

Sector Guidelines: Shipping/Maritime transport

Scope and purpose

Swedbank's sector guidelines are tools to enable better insights into the sustainability issues that various industries face.

The overall purpose of sector guidelines is to promote sustainability performance in our business relations and to give guidance on aspects that could be discussed with customers, suppliers and other stakeholders. The primary purpose of the guidelines is to support sustainability risk assessment and describe how Swedbank interprets sustainability risks in several sectors.

Sector Guidelines are a set of recommendations that we would like to see our customers aim towards. They are relevant to all companies within the sector and in all stages of the value chain, such as production, processing and training.

Dependent on the size and maturity of the customers' businesses, we acknowledge that their transition journeys can be in different development phases and at any point of time satisfy different set of recommendations. However, we do not wish to see our customers going against the intention of our recommendations.

Sustainability impact

The shipping industry handles the majority of the world's transported goods.

The key Environmental, Social and Governance (ESG) risks and impacts relate to carbon emissions, pollution to air and water, waste and water management, use of chemicals, health and safety, and all aspects of labour management. The sector guidelines for road, rail and air transport may also apply in this context.

Expectations and recommendations

Swedbank expects clients, portfolio companies and suppliers to operate in accordance with relevant international norms, as well as regional and national laws, regulations and permits. We expect our business partners to manage material sustainability issues in a

systematic manner within the field of human rights, labour rights, climate, environment and business ethics. We also recommend that companies involved in the shipping sector:

- Identify material sustainability aspects and adopt relevant policies, objectives and targets;
- Have policy commitments to meet responsibilities with regard to human rights, labour rights, environmental protection, health & safety and anti-corruption;
- Apply relevant management systems or processes that can be monitored and that comply with norms on environmental protection, labour laws, as well as occupational health and safety;
- Ensure equal treatment for migrant workers;
- Prevent discrimination and improve equal treatment of men and women;
- Monitor, and minimise greenhouse gas emissions, pollution, discharge and waste on land and on water;
- Mitigate risk of oil spill and leakage by making use of the best available techniques;
- Apply sufficient routines for crisis management and actively mitigate accidents;
- Adhere to generally accepted principles on responsible management of ballast water;
- Implement routines for protecting the health and safety of employees, contractors and local communities;
- Have a developed ethical and environmental policy on vessel recycling;
- Report transparently on tax payments at group and country level in line with established global initiatives;
- Conduct due diligence on supplier management of environmental, social and business ethics issues and integrate sustainability criteria within procurement processes. Verify compliance with

company standards on a regular basis;

- Report regularly on material sustainability issues in line with established reporting framework standards, such as GRI.

Relevant norms, guiding principles & standards

- ✓ The 10 principles of the United Nations Global Compactⁱ
- ✓ UN Guiding principles on Business and Human Rightsⁱⁱ
- ✓ Rules and regulations set by the International Maritime Organization (IMO)ⁱⁱⁱ
- ✓ International Labour Organization (ILO) standards and guidelines set by the International Transport Worker's Federation^{iv}
- ✓ The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships^v

- Monitor our portfolios to mitigate risks including sustainability risks;
- Collaborate with third-party professional Corporate Sustainability experts and establish dialogue with counterparties on environmental and social matters;
- Report transparently on sustainability performance.

Implementation

Sustainability risk assessment is an integral part of Swedbank Group's risk assessment within corporate lending, investment and procurement. Sector guidelines set the context for risk assessment. In order to comply with our existing sustainability framework Swedbank shall:

- Ensure understanding of existing and potential clients' and portfolio companies' activities and risks. This means that Swedbank may require relevant documentation such as certificates and policies in order to understand the sustainability governance and performance;
- Evaluate suppliers' sustainability performance and integrate sustainability requirements as a mandatory part of supplier agreements. This means that Swedbank may terminate supplier relationships in the event of non-compliance with our supplier code of conduct;
- Continuously educate relevant Swedbank staff on general and specific Corporate Sustainability trends, issues and opportunities;

ⁱ The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.
<https://www.unglobalcompact.org/about>

ⁱⁱ The United Nations Guiding Principles on Business and Human Rights (UNGPs) are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.
http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

ⁱⁱⁱ IMO – the International Maritime Organization – is a United Nations specialised agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships. The IMO rules, regulations and guidelines are monitored by port states, flag state controls and by classification societies.
<http://www.imo.org/en/About/Pages/Default.aspx>

^{iv} International labour standards refer to conventions agreed upon by international actors to protect basic worker rights, enhance workers' job security, and improve their terms of employment on a global scale. The intention of such standards is to establish a worldwide minimum level of protection from inhumane labour practices through the adoption and implementation of said measures.
http://www.ilo.org/dyn/normlex/en/f?p=1000:12030:0::NO_

The International Transport Workers' Federation (ITF) is an international trade union federation of transport workers' unions.
<http://www.itfseafarers.org/about.cfm>

^vThe Hong Kong Convention is aimed at ensuring that ships, when being recycled after reaching the end of their operational lives, do not pose any unnecessary risk to human health and safety or to the environment.
<http://www.imo.org/en/About/conventions/listofconventions/pages/the-hong-kong-international-convention-for-the-safe-and-environmentally-sound-recycling-of-ships.aspx>