

# Corporate Social Responsibility Report **2010**



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## NORDEN in brief

Dampskibsselskabet NORDEN A/S (NORDEN) operates globally in dry cargo and tankers with one of the most modern and competitive fleets in the industry comprising 209\* vessels.

In dry cargo, NORDEN is active in all major vessel types. The Company is one of the world's largest operators in Panamax and Handymax, in addition to having growing activities in the Handysize and Post-Panamax vessel types as well as activities in Capesize. NORDEN Handysize Pool and NORDEN Post-Panamax Pool operate the Company's owned vessels in addition to tonnage from Interiorient Navigation Company Ltd. (INC).

In tankers, NORDEN's activities comprise Handysize, MR and LR1 product tankers.

These are operated commercially by the 50% owned Norient Product Pool, which also operates vessels from INC and is one of the largest product tanker pools in the world.

NORDEN's core fleet consists of owned vessels and vessels on long-term charters with purchase option. The core fleet is supplemented by vessels chartered on a short-term basis or for individual voyages, and this mix allows the Company to rapidly adjust the size of the fleet and the costs to changing market conditions. A large number of purchase options for both active vessels and vessels for delivery increase flexibility and contribute to the value creation.

NORDEN has offices in Hellerup (Denmark), Singapore (Singapore), Shanghai (China),

Annapolis (USA), Rio de Janeiro (Brazil) and Mumbai (India) as well as site offices at yards in Asia. The Company has 233\* employees on shore and 570\* at sea. Norient Product Pool has 44\* employees in Hellerup, Singapore, Annapolis and Limassol (Cyprus).

NORDEN was founded in 1871 and is one of the oldest listed shipping companies in the world. Management focus is long term and is based on the Company's vision, mission and values. The goal is for the Company to continuously develop for the benefit of its stakeholders and to achieve high, stable earnings. The NORDEN share is listed on NASDAQ OMX Copenhagen A/S, and the Company has approximately 18,000 shareholders registered by name.

*\*Numbers are stated at 31 December 2010*

## Vision

The preferred partner in global tramp shipping.  
Unique people.  
Open minded team spirit.  
Number one.

## Mission

Our business is global tramp shipping. We seek excellence through a dedicated team effort from competent and motivated people. With ambition, reliability, flexibility and empathy, we

- focus on customers who benefit from our constant commitment to being an independent long-term partner
- continue our long history of building valued relationships with shipowners and shipyards.

We will maintain a large modern fleet of owned and chartered tonnage, and – in a volatile market – we manage risks to constantly be able to develop our business and create shareholder value.

## Values

### Flexibility

Adapt and find better solutions.

### Reliability

Honest, good intentions and no cheating.

### Empathy

Respect diversity in people and opinions.

### Ambition

Think ambition into every activity.

# A word from the Board of Management



In 2010, we defined our Corporate Social Responsibility (CSR) policy which has been approved by the Board of Directors.

In NORDEN we believe that our CSR efforts should benefit both the communities in which we operate and our business – our focus is on business-driven CSR. This can be seen in the work we are conducting to become more efficient when it comes to consumption of bunker fuel – both in installing equipment onboard our vessels and in optimising voyages. Focus on fuel efficiency benefits both the climate and the bottom line. Also in 2010, we have had much focus on safety and quality onboard our vessels and this has proven to be a competitive advantage for us.

When dealing with CSR, the areas most important to us are employee health, safety and security, climate, environment, and education. Efforts are directed towards the parts of the value chain which we are able to control. Furthermore, we seek influence where possible in the value chain. Common to our efforts in the different areas is that they must

## Overall CSR policy

”Based on our core values, we strive on a voluntary basis to improve our corporate social efforts by integrating social, environmental, climate, health and safety concerns in our activities. We will establish appropriate reporting systems to help us meet our targets while at the same time focusing on continuous improvements. We will communicate openly with our stakeholders on these matters.”

strengthen the Company and directly benefit the surrounding society together with our stakeholders.

In December 2009, NORDEN signed up to the UN Global Compact, and our first CSR report covering 2009 served as the Company's Communication on Progress. We continue to integrate the principles of the UN Global Compact into our strategy, business procedures and operations in every relevant area of our business, and this CSR report 2010 serves as our second Communication on Progress.

In 2011, we commenced the work of implementing a CSR strategy which will be

based on our values and CSR policy. The CSR strategy will be linked to our overall corporate mission, vision and strategy, and is expected to be ready for implementation during 2011.

You have just started reading our second CSR report which will give you an insight into how we perceive CSR in NORDEN. It will also shed light on some of the challenges we faced during 2010.

*Carsten Mortensen and  
Michael Tønnes Jørgensen,  
The Board of Management*



# Governance in NORDEN

NORDEN has a two-tier management structure consisting of a Board of Directors and a Board of Management. There is no duality between the 2 bodies. The Board of Directors approves strategies, action plans, goals and budgets, sets out the risk management framework and supervises procedures. The Board of Directors appoints the Board of Management and sets out its terms and responsibilities. The Board of Management prepares and implements a business strategy and is responsible for the day-to-day management, organisation and development of NORDEN, for managing assets and commitments, accounting and reporting. The Board of Directors evaluates the performance of the Board of Management.

The Board of Directors currently consists of 8 members. 5 members are elected by the shareholders at the annual general meeting and 3 members are elected by the employees of NORDEN.<sup>1</sup>

## Organisation of CSR

CSR in NORDEN is rooted in the management. The Board of Directors has the overall responsibility of ensuring that NORDEN has a systematic management approach to CSR. The Board of Directors has appointed a CSR Executive Body to oversee NORDEN's CSR efforts. The CSR Executive Body, which is chaired by Chief Financial Officer Michael Tønnes Jørgensen, develops strategies, policies, meas-

ures and new initiatives relating to CSR and reports to the Board of Directors.

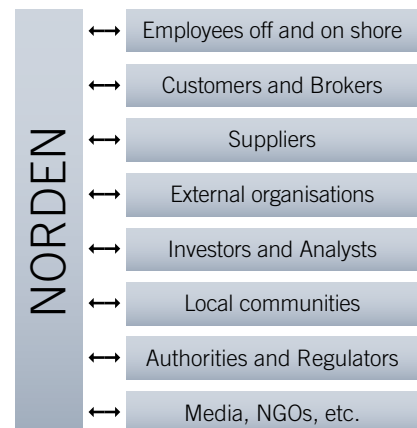
Furthermore, as of 1 January 2011, NORDEN has established a new dedicated corporate CSR function to oversee CSR matters. This function constitutes part of the CSR Executive Body and will especially strengthen the efforts and continue investments in resource saving solutions.

## Stakeholders and engagement

Stakeholders play a key role in NORDEN's CSR work. They have the ability to influence the success or failure of the Company's business in various ways. Without interaction and dialogue with stakeholders, NORDEN risks making poor decisions or missing important opportunities which are not beneficial to the Company.

In order to engage stakeholders in the business, NORDEN has identified a wide range of stakeholders, and the most important ones have been defined. These have a high ability to impact NORDEN's business and/or are highly concerned with CSR matters even though they might not be able to impact the Company's business much. The latter group is important since CSR initiatives include taking responsibility of one's business and thereby taking responsibility for the ones that are concerned with ones activities.

## NORDEN's primary stakeholder groups



The figure above shows the most important stakeholder groups for NORDEN.

NORDEN engages with its stakeholders in various ways. In 2010, this engagement was expressed for instance in the attending of road shows and investor meetings where NORDEN together with current and potential investors have the opportunity to discuss NORDEN's business and the market. The interest from investors on CSR matters has seen a significant increase during the past years.

Customers in both business segments have shown an increased interest for the Company's efforts relating to CSR. In the tanker segment, NORDEN is in dialogue with leading oil companies in order to ensure quality performance during vetting. Dry cargo customers and brokers have increased their attention regarding environmental, social and governance-related matters which are now significant factors in tenders.

An employee survey (Company Performance Driver) analysing the employees' perception of the culture in NORDEN was conducted. The analysis puts focus on initiatives to attract, retain and develop competent people.

As part of the upcoming CSR strategy, the Company will continue to develop its dialogue and interaction with stakeholders in order to ensure awareness of its stakeholders' concern with and view of NORDEN's business.



Chairman of the Board of Directors Mogens Hugo's report at the annual general meeting in 2010.

1) Further information on corporate governance in NORDEN is available on the Company's website, [www.ds-norden.com/investor/corporategovernance](http://www.ds-norden.com/investor/corporategovernance), where a white paper on NORDEN's corporate governance practices is also available.

# UN Global Compact and GRI

This report is NORDEN's second CSR report. The first report, which was published in July 2010, was structured in accordance with the 10 principles of the UN Global Compact, which NORDEN joined in December 2009<sup>2</sup>. This year, the report is aligned with the Global Reporting Initiative (GRI) since this initiative operates on 3 CSR reporting areas, namely environment, social aspects and economic aspects, which are highly relevant to NORDEN's business, and widely accepted by the Company's peers and other companies<sup>3</sup>.

The CSR report, which serves as NORDEN's Communication on Progress to the UN Global Compact, is published annually and covers the financial year. In the scope, boundary, or measurement methods applied in the report no significant changes occurred from the previous reporting period.

## Deciding on report content

In order to determine which performance indicators to report on, an analysis was conducted, looking at all performance indicators in GRI's Sustainability Reporting Guidelines together with the GRI Logistics and Transportation Sector Supplement. The indicators relevant to NORDEN's business were discussed in the CSR Executive Body and resulted in 22 performance indicators, mainly relating to environmental, climate and labour matters. A table identifying the location

of the performance indicators is available on [www.ds-norden.com/profile/csr](http://www.ds-norden.com/profile/csr) where a short introduction to GRI's application levels is also available.

Since this is the first time NORDEN reports in accordance with the GRI framework, an application level C has been aimed for, although more performance indicators have been included than what was required for this level. For future reporting, NORDEN aims to report on all standard disclosures relevant to the Company, which will ultimately imply reporting at application level A.

## Report boundary

The report boundary is set in such a way that focus primarily is on activities directly controllable by NORDEN. These include employees and assets in the parent company, subsidiaries and joint ventures<sup>4</sup>. In addition hereto, the Company will seek to influence other parts of the value chain, including industry organisations, owners of long-term chartered vessels, shipyards and other key suppliers.

In order to influence parts of the value chain where NORDEN has less impact, a code of conduct is in the process of being established. The code of conduct will cover new and existing NORDEN policies, positions and guidelines relevant to employees in NORDEN and will be useful as a reference for dialogue on CSR matters with existing or potential business partners.

## The 10 UN Global Compact principles

### Human rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

### 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.

### Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

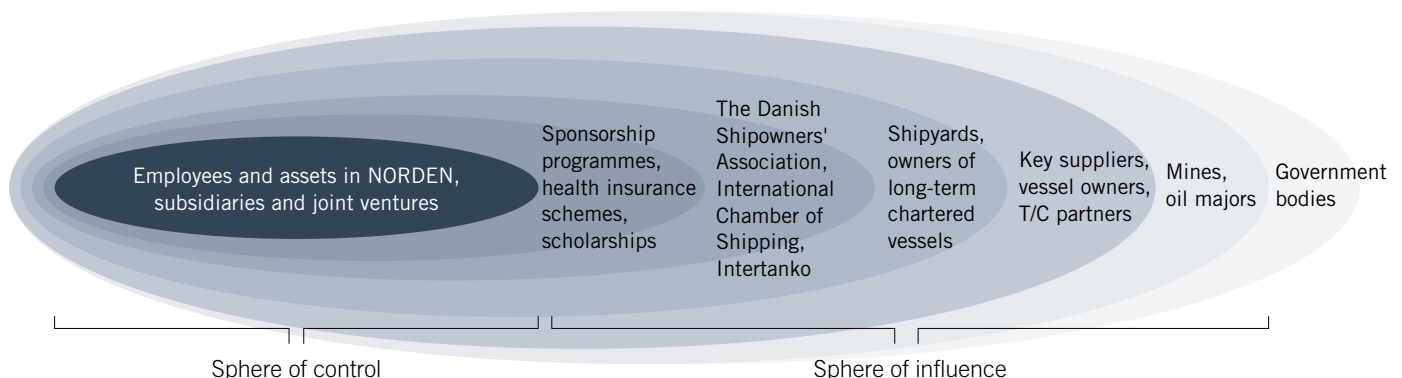
**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

### Anti-corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

## NORDEN's spheres of influence



Decreasing influence →

Source: Inspired by the UN Global Compact.

<sup>2</sup> For more information, please see [www.unglobalcompact.org](http://www.unglobalcompact.org).

<sup>3</sup> The Global Reporting Initiative (GRI) is a network-based organisation that has developed a widely used sustainability reporting framework. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance. GRI's reporting framework is developed through a consensus-seeking, multi-stakeholder process. Participants are drawn from global business, civil society, labour, academic and professional institutions. For further information, please see [www.globalreporting.org](http://www.globalreporting.org).

<sup>4</sup> Reporting figures in the 3 sections, Environment, Social dimensions and Economic, are for the NORDEN Group as defined in the annual report 2010. Minor deviations from this practice are stated together with the reporting figure.

# NORDEN and contribution to the world economy

In terms of volume, 80-90% of world trade is carried by sea, and consequently, demand for seaborne transport is closely linked to the development of the world economy.<sup>5</sup> NORDEN transports raw materials and refined oil products.<sup>6</sup>

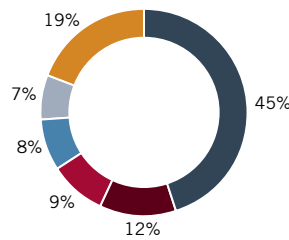
Just under 60% of the dry cargo volumes transported by NORDEN are transported to emerging markets where the goods are contributing to industrialisation and urbanisation in the areas.

NORDEN plays a dual role – not only is the Company shipping cargo, thereby supporting the development of a growing global economy, it is also responsible for conducting this transport in the most environmentally friendly way possible.

The cargo volumes transported by NORDEN are significant. During transport, consumption of bunker fuel is substantial which also implies that emissions to air are significant. Although emissions to

**Transports, Dry Cargo 2010**

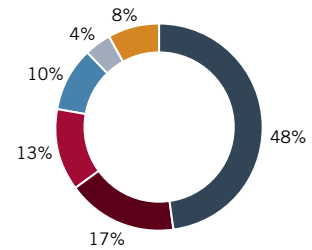
- Coal
- Grain
- Cement and clinker
- Iron ore
- Salt
- Other



In total transported: 42.1 million tonnes

**NPP transports, 2010**

- Fuel oil
- Gasoline
- Jetfuel
- Gas oil
- Naphtha
- Other



In total transported: 18.8 million tonnes

air are harmful to the environment, transport by ship is the most environmentally friendly means of transport. If the same amount of goods were to be transported by airfreight instead of by ship, the CO<sub>2</sub> emission would be 100 times greater. If lorries were to perform the same function, the world's CO<sub>2</sub> emission would

increase tenfold. However, the shipping industry emitted about 2.7% of the global emissions of CO<sub>2</sub> in 2007<sup>7</sup>, and therefore, NORDEN will continuously work towards reducing emissions to air.

5) Review of Maritime Transport, United Nations Conference on Trade and Development (UNCTAD), 2008.

6) Dry cargo transports in the figure only relate to the Company's Contract of Affreightment business which constituted 42 million tonnes in 2010. In addition hereto are the Company's spot business activities and cargo carried on vessels chartered out. The tanker business is conducted by Norient Product Pool and the 19 million tonnes encompass all spot business conducted by the pool.

7) IMO's "Second IMO GHG Study 2009".

NORD MARINER discharging salt in Kalundborg.



# Environment

Through the Danish Shipowners' Association, the International Chamber of Shipping (ICS) and the International Association of Independent Tanker Owners (Intertanko), NORDEN supports giving the International Maritime Organisation (IMO) the mandate to enforce global climate and environmental regulation with equal requirements for all shipping companies. Concurrently, NORDEN works with initiatives that benefit the Company together with the climate and the environment in a wide sense.

CO<sub>2</sub> emissions from NORDEN's owned vessels increased by more than 30% in 2010 to 510,200 tonnes (see the table below). This should be seen in the light of the fact that the number of own vessels at year-end 2010 had grown by 50%. Emissions from operated vessels have also increased due, however, partly to a significant increase in the number of ship days.

CO<sub>2</sub> emissions are affected by a number of conditions: The number of ship days, voyage duration, speed (slow steaming) and routes, volumes transported, ballast voyages, weather conditions together with climate and environmental initiatives. Therefore, the Company's emissions are not directly comparable from year to year.

The table below displays NORDEN's environmental performance on various

parameters relevant to the Company's business as discussed on page 5. Direct energy consumption and direct CO<sub>2</sub> emissions (scope 1) relate to all vessels and company cars owned by the Company. Indirect energy consumption and indirect CO<sub>2</sub> emissions (scope 2) relate to land-based activities, including electricity and heating. SO<sub>x</sub>, NO<sub>x</sub> and waste consumption, like direct CO<sub>2</sub> emissions, relate to all vessels owned by the Company.

## Policy on environment

"NORDEN wishes to help improve maritime safety and limit pollution from vessels. The continuous improvement of NORDEN's environmental performance is not only best for the environment, but also the best solution for NORDEN's stakeholders. NORDEN is aware that its activities may contribute to climate change, and NORDEN has therefore established numerous initiatives to reduce air emissions – both off and on shore."

## Environmental performance

	Unit	2008	2009	2010
<b>Energy consumption</b>				
Intermediate fuel oil (from owned vessels)	1,000 tonnes	157.4	128.4	162.6
Marine diesel oil and marine gas oil (from owned vessels)	1,000 tonnes	2.2	2.7	6.2
Direct energy consumption by primary energy source <sup>(a)</sup>	TJ	6,623.9	5,442.8	7,015.8
Electricity and district heating	MWh	2,166.1	2,039.5	1,691.2
Indirect energy consumption by primary source	TJ	7.8	7.3	6.1
<b>CO<sub>2</sub> emissions<sup>(b), (c), (d)</sup></b>				
Total from owned vessels	1,000 tonnes	374.0	379.4	510.2
Other dry cargo vessels operated by NORDEN	1,000 tonnes	2,268.3	1,798.4	1,918.3
Other tanker vessels operated by NORDEN via Norient Product Pool	1,000 tonnes	378.5	447.1	359.7
Total direct CO <sub>2</sub> emissions (scope 1)	1,000 tonnes	374.0	379.5	510.2
Total indirect CO <sub>2</sub> emissions (scope 2)	1,000 tonnes	0.6	0.6	0.5
Total other indirect CO <sub>2</sub> emissions (scope 3)	1,000 tonnes	2,647.3	2,247.5	2,279.9
<b>Other air emissions (from owned vessels)</b>				
SO <sub>x</sub> emissions (weighted as SO <sub>2</sub> ) <sup>(e)</sup>	1,000 tonnes	-	-	6.8
NO <sub>x</sub> emissions (weighted as NO <sub>2</sub> ) <sup>(f)</sup>	1,000 tonnes	-	-	10.8
<b>Other resource consumption (from owned vessels)</b>				
Waste (average per vessel per month)	Cubic meter	6.0	5.6	4.7

(a) The figure includes energy consumption from owned vessels, not owned company cars.

(b) The basis for calculations has been expanded which explains the small deviations in the emissions figures from the ones published in the CSR report 2009.

(c) CO<sub>2</sub> emissions from vessels are calculated from the fuel quantity consumed on a voyage times the duration of the voyage (calculated pro rata) times the CO<sub>2</sub> emissions factor for each bunker type (for residual fuel oil the CO<sub>2</sub> emissions factor is 3.13, and for marine diesel oil and marine gas oil the CO<sub>2</sub> emissions factor is 3.19. Source: "Second IMO GHG Study 2009").

(d) Scope 1 emissions include emissions from owned vessels and also emissions from owned company cars. Scope 2 emissions include emissions from land-based activities at NORDEN's offices worldwide, except the Annapolis office since electricity is integrated in rental costs. Scope 3 emissions include emissions from chartered vessels, business travel by air transport and leased company cars.

(e) SO<sub>x</sub> emissions are weighted as SO<sub>2</sub> emissions since this is presumably what the emissions will become in time. SO<sub>2</sub> emissions are calculated from the fuel quantity consumed during the year times the average sulphur content in the bunker fuel (in 2010: 2.09%) times 0.02 since sulphur is about twice as heavy as oxygen. The formula is provided by MAN Diesel & Turbo SE.

(f) NO<sub>x</sub> emissions are weighted as NO<sub>2</sub> emissions since this is presumably what the emissions will become in time. NO<sub>2</sub> emissions are calculated from the fuel quantity consumed per vessel during the year divided by the specific fuel oil consumption (which depends on the vessel's engine type). This figure is multiplied the NO<sub>x</sub> limit which is assumed 12 for all vessels since the rated engine speed for all NORDEN's vessels is 720-900 revolutions per minute. The formula is provided by MAN Diesel & Turbo SE.

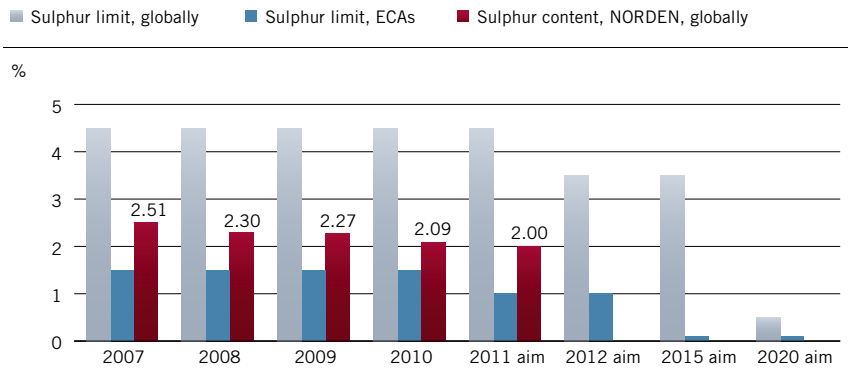
**CO<sub>2</sub> emissions**

Carbon dioxide (CO<sub>2</sub>) is a greenhouse gas (GHG) which is believed to cause changes to the climate. International shipping, which carries 80-90% of global trade, is estimated to have emitted 870 million tonnes, or about 2.7% of the global emissions of CO<sub>2</sub> in 2007. CO<sub>2</sub> is the most important GHG emitted by vessels. Both in terms of quantity and of global warming potential, other GHG emissions from vessels are less important. For NORDEN, the majority of CO<sub>2</sub> is emitted when burning fossil fuels in the operation of vessels.

NORDEN's CO<sub>2</sub> emissions are calculated in accordance with the Greenhouse Gas Protocol using the financial control approach where emissions are divided into scope 1, 2 and 3 as displayed in the table on page 7. Emissions from vessels compose the vast majority of the emissions and therefore NORDEN's efforts in reducing emissions are mainly concentrated on initiatives that will reduce the consumption of bunker fuel.

NORDEN supports disclosure of CO<sub>2</sub> emissions in order to bring focus on the issue, and the Company has therefore in 2010, for the third consecutive year, responded to the Carbon Disclosure Project (CDP). CDP is a project driven by institutional investors where 3,000 organisations globally measure and disclose GHG emissions and

**Permitted and actual sulphur content in bunkers**



climate change strategies. NORDEN was included in the Carbon Disclosure Leadership Index 2010 as one of the 20 best reporting companies in the Nordic countries and the best shipping company. This as well as previous responses are available on the Company's website, [www.ds-norden.com/profile/csr](http://www.ds-norden.com/profile/csr).

**Other emissions to air**

Even though sulphur oxide (SO<sub>x</sub>) dissolves easily in water, it is harmful to people and the environment in general. 5% of all SO<sub>x</sub> emissions come from ships and therefore NORDEN focuses on initiatives that reduce emissions of SO<sub>x</sub>.

NORDEN continuously seeks to reduce the sulphur content in bunker fuel which is being purchased for all vessels operated by the Company and Norient Pro-

duct Pool. The target for 2010 was to reduce the sulphur content to 2.2% on average, and the target was met with an actual content of 2.09% on average. This means that NORDEN has reduced the sulphur content in bunker fuel by 17% in 4 years since policies were implemented in 2007.

The limit of sulphur content in bunker fuel is determined by IMO, and NORDEN is well positioned in reaching the progressive limitations which will apply in the future.<sup>8</sup> Besides the decreasing average content of sulphur in combusted bunker fuel, NORDEN complies with applicable requirements which also comprise regional differences, including Emissions Control Areas (ECA).

Nitrogen oxide (NO<sub>x</sub>) causes smog and acid rain, and it harms people, animals and plants. In addition, NO<sub>x</sub> creates ozone which harms the climate.

Where emissions of NO<sub>x</sub> are concerned, a reduction in emissions of about 12-14% per tonne of fuel consumed has been identified for regulated (Tier I) engines as compared to pre-regulation (Tier 0) engines.<sup>9</sup> Vessels built after 1 January 2000 are assumed to be Tier I-compliant.<sup>10</sup> Since NORDEN operates a young fleet, with the average years of operation for the core fleet being only 2.9 years, the vast majority of the vessels are Tier I-compliant.

NORDEN's efforts on reducing emissions are focused primarily on emissions from vessels which compose the vast majority of the emissions.



8) Today the limit is 4.5%, which will be reduced to 3.5% in 2012 and to 0.5% from 2020. In the Emissions Control Areas (ECA), including the North Sea, the Baltic Sea and the English Channel, the sulphur content limit is currently 1.5%, and will also be further reduced in the future. (source: "Prevention of Air Pollution from Ships" regulated under MARPOL Annex VI, IMO resolution A.719(17)). IMO is in the process of making Canada and North American ECAs which is scheduled to commence in 2012, however, it remains to be decided.

9) IMO's "Second IMO GHG Study 2009".

10) IMO's "Second IMO GHG Study 2009".

### Reduction of emissions

Since 2007, NORDEN has followed a plan with initiatives in order to improve the environment by reducing propulsion resistance and optimising engine fuel efficiency which are important factors in reducing emissions to air. The initiatives are evaluated on an ongoing basis and some have shown only to have a minor effect on emissions reductions and it has therefore been decided not to continue with these initiatives.<sup>11</sup> Furthermore, the initiatives have in 2010 been supplemented with the installation of electric heaters on Handysize product tankers. The table below shows the initiatives which reduce emissions of CO<sub>2</sub>, SO<sub>x</sub> and NO<sub>x</sub>.

It is calculated that the effort in 2010 has reduced CO<sub>2</sub> emissions from owned vessels by 4.7%, of which 2% can be attributed specifically to propeller and hull cleaning. The effect is calculated based on assumptions about engine size, engine type and ballast conditions, and the effect of the initiatives is estimated based on guidelines from IMO and Intertanko. Det Norske Veritas (DNV) has verified the data and calculations of the emissions reductions and in DNV's opinion, NORDEN's data provide a fair and credible representation of NORDEN's effort.<sup>12</sup>

Since 2007, NORDEN has sold 38 vessels on which several of the mentioned initiatives have been implemented. This will benefit the new owners of the vessels as well as the climate. Since NORDEN buys and sells vessels on an ongoing basis, NORDEN will never reach full implementation of all initiatives. In 2010, the above initiatives were effective on owned vessels in 51% of the vessel months on average.

In addition to the above initiatives, NORDEN has initiated the shift to new bottom paint which will decrease the vessels' propulsion resistance in water. The effect is up to 2% reduction of bunker consumption and thereby CO<sub>2</sub> and SO<sub>x</sub> emissions.

In connection with the upgrade and rebuilding for ice class, NORD NEPTUNE will be equipped with the newest technology within turbo chargers. The turbo charger in a ship's engine is usually optimised to a performance of 85%. If less performance is required, for example in connection with slow steaming, less cargo intake or, as in this case, waters without ice, a normal turbo charger will not generate enough pressure and thus result in poor utilisation of energy. The new turbo charger is equipped with a vari-

able nozzle ring, which means that the air pressure of the turbo charger can be adjusted to the strain of the vessel. With this new turbo charger, the utilisation of energy will remain the same regardless of whether the vessel is performing at 85% or 60-75%. Savings in consumption of bunker fuel and thereby CO<sub>2</sub> and SO<sub>x</sub> emissions are expected to be approximately 3%.

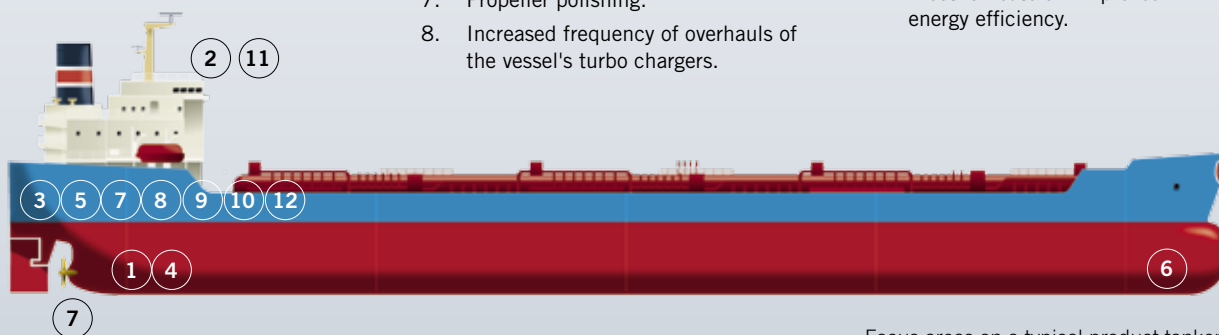
### Green Ship of the Future

Green Ship of the Future is a cooperation initiated during 2008 in which companies across the Danish maritime industry join forces in order to develop strategies to reduce CO<sub>2</sub> by 30%, SO<sub>x</sub> and NO<sub>x</sub> by 90% as well as particulate emissions from both existing vessels and newbuildings.

NORDEN is a partner in Green Ship of the Future and the Company is part of a new project as described on page 12 which commenced in the beginning of 2011. Previously, NORDEN participated in the maturing of the GreenSteam™ system which is now implemented on 5 currently NORDEN owned vessels.

#### Initiatives to reduce emissions to air

1. Latest design of main engine slide valves – ensures clean combustion in the ship's engine.
2. CASPER system – Computer Analysis of Ship PERFORMANCE monitors and makes it possible to achieve optimal speed in relation to fuel consumption.
3. Main engine cylinder oil scrape down analysis system – optimal lubrication and better combustion.
4. Alpha-lubrication system – minimises the combustion of lubricating oil.
5. Torque measuring system – best possible calibration of the engine.
6. Full blasting of underwater hulls.
7. Propeller polishing.
8. Increased frequency of overhauls of the vessel's turbo chargers.
9. Increased frequency of overhauls of the vessel's scavenge air coolers.
10. Increased frequency of overhauls of the vessel's fuel oil pumps and injectors.
11. GreenSteam™ – a system for trim optimisation.
12. Electric heaters – improves energy efficiency.



Focus areas on a typical product tanker.

11) The FLAME system has been excluded since the scope of this system is covered by initiative 3 and 5 above, and part of general main engine performance monitoring. Furthermore, waste monitoring does not assist in reducing emissions to air, however, the initiative is still applicable for monitoring waste.

12) The assurance statement from DNV is available on NORDEN's website, [www.ds-norden.com/profile/csr](http://www.ds-norden.com/profile/csr).



NORDKAP heading towards Rio Tinto Alcan's facilities in La Baie, Canada.

### Resource saving initiatives

Besides the initiatives on existing vessels, on which NORDEN can implement measures to a certain extent, the Company has made energy efficiency an important parameter when the Company contracts new vessels or enters into agreements on long-term chartered tonnage. This is good for the environment but also for NORDEN on the bottom line. The Company is in dialogue with shipyards and business partners in optimising vessel designs.

NORDEN has in 2010 entered into 2 long-term agreements to charter new Japanese-built Panamax vessels, so-called "eco-ships". The new design of the vessels are expected to reduce the consumption of bunker fuel and thereby CO<sub>2</sub> and SO<sub>x</sub> emissions by 15-20% per vessel compared to the conventional designs. The decrease equals a reduction of bunker fuel worth USD 2,500-3,000 per day on average based on current bunker prices (March 2011).

### Slow steaming and voyage optimisation

The 4.7% reduction in CO<sub>2</sub> emissions as mentioned on page 9 is calculated without the effect of slow steaming. Norient Product Pool which operates all NORDEN's tanker vessels has developed the system MOEPS (Master's Operations Environmental Performance System) which is a tool for voyage optimisation and thereby reduction in the consumption of bunker fuel. MOEPS was developed to

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### Achievement of both environmental and financial gains

In collaboration with Jiangmen Nanyang Shipyard (JNS), Shanghai Bestway Marine Engineering Design and Stone Marine Propulsion, NORDEN has optimised 2 Handysize vessels on order by installing a larger main engine and a larger propeller. The change will reduce the consumption of bunker fuel by 11%.

"This is not rocket science, this is basic naval architect knowledge, but until now, the time has not been right for such strong focus on fuel consumption and redesign as we have today. Now, the opportunity was there, and we had to grab it," says Senior Newbuilding Manager Alex Hjortnæs.

Just 3 years ago when the shipping industry was on its highest and there was a shortage of yard capacity, the main priority was to get the ships sailing as quickly as possible whereas fuel consumption was of less importance. Now, times have changed, and projects to optimise the value of ships and fuel economy are welcomed by both yards and shipping companies.

"According to our calculations, the investments in redesigning the 2 Handysize vessels will be paid back within 4 years. Furthermore, we expect that the design will increase the market value of the ships. The initiative is a prime example that environmental and financial consideration go hand in hand," says Senior Vice President Lars Lundegaard, Head of the Technical Department.

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create an automated platform for voyage and vessel control, and thereby reduce and optimise the workload for operators.

In 2010, MOEPS was applied to operate on average 34 vessels in the spot market, and it is estimated that MOEPS has resulted in savings of bunker fuel of more than USD 10 million. In terms of emissions, MOEPS reduced CO<sub>2</sub> and SO<sub>x</sub> by 16%. Besides the USD 10 million saved on bunker, which is directly related to the bottom line, the system has also meant

substantial time savings since all information is consolidated into one system.

In the operation of the Company's dry cargo vessels, the voyages are also constantly monitored and calculations are manually made to optimise speed and consumption. This implies that slow steaming is conducted when appropriate.

**Ballast water management**

Ballast water is used to stabilise a vessel when sailing in ballast from one destination to another. Ballast water taken up in one part of the world and discharged elsewhere implies microorganisms being introduced to new waters where they might do harm. When loading ballast water, NORDEN will do what it can to avoid the uptake of potentially harmful aquatic organisms.<sup>13</sup> The Company's ballast water management is in compliance with the IMO rules from 2004.<sup>14</sup>

NORDEN conducts a systematic benchmarking of ballast water management in the fleet to ensure constant focus and pressure on improving results. The Company measures the extent of ballast water per vessel, conducts statistics of the results, and shares this knowledge with the vessels both continuously and at officers' seminars.

**Disposal of waste**

In the Company, disposal of waste is handled in accordance with the rules set out by IMO.<sup>15</sup> Discharge of waste to port facilities is given first priority in NORDEN although disposal at sea is possible under the MARPOL Annex VI. All disposal of waste is closely monitored in the Company and, as displayed in the table

on page 7, NORDEN has reduced the amount of disposed waste by just under 9% annually the previous 2 years.

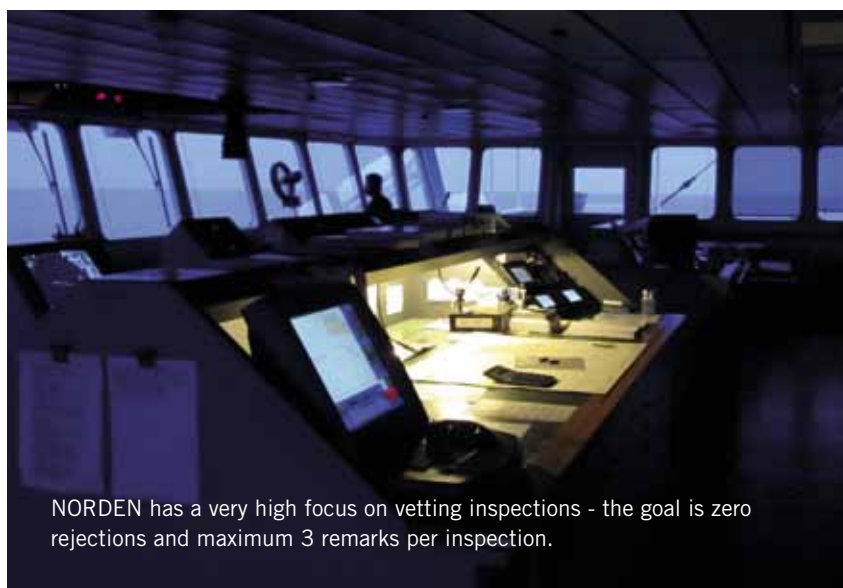
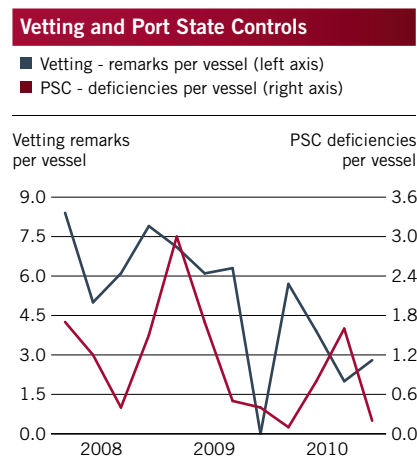
**Vetting inspection and Port State Control**

NORDEN constantly strives to improve occupational safety and quality on board owned vessels in order to reduce the risk of injury, grounding, wrecks, spills and any other incidents that might impact the external environment.

In order to ensure that a vessel is suitable for chartering, vetting inspections are conducted. It is mainly oil companies that conduct vetting inspections since they are highly concerned with the handling of cargo in order to avoid spills, etc. In the past years, the quality requirements from the oil companies have been tightened. NORDEN has a very high focus on vetting inspections, and the goal is maximum 3 vetting remarks and zero rejections per inspection. This increased focus has meant that the average number of remarks decreased significantly from 2009 to 2010, and is also well below the average of the industry which for 2010 was 5.95 compared to NORDEN's 3.94.<sup>16</sup> NORDEN was in 2010 approved for time charter voyages by all leading oil companies. Costs are under strict management without compromising safety,

environment or quality and the slight increase in operating costs on tanker vessels is attributable to the increased efforts on vetting.

Another measure for safety and quality at sea is deficiencies per inspection conducted by the Port State. A Port State Control (PSC) is the inspection of foreign vessels in national ports to verify that the condition of the vessel and its equipment comply with the requirements of international regulations and that the vessel is manned and operated in compliance with these rules. The PSC regime is an instrument to control and protect the safety of the crew and to protect the environment. The increased focus on vetting inspections has had a positive effect on the results of PSCs, where the number of remarks for NORDEN's vessels has been almost halved during 2010 to an average of 0.67 against 1.41 the year before.<sup>17</sup>



NORDEN has a very high focus on vetting inspections - the goal is zero rejections and maximum 3 remarks per inspection.

NORD FAST (IMO no. 9316608), in technical management by third party, was detained by the authorities for a day in Fawley, England, on 8 September 2010 due to a faulty lifeboat release mechanism. The mechanism was overhauled and the lifeboat could thereafter be set out in the usual way. NORD FAST was released the following day, on 9 September 2010.

13) Uptake of ballast water is minimised or, where practicable, avoided in areas and situations such as areas identified by the Port State; in darkness when bottom-dwelling organisms may rise up in the water; or where propellers may stir up sediment. Furthermore, when exchanging ballast water this will be conducted in deep water, in open ocean and as far as possible from shore. The ballast water will be discharged until suction is lost, and stripping pumps or educators will be used if possible. Where the flow-through method is employed in open ocean by pumping ballast water into the tank or hold and allowing the water to overflow, at least 3 times the tank volume will be pumped through the tank.  
 14) "Guidelines for the Control and Management of Ship's Ballast Water to minimize the Transfer of Harmful Aquatic Organisms and Pathogens", IMO resolution A.868(20).  
 15) "Prevention of Pollution from Ships" regulated under MARPOL Annex VI, IMO resolution A.719(17).  
 16) As industry benchmark for 2010 the Tanker Safety Forum's benchmark is used.  
 17) The Tanker Safety Forum's benchmark for 2010 was on average 0.82.



NORDEN will continue the efforts on initiatives to reduce consumption of bunker fuel and emissions to air.

### On shore initiatives

Even though operation of vessels has the greatest impact on the environment, initiatives on shore to improve the environment have also been taken where it makes sense.

On shore, NORDEN introduced resource saving solutions in 2010 in a number of areas, including IT, lighting, copying machines and the use of video conferencing facilities. Furthermore, the Mumbai office moved to new locations where the office is now situated in the LEED Platinum-certified building, Kalpataru Square.<sup>18</sup>

### Initiatives in 2011

The efforts to make existing vessels and the significant number of newbuildings more energy efficient continue with the implementation of NORDEN's current initiatives together with a few new initiatives, including installation of frequency-regulated main engine cooling pumps and installation of Coriolis flow metres which provide an opportunity to more accurately measure bunker consumption. The former will be installed on vessels when in dock, the latter will be installed on 2 Handysize product tankers. The target is to further reduce CO<sub>2</sub> emissions from the owned fleet. To this should be added the effects of MOEPS, which will be implemented in a special version on the Dry Cargo core fleet in 2011. This

implementation is to ensure a more automated optimisation of voyage planning.

NORDEN expects to strengthen its work with energy efficiency on future vessels through the internal project "NORDEN Eco vessel of the future" with participation of several departments. The aim of the project is to select a set of practicable emission reduction technologies, using an MR product tanker as reference vessel. The aim is to reduce emissions of up to 25%.

Moreover, in the beginning of 2011, NORDEN chartered 3 Panamax vessels, the so-called "eco-ships", for a period of 8 years, and fuel consumption for these vessels is 15-20% lower than for standard designs.

The sulphur content in bunker fuel on all operated vessels is expected to be reduced to 2% on average in 2011 against the average content of 2.09% in 2010.

NORDEN is part of a new project under Green Ship of the Future which commenced in the beginning of 2011. The project will compare 3 different technologies, low-sulphur/distillate, LNG as fuel and scrubber technology. The aim is to meet the future IMO requirements stating that the sulphur content in bunker fuel in ECAs must not exceed 0.1% from

2015. The basis for the project is a newly built 38,500 dwt. tanker from NORDEN, and the project partners are expected to deliver results during 2011. In the project, the use of low-sulphur fuel/distillate will function as reference case as to the feasibility of the other 2 investigated technologies. The alternative technologies will be evaluated by means of various scenarios considering operational profiles and fuel, and evaluation will take into account that the vessel will be sailing in both ECA and non-ECA waters.

In 2011, NORDEN will maintain focus on vetting inspections and PSCs with goals for vettings of maximum 3 remarks and zero rejections per inspection and for PSCs of zero detentions.

During 2012, a new international convention on vessels' ballast water is expected to enter into force. The convention implies that all vessels, regardless of building date and ballast water capacity, must either change ballast water or handle it with approved equipment on board. It is expected that the first mentioned possibility will be phased out within the next few years. With NORDEN's continued focus on ballast water management, the Company will be prepared for the new international convention.

<sup>18</sup> LEED certification is an independent, third-party verification that a building project is environmentally responsible, profitable and a healthy place to live and work.

# Social dimensions

NORDEN's focus on the social dimension mainly relates to ensuring a healthy, safe and secure working environment, especially for employees off shore since they are exposed to the greatest risks. On shore as well as off shore there is great focus on employees' welfare, education and development.

The above will also benefit NORDEN on the bottom line since it will minimise employee turnover and sick leave.

### Health and safety at sea

NORDEN constantly strives to improve occupational health and safety for employees on board owned vessels in order to reduce the risk of incidents. The unaltered aim is zero incidents, obtained by computer-based training, campaigns, briefings and safety meetings, inspections and Key Performance Indicators (KPIs) for officers.

Again in 2010, no incidents were reported that had an impact on the external environment. However, there was a slight increase in other incidents which could be a result of growth in the fleet. The most serious incident was a fire in the auxiliary engine on NORDPOL. The fire was quickly extinguished due to a fast and determined effort from the crew.

The Master on NORD FAST, in technical management by third party, was in autumn 2010 reported to the authorities for being under the influence of alcohol and was therefore dismissed with immediate effect. NORDEN has an alcohol policy stating that the blood alcohol content

### Policy on human rights

"NORDEN supports and respects the protection of human rights and refrains from any actions that may encourage or contribute to infringement of these rights."

### Policy on labour rights

"NORDEN strives to ensure a safe and healthy working environment for its employees. Safety and working environment conditions must at all times meet current legislation as a minimum. NORDEN seeks to prevent and avoid occupational injuries and accidents as well as other work-related suffering and to limit absence due to illness among the employees."

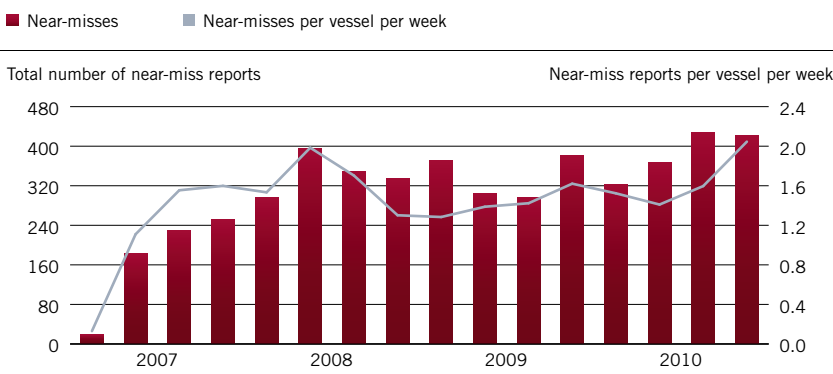
must not exceed 0.4‰ at any time and must be zero for watch-keeping personnel. Abstinence for 24 hours before arriving in port and during the entire port stay must be observed. Violations of the policy are subject to disciplinary actions and possible dismissal with immediate effect. The relatively liberal position on alcohol is due to the Company's wish for the crew to be able to enjoy an occasional beer or a glass of wine for off duty personnel. Compliance with the alcohol policy is ensured by random and unannounced tests of the crew.

Off shore, NORDEN measures work-related incidents per 1 million working hours which result in occupational illness causing absence from work for more than 24 hours – also called the LTI (lost time injury) frequency rate. The LTI frequency rate is measured as an average over the past 12 months. The previous 3 years, this rate has been at a stable level below 2, and below the industry standard for 2010.<sup>19</sup> None of the incidents in the Company were life-threatening. The

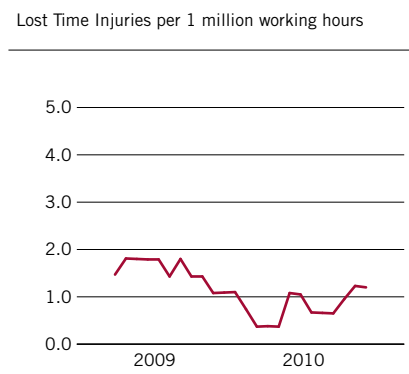
number of incidents that has resulted in medical treatment (total recordable case frequency – TRCF) is measured on an ongoing basis, and was reportedly 5.68 per 1 million working hours in 2010, unfortunately up from 3.68 in 2009. There is no clear-cut explanation for this increase, and focus will continue on the development.

Crucial in the prevention of accidents and incidents is the reporting of near-misses – incidents that could have resulted in injury. Campaigns as an integrated part of safety meetings and officers' seminars encourage crew members to report instances where they are faced with a near-miss. These reports are evaluated continuously on each vessel, and reports of a more fundamental nature are made available across the fleet for best practice sharing. In 2010, the number of near-miss reports was again on a satisfactory level and almost twice as high as the average for the industry. This is attributable to the high focus on reporting of near-misses.<sup>20</sup>

### Near-miss reporting



### LTI frequency rate



19) The Tanker Safety Forum's benchmark for 2010 was 1.38 on average compared to NORDEN's 1.20 on average.  
 20) The Tanker Safety Forum's benchmark for 2010 was 39.69 per vessel compared to NORDEN's 76.96 per vessel.

### Pirate attack on NORD STRAIT

In December 2010, pirates attacked NORD STRAIT approximately 950 nautical miles off the coast of Somalia and shot at the vessel. The crew followed all safety procedures professionally, and the attack was fended off with no harm being done to crew or vessel.

Not only did the number of attacks increase in 2010, also the area in which the pirates operate was expanded. This development could be due to the pirates' increasing use of captured merchant vessels as mother ships. This enables them to remain at sea for longer periods and consequently, extend their area of operation. Since this has the additional effect that the naval forces have to spread over a larger area, it means that the perceived risk for pirates of being caught by naval forces is very low, which of course incentivises the pirates. Also, pirates are rapidly becoming more organised in the sense that they are able to continuously run the bigger operation of bunkering and provisioning the mother ships, as well as re-fuelling and re-provisioning the skiffs from the mother ships. As a consequence of the long-range capability, the pirates have been able to mount more attacks but due to the effectiveness of the BMP3 measures, the number of actual hijackings has not risen significantly.

“Under special circumstances, or if the pirate attacks escalate, NORDEN is open to the idea of bringing armed guards on board the vessels to protect the crew, cargoes and vessels,” says Senior Vice President Lars Lundegaard, Head of the Technical Department.



Water sprays and waterfalls are some of the measures used to avoid pirates boarding the vessel.



NATO razor wire is one of the measures to prepare a vessel for transit through the Gulf of Aden.

### Piracy

Over the years, piracy has become an increasing problem. In 2010, 445 piracy attacks – 39 more than the previous year – were reported according to the International Maritime Bureau.<sup>21</sup> Of these, 219 occurred off the coast of Somalia, in the Gulf of Aden and the Red Sea.

Piracy represents a growing threat to international shipping, and the problem should be solved at an international level. NORDEN therefore seeks, via the Danish Shipowners' Association and ICS and through direct dialogue with politicians, to maintain pressure on international society in order to have significant naval forces in threatened areas.

At the same time, NORDEN increases the efforts to protect crew, cargo and vessels. In 2010, new precautionary measures were introduced on board vessels, including, among other things, citadels for crew on vessels having to transit threatened areas. The measures taken by NORDEN fully live up to the BMP3 standard and go even further than the standard in some areas.<sup>22</sup>

The Company constantly monitors threatened areas, and risk zones are only transited after a case-by-case evaluation. At present, the Company has chosen not to call certain ports, while in other areas, vessels are being rerouted. In the Gulf of Aden, the Company's vessels only transit in groups through safe corridors under the protection of naval forces. Furthermore, NORDEN takes a number of individual measures to prepare the vessels for the transit. The vessels sail at maximum speed and with the highest possible freeboard, and they must be equipped with various safety measures, including NATO razor wire, dummies, fog nozzles to create water sprays and water-fall along the sides of the vessel.

21) ICC International Maritime Bureau's annual report on Piracy and Armed Robbery against Ships, 1 January – 31 December 2010.

22) BMP3: Best Management Practices to Deter Piracy off the Coast of Somalia and in Arabian Sea Area, Version 3 – June 2010.

**Employees on and off shore**

The distribution on gender and position for the head office and each overseas office is displayed in the figure below.<sup>23</sup> The majority of the employees in NORDEN are male. On shore, about 2/3 are male and off shore the vast majority are male. Historically, shipping is mainly a male profession with the female share being low.

The retention rate on shore was particularly under pressure during the first half of 2010 and ended at 82.5% for the full year, compared to some 90% in recent years. There was no clear-cut explanation for this development, and the Company Performance Driver survey conducted in February 2010 indicated a high level of employee satisfaction. More than 90% of the respondents would recommend NORDEN as a good place to work. Nevertheless, the survey also showed relatively low scores on aspects concerning internal communication and feedback between employee and immediate superior and across departments. To improve on these parameters, NORDEN initiated a communications initiative including training for all employees on shore.

The number of sick days decreased slightly from the year before. NORDEN has much focus on healthy nutrition and offers various forms of sport.

On shore, the Company has a committee covering matters relating to the working environment. For the head office, this comprises 5 members: 2 employee representatives and 3 management representatives. In 2010, a workplace assessment was carried out which did not identify significant problems. After the assessment, sun screens were put up on an extension to the head office in order to improve the indoor climate.

Off shore, all of NORDEN's owned vessels have a safety organisation consisting of a safety representative, a supervisor and the Master of the vessel.

**Rest hours**

In order to maintain high quality performance at work, it is important to ensure

rest.<sup>24</sup> At sea, there can be special cases where it may sometimes be difficult to comply with the rules for rest hours. These cases concern vessel safety such as emergencies, incidents or sudden changes to the schedule for loading or discharging.

NORDEN has much focus on compliance with the rules for rest hours at sea. Reportings from the vessels are closely monitored and measured. In 2009, the Company had 0.44 rest hour non-conformity per full-time equivalent.<sup>25</sup> In 2010, this figure decreased to 0.40 which is considered very low. The 2010 figure means that on a vessel with 20 crew members, there were 8 violations of the rules for rest hours per month, or less than half of the crew members on average experienced a violation of the rules.

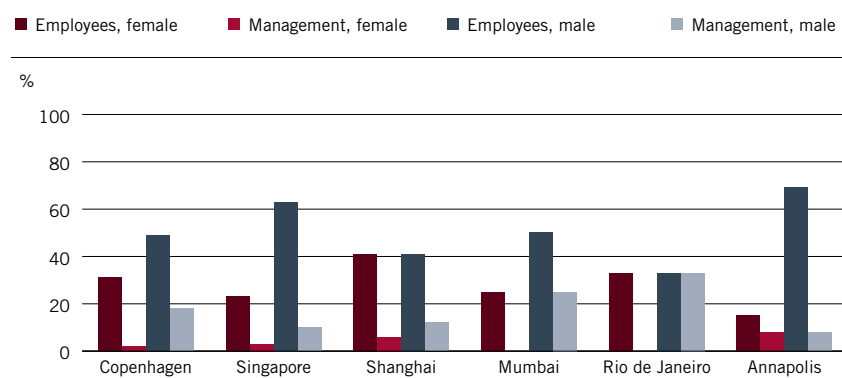
**Trainees and apprentices**

Again in 2010, the Company employed

new trainees and apprentices. 10 shipping trainees, 4 at the head office and 6 at the overseas offices, were recruited under NORDEN's own international training programme, which was launched in 2010. In 2010, 6 Danish and 5 international trainees completed their training, and at the end of the year, the Company had 13 shipping trainees enrolled for education.

Besides recruitment of trainees, investments in training own officers continued in 2010. NORDEN hired 10 new students from Svendborg International Maritime Academy (SIMAC) and Marstal Navigationskole (MARNNAV) and now has 32 apprentice officers from Danish institutions and 40 apprentice officers from the Holy Cross of Davao College in the Philippines.

**Distribution of workforce on gender and position**



**Workforce**

	Unit	2008	2009	2010
<b>Workforce, average for the year</b>				
Offshore staff	No. of people	356	310	445
Head office	No. of people	158	152	148
Overseas offices	No. of people	52	71	74
<b>Employees covered by collective bargaining agreements</b>				
Offshore employees	Percentage	100%	100%	100%
Onshore employees	Percentage	0%	0%	0%
<b>Retention rate and sick days</b>				
Retention rate officers	Percentage	-	73.2%	76.3%
Retention rate on shore	Percentage	88.4%	88.8%	82.5%
Average sick days on shore <sup>(a)</sup>	Days	3.3	4.0	2.8

(a) Sick days off shore are not included in the figures since this is contained in the LTI and TRCF as described on page 13.

23) Management level is defined as employees at and above general manager level.

24) NORDEN follows the rules for rest hours set up by the International Labour Organisation, Standards of Training, Certification and Watchkeeping and relevant collective agreements.

25) 0.44 non-conformity per full-time equivalent equals 0.44 violations per 1 crew member onboard a vessel during 1 month.

### Crew on board

The crew on board NORDEN's owned vessels are mainly Danish and Philippine. It is required that vessels flying one of the EU flags have Masters of EU nationality. In NORDEN, it has been decided to have Danish Masters on Danish registered dry cargo vessels and Danish Masters and senior officers on Danish registered tanker vessels. This is due to the need of a pool of talent to recruit from, requirements from customers, and a wish to support maritime employment in NORDEN's country of origin. The majority of all other seamen are Philippine together with a growing number of Indians. This is due to NORDEN's access to talented crew from, among other places, the Holy Cross of Davao College and NORDEN's good experience with Philippine crew.

It has proved a challenge, however, to retain seamen from the Philippines, where the market is under pressure as more shipping companies have started recruiting Philippine seamen. As part of its effort to attract and retain seamen, NORDEN offers training, cadet programmes and scholarships, and health care insurance for seamen and their families. Also, the Company offers a wide range of seminars, including training, development of officers and topical issues, as well as internet access and sport facilities, etc. on board vessels. The retention rate off shore, calculated according to Intertanko's standard, is at the same level for Danish and non-Danish officers.

The Philippine crew are only employed with NORDEN when signed on to a vessel. However, NORDEN pays an attractive salary compared to an average Philippine salary, enabling the crew to provide for their families when not at sea. Furthermore, NORDEN provides medical care for the Philippine crew including their closest family.

### Sponsoring of maritime education

In 2010, NORDEN once again sponsored maritime educational institutions. The agreement with Shanghai Maritime University (China) was renewed, and the cooperation with other institutions such as Nanyang Technological University

### Head office trainee with a strong eye for detail and a systematic approach

Daniel is 17 years old. His school life was characterised by defeats, he was considered unmotivated and was tired of school. 2 years ago, he was diagnosed with Asperger's syndrome. Persons with Asperger's syndrome have a passion for detail and order and a systematic approach but find it difficult to interact socially.

For 6 months, Daniel was playing World of Warcraft between 18 and 20 hours a day at home until his mother succeeded in getting into contact with Specialisterne (the Specialists) through the local authorities.<sup>26</sup> Specialisterne is an IT consulting firm specialised in making use of skills like the ones Daniel has in the business community. Specialisterne provided training for Daniel and offered him a traineeship with NORDEN's IT Department. 1 or 2 days a week he solves tasks for the IT Department, such as testing computer screens, setting up wireless networks on NORDEN's owned vessels and correcting errors on PCs and laptops for the benefit of his colleagues who now have more time to solve other tasks.



"It is cool to be a trainee here at NORDEN. They take me seriously and allow me to do lots of things. For the first time in my life, I feel responsibility for the tasks I am given and towards the people I work with," Daniel says.

(Singapore) and the Holy Cross of Davao College (the Philippines) continued. The goal is to create dialogue with professors and students as well as to broaden the knowledge of NORDEN among potential

employees. In addition to this, NORDEN has arranged for a donation of DKK 3.8 million to the SIMAC/Svendborg Søfartsskole (Denmark).

26) For further information about Specialisterne, please see [www.specialisterne.dk](http://www.specialisterne.dk).

### Anti-corruption

With reliability being one of NORDEN's values, the Company aspires to demonstrate a behaviour that reflects no cheating, honest and good intentions and building trust in the Company's internal as well as external relationships. NORDEN is setting up policies to reflect this and to guide employees in their business relationships. The policies are inspired by Transparency International.<sup>27</sup>

Transparency International defines "bribery" as "the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal or a breach of trust."

Bribery is illegal and NORDEN neither accepts nor offers bribes in any form. To avoid any conflict with this rule and to ensure that no giving or receiving of gifts can be confused with bribery, NORDEN is setting up policies on the subject applying to all NORDEN employees.

### Facilitation payments

Transparency International defines "facilitation payments" as "small unofficial payments made to secure or expedite the performance of a routine or necessary action to which the payer of the facilitation payment has legal or other entitlement."

NORDEN strives to avoid the use of facilitation payments. Facilitation payments are customary in some geographies, and NORDEN employees are therefore occasionally faced with situations, where facilitation payments are common for services which should be provided without any payment. The Company supports the Danish Shipowners' Association, ICS and other international forums in their work to eventually eliminate such payments. Furthermore, NORDEN is part of a newly established network of international shipping companies on anti-corruption which places great focus on how to avoid facilitation payments.

### Whistleblowing scheme

To provide an environment in which high standards and best practices are

### Policy on anti-corruption

"NORDEN neither accepts nor offers bribes."

encouraged and safeguarded, NORDEN has decided to establish a whistleblowing scheme covering potential issues on and off shore. The scheme will allow employees, the Board of Management and the Board of Directors to report existing or potential violations of law and regulations, NORDEN policies and guidelines to an independent ombudsman. The scheme is subject to approval by the Danish Data Protection Agency. The new whistleblowing scheme will replace the current system applicable off shore which again in 2010 did not give rise to any reported incidents.

### Initiatives in 2011

At sea, NORDEN will maintain its focus on the "zero incidents" efforts to avoid injuries on employees and incidents which are harmful to the external environment. Also the measures to increase safety and security on board the vessels will have high priority. The target for the LTI frequency rate is a rate of less than 0.75 and the target for near-miss reporting is above 1 per vessel per week.

The Company will continue recruiting senior officers to handle the steady in-

crease in the number of owned vessels. This will involve focus on retention of the best employees, hiring and acceleration of the promotion of junior officers to senior officers.

NORDEN will continue the focus on complying with the rules for personnel rest hours where the goal is 100% compliance.

The communications initiative will be carried on by an appointed cross-departmental and cross-level task force defining focus areas, implementation and measurements to obtain a permanent effect.

Another employee satisfaction survey will be conducted, and the Company will seek to develop employee and management competences and identify other measures to further strengthen cross-departmental relations within the Company. Focus will be particularly on retaining employees.

NORDEN will continue the work towards a future elimination of facilitation payments, and the Company's whistleblowing scheme will be implemented.



NORDEN will maintain its focus on the "zero incidents" efforts to avoid injuries on employees and incidents which are harmful to the external environment.

27) Transparency International is a non-governmental organisation working to fight corruption. For further information, please see [www.transparency.org](http://www.transparency.org).

# Economic

2010 was a good year for NORDEN. Earnings increased even though the dry cargo market was unaltered and the tanker market was challenging. The table below shows some key figures.<sup>28</sup>

## Economic performance

USD million	2008	2009	2010
Group revenue	4,364	1,756	2,190
Profit for the year	708	217	245
Liabilities	341	227	252
Equity	1,700	1,805	1,998

At year-end 2010, NORDEN operated 209 vessels. The majority of the vessels are not owned by NORDEN but chartered in for a period of a few months up to several years. The core fleet consists of owned vessels and long-term chartered vessels with purchase and extension option. These vessels are shown in the table on the right distributed on segment and vessel flag. For owned vessels, NORDEN uses 2 different flag registrations – the Danish International Ship Register (DIS) and the Singapore Registry of Ships (SRS). Owners determine the flag registration on long-term chartered tonnage which for NORDEN's chartered vessels typically is the Panama Register of Ships.

In addition to the currently operated core fleet, NORDEN has 26 vessels for delivery to the core fleet in 2011, and 14 vessels for delivery in 2012-2013.

NORDEN operates a young fleet which, together with the fact that all tanker vessels are double-hulled, make the Company's fleet one of the world's most modern and fuel efficient fleets.

### Risks and opportunities

In its annual report 2010, NORDEN describes how risks, mainly financial and market-related, are managed by the Company. In addition to the more business-related risks, NORDEN has experienced a number of risks and opportunities attributable to climate change which have financial implications for NORDEN in several areas.

In case green taxes will be imposed on bunker fuel, this will result in extra costs

## NORDEN's active core fleet at 31 December 2010

	DIS flag, no.	SRS flag, no.	Other flags, no.	Avg. years of operation
Owned vessels, Dry Cargo fleet	4	10	-	4.2
Owned vessels, Tanker fleet	9	5	-	3.3
Chartered vessels with purchase option, Dry Cargo fleet	-	-	32	2.2
Chartered vessels with purchase option, Tanker fleet	-	-	10	1.7
<b>Total active core fleet</b>	<b>13</b>	<b>15</b>	<b>42</b>	<b>2.9</b>

for the Company, whereas on the other hand, lower port dues for eco-friendly vessels will benefit NORDEN.

Furthermore, the Company may be affected by the more frequent rough weather, increasing the risk for damage to the vessels, which would imply more days in dock and fewer days for earnings. Rough weather may also mean delays for the vessels or changes in trade patterns and freight rates. An example is the flooding in Australia at the turn of the year 2010-2011, which is estimated to have reduced exports of coal from the area by as much as 15 million tonnes.

Another example is the hard ice winter in 2009-2010, which closed several ports in the Baltic Sea and the Black Sea. However, the ice winter of 2009-2010 proved that extreme weather conditions could also provide opportunities as it caused increased demand for NORDEN's and Norient Product Pool's many ice-class vessels.

Finally, NORDEN's large contracts on transport of wood pellets and wood chips used for coal replacement are examples of new business as a result of greater focus on greenhouse gases.



NORDEN has entered into contracts regarding the transport of wood chips.

### Forward-looking statements

This Corporate Social Responsibility report contains certain forward-looking statements reflecting management's present judgment of future events.

Statements relating to 2011 and the years ahead are inherently subject to uncertainty, and NORDEN's realised results may therefore differ from the projections.

Factors that may cause NORDEN's realised accomplishments to differ from the projections include, but are not limited to: Changes in macroeconomic and political conditions – particularly in the Company's principal markets; changes to NORDEN's rate assumptions and budgeted operating expenses; volatility in freight rates and tonnage prices; regulatory changes; counterparty risks; any disruptions to traffic and operations as a result of external events, etc.

28) Further information on NORDEN's financial situation and expectations for 2011 can be found in the annual report 2010 which is available on the Company's website [www.ds-norden.com/investor](http://www.ds-norden.com/investor).

# Company details and Group structure

## The Company

Dampskibsselskabet NORDEN A/S  
52, Strandvejen  
DK-2900 Hellerup  
Telephone: +45 3315 0451  
Fax: +45 3315 6199

CVR no.: 67 75 89 19

Financial year: 1 January – 31 December

Municipality of domicile: Gentofte

Fax, Tanker Department: +45 3393 1599

Fax, Dry Cargo Department: +45 3271 0799

Fax, Technical Department +45 3393 3733

Website: www.ds-norden.com

Email: direktion@ds-norden.com

## Board of Directors

Mogens Hugo, Chairman  
Alison J. F. Riegels, Vice Chairman  
Erling Højsgaard  
Karsten Knudsen  
Arvid Grundekjøn  
Benn Pymont Johansen (employee representative)  
Bent Torry Kjæreby Sørensen (employee representative)  
Lars Enkegaard Bilmann (employee representative)

## Board of Management

Carsten Mortensen, CEO  
Michael Tønnes Jørgensen, CFO

## Auditors

PricewaterhouseCoopers, Statsaut. Revisionsaktieselskab  
44, Strandvejen  
DK-2900 Hellerup  
Denmark

## Annual General Meeting

The annual general meeting will be held on Monday, 11 April 2011 at 3.00 p.m. at Audience, Radisson Blu Falconer Hotel & Conference Center, 9, Falkoner Allé, DK-2000 Frederiksberg.

## Contact regarding content of this report

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## Group structure



# Technical terms and abbreviations

- B Bunker** Fuel used by the vessel.
- C CDP** Carbon Disclosure Project – Organisation registering company data, particularly on CO<sub>2</sub>.
- CO<sub>2</sub>** Carbon dioxide. Greenhouse gas.
- COA** Contract of Affreightment – Agreement to transport one or more cargoes at a predetermined price per ton.
- Commercial management** Agreement on operating a vessel for the account and risk of the shipowner.
- Core fleet** Owned vessels and vessels on long-term charters with purchase option.
- D Danish Shipowners' Association** Represents the Danish shipping industry when dealing with governments and organisations nationally and internationally.
- Dwt.** Deadweight ton – A measure of a vessel's carrying capacity.
- E ECA** Emission Control Area, including the North Sea, the Baltic Sea and the English Channel.
- I ICS** International Chamber of Shipping – International trade association for merchant ship operators.
- IMO** International Maritime Organisation – shipping organisation under the UN.
- Intertanko** International Association of International Tanker Owners – Forum for the tanker owner industry.
- L LTI** Lost time injuries. The number of lost-time incidents calculated per 1 million working hours.
- Long-term charter** – Agreement to charter a vessel for a period of more than 3 years.
- M MARPOL** Marine Pollution – Set of international conventions (6 annexes) on preventing pollution from ships. The IMO is responsible for the administration of MARPOL.
- MOEPS** Master's Operations Environmental Performance System.
- N NO<sub>x</sub>** Nitrogen oxide.
- S SO<sub>x</sub>** Sulphur oxide.
- Spot market** – Market in which vessels are contracted for a single voyage for immediate delivery.
- T T/C** Time charter – Lease of a vessel whereby the vessel is hired out for a short or long period.

**Technical management** Agreement to manage a vessel's technical operations and crew for the account and risk of the shipowner.

**Transparency International** Non-governmental organisation working to fight corruption.



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