long-term partners within shipping. The primary business is to “time charter” out crewed vessels to established operators within our niche. We can occasionally also do single voyages for own account though that is not our primary focus. The entire fleet is registered in the NIS Registry, Norway. We avail foreign crew and they are covered by collective bargaining agreements which then become the minimum standard throughout. Otherwise, we endeavor to adhere to OECD Guidelines, ILO recommendations.

We have outsourced technical management as well as crewing to Fleet Management Limited. Crew is predominantly sourced from the Indian sub-continent. The structure has been in place for more than a quarter of a century with minimal changes. When we embarked with the technical manager, it was a small entity with no more than 10 vessels in management. Today, it is among the world leaders with more than 600 vessels under its management and tens of thousands of seafarers employed.

As such, labor relations, are all regulated and entrenched in the business model, although at third party length. Influence is mostly indirect through contractual chain. Business is enacted at contractual level based on templates which consider jurisdiction of contractual law, Flag state, as well as other relevant bodies such as UN, US, EU, others as may be applicable.

As a company, we support UN's Sustainable Development Goals (17 SDGs) of the 2030 Agenda for sustainable Development in general and IMO being UN's body on marine aspects have identified a subset of 8 SDGs with strong linkages to IMO's technical assistance. Ref. TC.1/Circ 69. IMO highlighted SDGs (4,5,6,7,9,13,14 and 17) denote those most directly relevant to IMO's technical assistance work. It follows some of these also carry importance and strong relevance to our own business.

Our own resources can best be applied by directing focus and attention to a limited subset. We have made SDGs 4,12,13,14,16 and 17 our priority.

Systematic tracking of Port state control statistics has proved to be a reliable supplement when benchmarking labor conditions and safety aspects onboard vessels. Port State Control is a third party with no other vested interest than safety of crew and vessel, and our results are further explained in this report.

The following roles and responsibilities are assigned within Spar Shipping AS:

The Board of Directors have established general guidelines and the CEO is set to oversee and follow up work conditions as well as human rights within the organization. Spar Shipping AS has a dedicated Compliance Officer who handles daily operational responsibilities related to human rights.

At Spar Shipping, we place emphasis on fostering organizational involvement by engaging in regular dialogue with our employees through meetings. Our objective is to actively listen to the voices of our employees and utilize their experiences and insights to promote sustainable and fulfilling working conditions. We strive to establish and maintain a trusting dialogue that serves as the foundation for employee involvement. This dialogue plays a vital role in driving continued improvement and advancement in relation to sustainable business practices.

## **Negative consequences for Human & Labor Rights**

As a shipping enterprise, operating worldwide and throughout the year and through the seasons, we recognize our business entails risks concerning safety, the environment, and human rights. Consequently, being pro-active and prioritizing safety is of the foremost concern. We do acknowledge it is a prerequisite for a quality operation. We firmly acknowledge our responsibility to uphold high safety standards, protect the oceans, and collaborate harmoniously with the communities in which we operate.

The United Nations General Assembly officially recognized access to a clean and healthy environment as a universal human right in July 2022. At Spar Shipping, we acknowledge that our business activities can have an impact on the environment. Therefore, we are working towards decarbonizing our operations and actively mitigating any adverse effects on the climate, environment, and oceans. Our aim is to minimize our carbon footprint and contribute to the preservation of a sustainable and thriving planet.

Spar Shipping has identified the following key areas of inherent risks where our operations can potentially impact human rights and labor rights.

### **Healthy and safe work environment**

The operation of Spar Shipping vessels, at sea, in port, around the clock and throughout the seasons, poses inherent risks to the well-being of our personnel on board the ships. Additionally, the terminals vessels are visiting, store sometimes complex cargoes in proximity to inhabited areas. Sometimes also exposed to the elements. Safety takes therefore precedence as our top priority both at sea and ashore.

We acknowledge responsibility and endeavor to take necessary measures to ensure the health and safety of crew as well as those within the broader value chain, including shipyards. We are committed to upholding stringent safety protocols and practices throughout our operations to safeguard the well-being of all individuals involved.

Focus on Port State Control is a key parameter to ensure and track safe and healthy work environment.

### **Forced labor**

We are aware of the historical challenges within the shipping industry regarding forced labor and contracts that do not align with human rights standards. In our commitment to responsible business practices, we adhere to all relevant regulations, including MLC compliance, ILO standards, STCW requirements, and more.

We require that our charterers, manning agencies for seafarers, and other subcontractors also comply with the same human rights standards. To ensure this, we work to incorporate these expectations as integral elements in our contracts and agreements with these parties. This underscores our commitment to promoting fair and ethical practices throughout our operations and value chain.

### **Non-harassing work environment**

Spar Shipping has a total of eight employees working in the office ashore, and through third party Fleet Management limited, we indirectly employ more than 500 seafarers. Recognizing that friction and disputes can arise between individuals, we are unwavering in our stance against any form of harassment within the work environment.

We have established a comprehensive Code of Conduct that outlines our expectations for all employees. We prioritize maintaining a non-harassing climate and encourage individuals to report any incidents promptly, as outlined in our policies. By upholding these standards, we strive to create a safe and respectful working environment for everyone associated with the company.

### **Clean, healthy, and sustainable environment**

We acknowledge that our operations generate greenhouse gas emissions and particulate matter, which contribute to climate change and pollution. As part of our commitment to sustainability, we establish climate targets aligned with the ambitions set by the International Maritime Organization (IMO).

Furthermore, we adhere to all emission regulations and operate in compliance with the required standards. By doing so, we aim to minimize our environmental footprint and actively contribute to mitigating climate change and reducing pollution associated with our activities.

### **Other assessments and evaluations**

We also assess the locations where we conduct our operations, which may include countries where we make port calls or engage in vessel construction and maintenance. We evaluate how our activities may impact human rights in these regions.

One significant area of concern relates to shipyards situated in regions that score low on various Human Rights indices. This encompasses shipbuilding, maintenance, dry-docking as well as ship recycling activities, which also involve work performed by sub-suppliers to the yards.

To mitigate the risks associated with potential negative impacts in these areas, we have a due diligence process in close collaboration with technical manager when selecting and engaging shipyards. We have clear criteria's and a process for evaluating the yards we choose to work with. Additionally, we prioritize the presence of our supervisors from Fleet Management during maintenance activities at the yards.

We are actively working to enhance the human rights elements of our due diligence processes, continuously evaluating how we can improve our practices in this area. Our commitment to human rights is a priority throughout.

### **Reporting of incidents**

Spar Shipping has a dedicated Compliance Officer to assist employees as well as external stakeholders to have a dialogue regarding anything perceived inappropriate or having scope for improvement. We also encourage employees to report any concerns through their manager.

# Environment

As a global tonnage provider, we acknowledge the significance of minimizing adverse environmental effects and we take on responsibility accordingly. The services we provide have environmental impacts, defined within crucial areas as marine pollution, air pollution and harmful effects on marine biodiversity.

Sea transportation represents a relative environmentally friendly option of cargo transportation, but naturally it is subject to regulations encompassing national and international laws, rules and conventions. We diligently adhere to applicable requirements, positioning ourselves for forthcoming regulations. We recognize the ongoing need to improve and offer even more eco-friendly sea transport solutions.

Considering the current state of technology and fuel infrastructure, there are no immediate alternatives available to eliminate the company's climate impact. At present, all of Spar Shipping's ships rely on fossil fuels, which contribute to the company's climate footprint and associated risks. However, active measures are underway to decrease fuel consumption, while exploring alternative fuels that can minimize or eliminate the company's climate impact. Over the past two years, we have bunkered approximately 1700 metric tons of sustainable biofuel. The extent of the company's emissions is contingent upon its activity levels and fleet size. In the event of increased tonnage, total emissions may rise, but emissions per ton-nautical mile (EEOI) are likely to decrease.

Our objective is to reduce both absolute emissions and emissions per ton-nautical mile. Ideally, we would optimize our sailing patterns to achieve this goal. However, as a tonnage provider, our model does not grant us the flexibility to dictate specific voyages or speed. Conversely, our fleet of craned Supramax and Ultramax vessels possess cargo flexibility, allowing them to transport all sorts of goods in various regions. This results in limited ballast percentage and tend to maximize vessel utilization. An optimized sailing pattern not only benefits the company but also helps reduce

our customers' carbon footprints. We try to influence and encourage efficient and environmentally friendly practices among our counterparts. In our view, an efficient and flexible sailing pattern represents a significantly more sustainable approach.

Our involvement primarily revolves around the transportation of dry cargo products, where the discharge of cargo itself is not expected to cause significant harm to the environment. However, bunker consumption does result in emissions of CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub>, and other substances into the air.

## Ballast Water Treatment System (BWTS)

The transport of species and organisms from one part of the world to another are causing potential damage to biodiversity, as well as negative impact on economic and public health. During our drydocking program which ended January 2022, all our vessels have installed ballast water treatment system which cleans and neutralize harmful organisms in the ballast water before discharge into the ocean.





# Environmental parameters

ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2022	DATA 2021	DATA 2020	CODE
<b>CO2 EMISSIONS</b>					
Global GHG Emmissions	Metric tons (t) CO2-eq	349 899	367 756	373 187	GRI-305-1
Energy Consumed	Gigajoules (GJ)	4 561 208	4 791 862	4 863 094	GRI-302-1
VLSFO Consumed	Metric Tonnes	96 453	102 931	104 106	
LSMGO Consumed	Metric Tonnes	15 454	14 731	15 284	
<b>ENERGY EFFICIENCY OPERATING INDEX (EEOI)</b>					
GHG Emission Intensity	g CO2/t-nm	7,27	8,54	7,4	GRI-305-4
Total Distance	Nautical Miles	1 162 181	1 129 075	1 204 189	TR-MT-000.B
<b>ANNUAL EFFICIENCY RATIO (AER)</b>					
Annual Efficiency Ratio	g CO2/DW-t-nm	5,22	5,65	5,37	GRI-305-4
<b>OTHER EMISSIONS TO AIR</b>					
Nox	Metric Tonnes(t)	8 198	7 611	7 361	GRI-305-7
Sox	Metric Tonnes(t)	875	946	897	GRI-305-7
<b>BALLAST WATER TREATMENT SYSTEM (BWTS)</b>					
Implemented	Percentage	100 %	83 %	46 %	
<b>SPILLS AND RELEASE TO ENVIRONMENT</b>					
Number of Spills	Number	0	0	0	GRI 306-3



# Social

## Commitment

We are committed to creating a dynamic, secure, and inclusive workplace where we actively attempt to ensure that all employees are provided with fair and decent working conditions.

The diverse cultures and backgrounds represented among the employees and crew in Spar Shipping exemplify the richness of our workforce. We firmly believe that upholding labor and human rights, including providing good working conditions, is essential for attracting, developing, and retaining talented individuals. It serves as the cornerstone for the success and growth of our company.

## Safety

The utmost priority is the safety of our employees and the environment. We actively collaborate with technical manager to ensure a secure workplace for all crew considering the high-risk nature onboard a vessel. Safety remains a fundamental aspect of everything we do, and our systematic approach to safety yields positive results.

We believe key to establish and maintain a safe workplace for seafarers is to have a qualified crew, effective safety management systems, conducting safety campaigns and providing quality training. In 2022, it was reported 0 accidents related to our ships.

Mental health is a noticeable challenge in the maritime industry. Fleet Management have their own dedicated team to support wellbeing of seafarers and their families.

We benchmark ourselves by collecting statistics on number of successive contracts officers and crew remain on our vessels. Retention is a pre-requisite for moving down the learning curve. In 2022 Covid-19 was still an issue with many restrictions and related difficulties. We deviated occasionally vessels from the intended route to facilitate crew change at suitable locations. The aim was to limit overall negative effects for stakeholders.

We are pleased during year 2022, normal crew change operations resumed in most parts of the world.

## Other stakeholders

We hold ourselves and our suppliers to high ethical and environmental standards. Through the procurement of services and products from our suppliers, we have a direct financial impact, which in turn indirectly affects local communities through job creation and tax contributions.

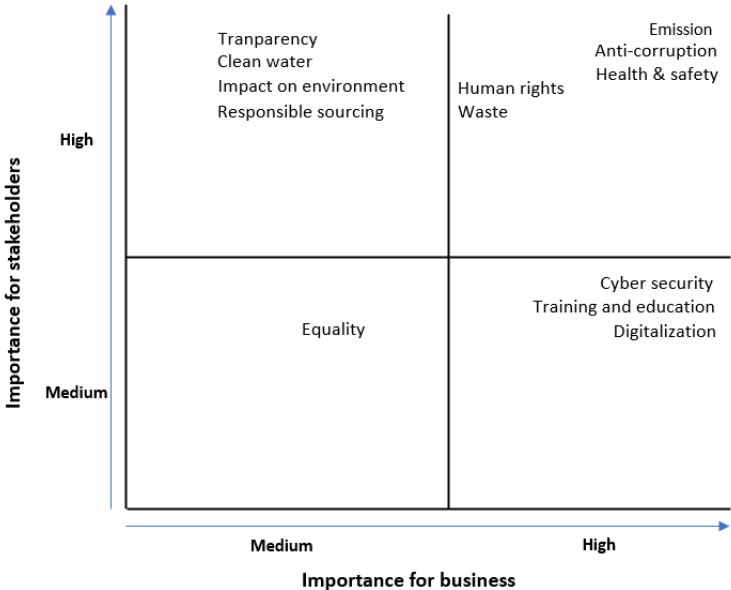
It is mandatory for all our suppliers to comply with applicable laws and regulations. We base our principles upon the UN Global Impact Guiding Principles. By embracing our policies and procedures, our suppliers are indirectly influenced by Spar Shipping's commitment to responsible business practices. We have set expectations for suppliers to adopt a shared approach towards the safe and sustainable provision of services, as well as a commitment to upholding human rights and ethical principles in general.



# Materiality assessment

We use a materiality assessment and matrix to identify the aspects of our business that we believe have the most impact on the environment and the societies in which we operate. In the matrix, the importance of different topics is placed according to importance for our business financially and for stakeholders in general.

The assessment identified thirteen areas of material impact which are presented in the Materiality Matrix. These areas were identified by considering the value chain. Even if all these areas are important to the business, the relative importance may vary between the different stakeholders.





# Governance

Responsible and robust corporate governance is crucial to the operation and sustainable growth of the company. Our internal guidelines, core values, and ethics form the fundamental platform. These guidelines serve as the framework to ensure transparency, integrity, and ethical practices throughout our organization, enabling us to make informed and responsible decisions.

To maintain open and honest communication is important for effective decision-making and to minimize conflicts. We work hard to be a credible and reliable player within the industry.

The company maintains a strict policy towards corruption. Our ethical guidelines provide a clear definition of corruption and outline the expected conduct for employees. Operating on a global scale, we acknowledge that certain regions pose a higher risk of corruption compared to others.

To prevent and mitigate the risk of corruption, it is imperative to have transparent guidelines and effective reporting channels. No reports of corruption were received in 2022, affirming our commitment to maintaining a corruption-free environment.

## Climate Risk

The valuation of the company's assets considers climate risk. Assets that may lose value before their projected lifespan due to changes in external climate conditions or climate risk may be defined as stranded assets.

In the short term, there are no indications of a decline in demand for shipping within the company's market area. However, in the long term, we anticipate there may be a reduction in the transportation of coal. We diversify in terms of customers and transported commodity groups. In total there is a growing demand for sea transportation, and we do not foresee a significant impact on revenue estimates from decreased demand for fossil fuel shipping.

It is expected that taxes and costs associated with the consumption of fossil fuels will increase in the coming years. The European Union (EU) has recently revised the EU Emissions Trading System (EU ETS) directive to include shipping, with emissions on voyages

to and port calls within the EU/EEA subject to the EU ETS. This will result in higher transport-related expenses, based on a "polluter pays" principle. The full framework for the directive is expected to be clear during 2023.

Under the current assumptions, the service life and residual value of the company's ships are expected to remain unchanged. All ships comply with relevant requirements and undergo continuous upgrades to meet upcoming regulations. Currently, there are no indications of regulatory or climate-related factors that could shorten the lifespan of the company's assets. Therefore, the company considers the risk of reduced lifespan due to external framework conditions and climate risk to be low.



## Port State Control (PSC)

We consider PSC an important tool to measure safety and corporate governance aspects of our business. It represents third party evaluation with no other vested interest than safety and wellbeing of crew and vessel. Focus has intensified over the years. The increased focus has culminated in a cultural change where adverse issues need to be promptly addressed and followed up by shipowners rather than for them to be postponed to a more opportune point in time, which may never occur. PSC has become a major input for third party vetting organizations and altogether the statistics is critical indicator used by most stakeholders, ranking from authorities to charterers, insurance and finance.

### NIL Deficiency

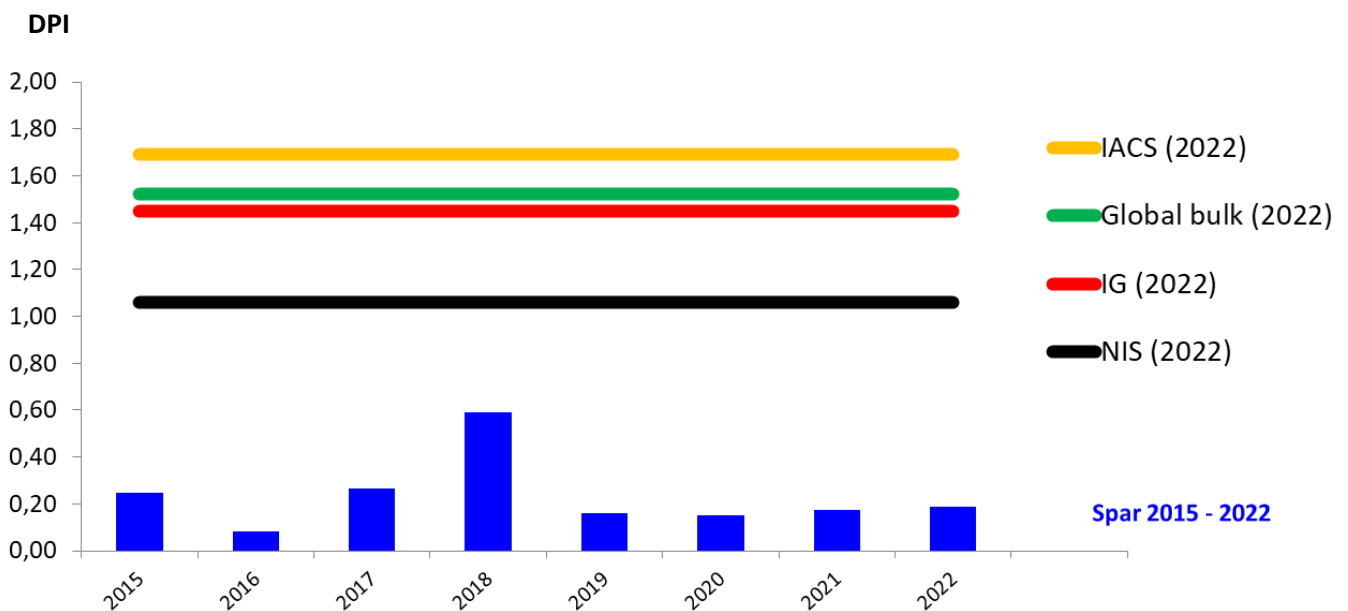
As an organization we have followed PSC statistics for decades and found same to be a valuable supplement to other financial parameters. We track fraction of PSC record with nil deficiencies, for the mere reason that nil is digital and pure. Nonetheless, key is to consistently have few deficiencies across the entire fleet. Detention is critical and unacceptable from an operational point of view.

In 2022, our result was on average 0.08 deficiency per inspection (DPI) and zero (0) Detentions across the fleet. These figures surpass the world average published by Intercargo, demonstrating our commitment to maintaining high standards.

The P&I Clubs which comprise the International Group (the "IG") between them provide marine liability cover (protection and indemnity) for approximately 90% of the world's ocean-going tonnage.

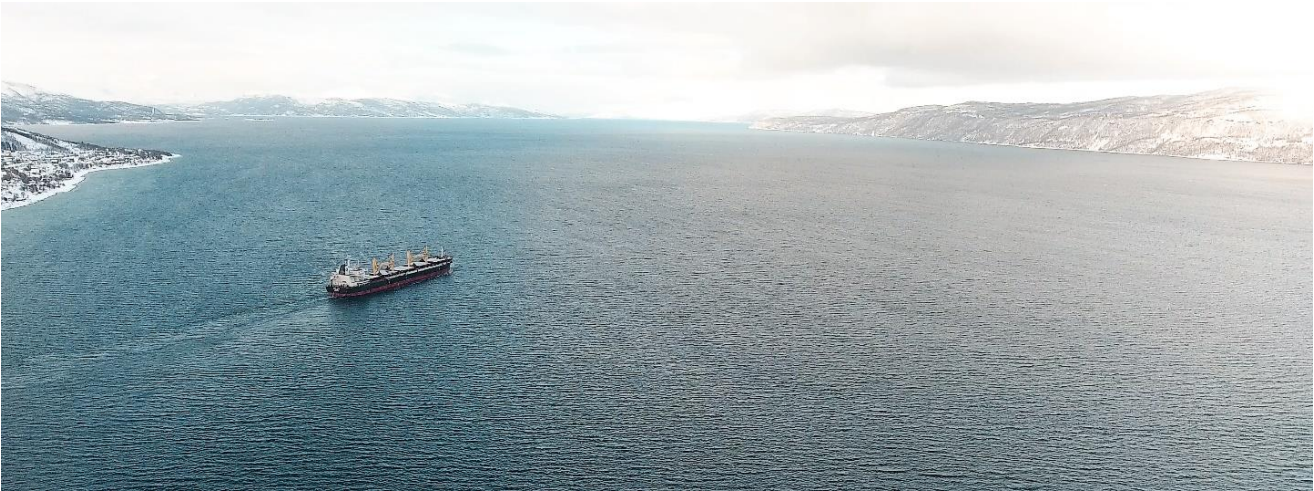
IACS makes a unique contribution to maritime safety and regulation through technical support, compliance verification and research and development. More than 90% of the world's cargo carrying tonnage is covered by the classification design, construction and through-life compliance Rules and standards set by the eleven Member Societies of IACS.

Norwegian International Registry (NIS)



# Governance Parameters

ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2022	DATA 2021	DATA 2020	CODE
<b>CORRUPTION RISK (Transparency International’s Corruption Perception Index)</b>					
Portcall in highrisk countries	Number	0	0	2	TR-MT-510a.1
<b>FACILITATION PAYMENTS</b>					
Bribes registered requested	Number	0	0	0	SDG 16
<b>FINES</b>					
Losses due to corruption	Reporting Currency	USD 0	USD 0	USD 0	GRI 419-1
<b>LOST TIME INCIDENT FREQUENCY (LTIF)</b>					
Lost time incident rate (LTIF)	Rate	0	0	0,22	GRI 403-9
<b>MARINE CASUALTIES</b>					
Fatalities	Number	0	0	0	GRI 403-9
<b>PORT STATE CONTROL</b>					
Deficiency	Rate	0,19	0,17	0,15	
Detentions	Number	0	0	0	



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