Responsibility
from the bridge down

With you for the long haul

Corporate Social Responsibility Report 2018
Stock Code: 2343
This page:

3rd Officer Arsenio Jr Baclason took this photo of our 2007-built 32,000 dwt Handysize vessel m/v "Longview Logger" undergoing a routine dry-docking at Cosco Dalian Shipyard in June 2018. We manage and maintain our ships for the long-term so that, irrespective of their age, they are always safe, efficient and ready to trade. We strive to make even our oldest ships look less than five years young!

Front cover:

1) Our 57,000 dwt Supramax m/v "Honey Island" completing discharge of gypsum in Seattle, USA (photo by Tiffany Von Arnim)
2) Chief Officer Chen Chuan Wu joined Pacific Basin as a deck cadet in 2007
3) Sugar being discharged in Vancouver, Canada
Chairman and CEO’s Message

Driving our success and reputation are a sustainable business model and culture, and the support of our customers and other stakeholders.

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- Linkage to related details within this CSR Report
- Linkage to related details in our Annual Report
- Audited Information
- Linkage to related details on our website www.pacificbasin.com
- Information related to SEHK ESG Reporting Guide
- Key Performance Indicators

A glossary covering many of the terms in this document is available on our website.
Chairman and CEO’s Message

2018 was a much more fulfilling year for Pacific Basin. Average dry bulk market rates strengthened again after what has been a slow return to profitable market conditions, and our hard work to position our company for the recovery enabled us to deliver a strong financial performance.

We grew our owned fleet further with the acquisition of seven modern ships, including trading up from an older, smaller vessel that we sold. As at the end of February 2019, we owned 111 ships on the water and, including chartered vessels, we typically operate over 200 ships overall.

We have grown our owned fleet more than threefold since 2012, preparing us well for the market recovery and helping to cement our position as one of the leading names in dry bulk shipping. The value of our Pacific Basin brand today is also a reflection of the dedication and hard work of many people over the years to grow and improve our company. We thank our past and present colleagues both ashore and at sea, as well as our customers, suppliers and all stakeholders for their enduring support.

A SUSTAINABLE BUSINESS MODEL

We are an owner and operator specialising in modern Handysize and Supramax dry bulk ships, mid-size versatile ship segments that offer benefits of diversification in terms of geography, customers and cargoes. That means we don’t experience the degree of earnings volatility that other segments do, which is partly how we managed to safely navigate extraordinarily challenging market conditions of the past several years. Our ability to leverage the characteristics of these segments through our scale, high-quality substitutable ships, office network, customer focus, cargo systems, and depth and breadth of experience enables us to maximise our fleet utilisation and generate TCE earnings that outperform the freight market indices.

We are passionate about our customers and we value long-term relationships over short-term gain. These are values that underpin a customer-focused business model. We invest our time and our personalised, innovative efforts to offer a tailored, flexible and reliable service to customers, making it easier for them to do business with us. This is what earns us the customer support that is so valuable to us throughout the cycles and provides the foundation for our sustainability over the long term.

Driving our success and reputation are a sustainable business model and culture, and the support of our customers and other stakeholders

We are passionate about our people, and are caring, fair and treat everybody with dignity and respect.

Safety First

Despite our industry’s topical focus on combatting atmospheric emissions these days, our day to day priority remains on safety: safety of life, safety of our ships, and safety of the environment. We strive to inspire our teams both on shore and at sea to focus on what really matters and to do the right things at all times: safety comes first!

With a focus on stopping unsafe acts, we have steadily reduced injuries on board our ships by an average of 5% per year since 2004 and, in 2018, we recorded a lost time injury frequency (LTIF) of 0.82, which was unchanged year on year to equal our best safety performance since 2006.

STAYING ON TOP OF ENVIRONMENTAL REGULATORY CHALLENGES

Our large fleet comprises quality ships of efficient design, which delivers operational efficiencies for the benefit of our customers while generating lower atmospheric emissions than the average ship in our segment. We have long been early adopters of technological and operational measures to minimise our impact on the environment, and we continue to invest in technologies, systems and processes that reduce our environmental footprint not only because of the moral and increasing regulatory obligation to do so, but also because of the strong business case for taking action.

We welcome new, stricter regulations for greener shipping where prescribed environmental solutions are effective and financially feasible.

We are currently assessing, planning for or implementing compliance solutions for three major environmental challenges high on the industry agenda which pose significant technical, operational and financial burdens of compliance on ship owners.

Ballast Water Management

The Ballast Water Management Convention (in force since September 2017) requires ballast water treatment systems (BWTS) to be fitted on ships during routine dockings between 2019 and 2024 to substantially eliminate the transfer of organisms between marine ecosystems. Following a comprehensive assessment of BWTS options, 14 of our ships are now fitted with BWTS, and we have arranged to retrofit our remaining 97 owned vessels with a system based on filtration and electrocatalysis by the end of 2022.

2020 Global Sulphur Limit

The IMO’s global 0.5% sulphur limit takes effect on 1 January 2020, and ship owners will have to comply either by using more expensive low-sulphur fuel, or by continuing to burn heavy fuel oil in combination with installing exhaust gas cleaning systems or “scrubbers”. We expect the majority of the global dry bulk fleet, especially smaller vessels such as our Handysize ships, will comply by using low-sulphur fuel.

Annual Report p.18
Understanding Our Core Market
We would have preferred a mandate for everyone to burn cleaner fuel and the level playing field this would create. However, some owners of larger vessels with higher fuel consumption, including some Supramaxes, are installing scrubbers to take advantage of expected lower cost of heavy fuel oil.

As we cannot risk being competitively disadvantaged, we are well prepared and have arrangements in place with repair yards and scrubber makers to install scrubbers on our owned Supramax vessels. These arrangements include fitting and testing scrubbers to gain experience early and to evaluate the equipment both technically and operationally.

Whichever compliance method owners adopt, we believe that the IMO 2020 regulations will reduce capacity in the short term to the benefit of the freight market, as vessels burning more expensive low-sulphur fuel will operate at more economic slower speeds, and vessels to be retrofitted with scrubbers will be withdrawn from the market for several weeks for scrubber installation.

**IMO Greenhouse Gas Reduction Strategy**

In April 2018, the IMO announced an ambitious strategy to cut total greenhouse gas emissions from shipping by at least 50% by 2050 (compared to 2008) and improve average CO₂ efficiency by at least 40% by 2030 and 70% by 2050. There is much uncertainty about how the market will eventually comply with these targets, future emission limits and the legislations that will in due course be implemented to achieve them. The easiest first step to decrease carbon emissions is to reduce speed, but our view is that these new IMO targets will lead to the development of new fuels, engine technology and vessel designs that are not available or practical today.

We believe the IMO’s greenhouse gas reduction targets and eventual regulations will discourage new ship ordering in the short and medium term until new, fuel, engine technology and lower-emissions ship designs become available.

We expect these major new environmental regulations to be positive for the supply-demand balance and benefit larger, stronger companies with high quality fleets that are better positioned to adapt and cope both practically and financially with compliance and new technology.

**Other Current Regulations**

The implementation of an Electronic Chart Display and Information System (ECDIS) for paperless navigation became mandatory for all our ships in July 2018. We completed retrofitting ECDIS across our fleet in 2014-2017 and trained our navigating officers in its use and rolled out ECDIS as a primary means of navigation on all our ships well in advance of the implementation schedule.

EU MRV (Monitoring, Reporting, Verification) regulations require ship owners to monitor, report and verify CO₂ emissions for vessels calling at EU, Norwegian and Icelandic ports, for which mandatory data collection commenced on 1 January 2018.

IMO’s DCS (Data Collection System) for ships’ fuel oil consumption commenced on 1 January 2019, so that verified aggregated data is reported to flag states for entry into IMO’s ship fuel oil consumption database.

We have developed and integrated MRV procedures into our existing management system for both EU MRV and IMO DCS compliance.

We are also making preparations to attain IHM (Inventory of Hazardous Materials) certification regarding the control of hazardous materials on ships to comply with the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships by December 2020.

**AN EXPERIENCED, RELIABLE TEAM**

We are fortunate to have an excellent team of people who endow our company with world-class expertise and professionalism right across our business. All share sensible values and a passion for delivering excellent service. And thanks in particular to our award-winning in-house technical operations, we are fully prepared to meet the challenges of new environmental and other maritime regulations.

**THIS CSR REPORT**

This document is our third standalone CSR Report, a comprehensive CSR reference document to better satisfy the growing interest in our CSR responsibilities and performance and to clearly address the disclosure requirements of the Environmental, Social and Governance Reporting Guide (“ESG Guide”) of The Stock Exchange of Hong Kong.

The focus of these pages is on how we tackle our responsibilities for the safety and wellbeing of our staff and ethical business practice, and our responsibilities towards the environment and the communities in which we operate. As a large player in our sector with an ambitious vision for the future, we recognise our responsibilities in these areas which have a bearing on the long-term sustainability of our business.

Commentary relating to our economic sustainability and a detailed account of our corporate governance continue to feature in our Annual Report. We remain committed to the concepts of “Integrated Reporting”, and provide linkage between sections in our 2018 Annual Report and this CSR Report (and vice versa). We encourage you to read the two documents in tandem.

We welcome any feedback from our stakeholders on our CSR programme and the scope and materiality of the contents of this report. A feedback form and contact details are provided on page 41.

David Turnbull
Chairman

Mats Berglund
Chief Executive Officer
Pacific Basin is a leading owner and operator of modern Handysize and Supramax dry bulk ships

What We Stand For

• Our customers, our people and our brand
• Honouring our commitments
• Long-term relationships over short-term gain
• Personalised, flexible, responsive and reliable service
• Ease of doing business with us
• Excellence through dedication and teamwork
• A sustainable business approach
• Safety and environmental stewardship
• Care, good humour and fairness

Group Facts

- Headquartered and listed in Hong Kong
- Operating over 200 interchangeable ships worldwide
- Over 3,800 staff at sea
- 336 shore-based staff in 12 key locations

Customer Focus

- Over 500 customers – industrial users, traders and producers of dry bulk commodities
- Spot and long-term freight contracts
- Grains & agriculture products, logs & forest products, steel & scrap, cement, fertiliser, metal concentrates, etc

Awards

- Lloyd’s List Global Awards 2018
- Dry Bulk Operator of the Year
- International Bulk Journal Awards 2018
- Customer Care Award
- Hong Kong Marine Department Awards 2018
- Outstanding performance in Port State Inspections
## Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>EBITDA</th>
<th>Net Profit</th>
<th>Handysize TCE</th>
<th>Supramax TCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
</tr>
<tr>
<td>1.59bn</td>
<td>216m</td>
<td>72m</td>
<td></td>
<td>10,060/day</td>
<td>12,190/day</td>
</tr>
</tbody>
</table>

## Our dry bulk segment

### Handysize
- 25,000-42,000 dwt
- Highly versatile self-loading and discharging ships
- Minor bulk segments offers benefits of diversification in terms of geography, customers and cargoes enabling triangular trading and high utilisation
- >90% laden (loaded) ratio
- In a highly fragmented market, we operate approximately 6% of global 25,000-42,000 dwt Handysize ships of less than 20 years old

### Supramax
- 42,000-65,000 dwt

## Other information

### Fleet in operation
- Ships (annual average)
- 224 (2017)

### Cargo Volumes
- Tonnes
- 61.8m (2017)

### Global Network
- Offices
- 12 (2017)

### Ports Called
- 793/104
- 823/106 (2017)

### Ports & Countries
- 12
- 12 (2017)

### Distance Travelled
- Nautical Miles
- 11.6m
- 12.1m (2017)

### Crew Employed
- Seafarers
- 3,800
- 3,400 (2017)

### Shore Staff
- 336
- 335 (2017)

### Staff Training
- 46%
- 47% (2017)

### Seafarer Retention
- 86%
- 87% (2017)

### Sponsorship & Charity
- USD
- 84,000
- 58,000 (2017)

### Total Rec. Injury Frequency (TRCF)
- 1.37
- 1.46 (2017)

### Lost Time Injury Frequency (LTIF)
- 0.82
- 0.82 (2017)

### Inspection Deficiency Rate per PSC inspection
- 0.53
- 0.54 (2017)

### Pollution Incidents
- 0
- 0 (2017)

### Fuel Purchased
- Tonnes (total fleet)
- 0.87m
- 1.0tn (2017)

### Fuel Consumed
- Tonnes (owned ships)
- 0.45m
- 0.42m (2017)

### CO₂ Emitted
- Tonnes (equiv)
- 1.39m
- 1.31m (2017)

### CO₂ Index (EEOI)
- Grams CO₂ /tonne-mile
- 10.90
This is our third standalone CSR Report, though we have for several years reported on our CSR programme within the pages of our annual reports. In combination with the CSR content on our website, this report serves as a record of our main CSR initiatives and performance highlights, focusing on areas that are material to our business and stakeholders.

Through linkage in our Annual Report to information in this CSR Report and online, we create transparency about our non-financial business practices and the linkage across our actions, policies and performance.

Our CSR reporting discloses our CSR performance data for 2018 and summarises more permanent aspects of our CSR narrative, such as (a) key inputs and outputs of our business, (b) initiatives we pursue to tackle our responsibilities, and (c) materiality, reporting scope and CSR governance.

Our CSR initiatives and reporting are guided by broad strategic objectives that relate to:

- workplace and business practices (human capital)
- environmental stewardship (natural capital)
- community engagement (social & relationship capital)

**CSR Reporting Framework**

Our CSR reporting follows the Environmental, Social and Governance Reporting Guide (“ESG Guide”) of The Stock Exchange of Hong Kong (the “Stock Exchange” or “SEHK”), and draws on the guidelines and principles of the United Nations’ Global Compact and GRI’s sustainability guidelines as well as the International Integrated Reporting Council’s International <IR> Framework.

We have measured and tracked key aspects of our CSR performance for several years and we meet the Stock Exchange ESG Guide’s disclosure requirements.

**An Integrated Reporting Framework**

In preparing our Annual Report, CSR Report and internal management reports, we follow the International <IR> Framework of the International Integrated Reporting Council which enhances the way we think, plan and report the story of our business.

Our integrated reporting demonstrates how we embed holistic, integrated thinking into our strategy and plans and make informed decisions and manage key risks to build investor and stakeholder confidence and improve future performance. We also show how we rely on and impact our resources and relationships – our Capitals – to protect and create value over the long term.
Scope

The scope of this report covers environment, workplace and community initiatives that reduce our environmental impact, reinforce our class-leading safety culture and mitigate safety and environmental risks, enhance job fulfilment and promote responsible engagement within the communities where we operate.

Our CSR reporting focuses on the majority portion of our core dry bulk fleet that comprises owned vessels that we control both commercially and technically. It is these vessels over which we have the authority to mandate and control Health, Safety, Environment and Quality (HSEQ) policies and actions. By contrast, we do not control HSEQ, crewing and other technical management aspects of inward chartered vessels. We also report on company-wide staff engagement and community initiatives and performance.

Reporting Period

The reporting period is 1 January to 31 December 2018.

Assurance

Our Energy Efficiency Operational Indicator (EEOI) and other environmental and safety KPI data have been measured or calculated in accordance with industry standards, and has been audited by DNV GL Business Assurance for ISO 9001, ISO 14001 and OHSAS 18001 certification.

Policies

The Group has formulated a number of documents to guide our actions and improve our performance in areas of Corporate Social Responsibility, such as:

- HSEQ Policy
- Commitment to a Healthy & Safe Workforce (OHSAS 18001)
- Environmental Policy Guide
- Drug & Alcohol Policy
- Code of Conduct
- Whistleblowing Policy – External
- Workplace Practices Policy Summary
- Board Diversity Policy
- Anti-Bribery Policy
- Privacy Policy

CSR feedback form

We welcome your feedback on this CSR Report and our approach to CSR. Please refer to our of this report.
Our Approach to CSR

A Sustainable Business Approach

We are a substantial shipping business that draws on and impacts the resources and relationships we rely on to create and protect value. These are called our “Capitals”.

As a large player in our sector with an ambitious vision for the future, we recognise our responsibilities to these Capitals which have a bearing on the long-term sustainability of our business. We believe that many of the responsible actions we take – our commitment to Corporate Social Responsibility (CSR) – make us competitively stronger and enhance our financial performance, our reputation and the future value of our business.

These responsibilities and relationships are components of the key material matters we focus on to deliver our strategic objectives. Our active approach to CSR is therefore rooted in our culture and, governed by our policies and systems, integrated into our daily business behaviour and operating practices.

Our Resources in Action

We attach great importance to cultivating resources and relationships (our stores of value or Capitals) which we employ as optimally as we can to propel us towards our vision and benefit our shareholders and customers.

**OUR CAPITALS – THE RESOURCES AND RELATIONSHIPS WE RELY ON**

- Physical Capital
  - Our Fleet
    - Handysize
    - Supramax
  - Our Fleet
    - Handysize
    - Supramax

- Human Capital
  - 3,800 seafarers
  - 336 staff ashore

- Social Capital & Relationship Capital
  - Our Global Office Network
    - 12 offices, incl. 10 chartering offices

- Intellectual Capital

- Financial Capital

- Natural Capital

**HOW WE CREATE OR PROTECT VALUE**

- High-quality Ships
- Scale and Interchangeability
- In-house Technical Operations
- Team Productivity
- Being Local
- Being Global
- Stakeholder Engagement & Wellbeing
- Effective Business Model & Systems
- Considered Treasury Activity
- Environmental Responsibility
Our Focus Areas

Our CSR initiatives are guided by broad strategic objectives that relate to:

Workplace and operating practices

Drawing mainly on human capital which includes the skills, experience, behaviour and loyalty of our staff that we reward and enhance with fair remuneration and a commitment to health and safety, development and training, equal opportunity and a comfortable and fulfilling workplace.

Environmental stewardship

Drawing mainly on natural capital, predominantly through our fleet’s consumption of fuel and other inputs and the resulting impacts of emissions on the atmosphere and marine environment.

Community engagement

Drawing mainly on social and relationship capital which is the mutually beneficial partnership we strive to maintain with our customers, suppliers and other stakeholders in our communities, while recognising their rights and needs and always demonstrating responsible business practice.

These responsibilities are core to our culture, strategy and long-term vision, and it is our spirit and culture that turn sustainability efforts into reality and make a difference both within and outside of our organisation.
CSR Governance

The Board is responsible among other things for the development of our long-term corporate strategies and broad policies. In setting our standards, it considers the needs and requirements of the business, its stakeholders and the Corporate Governance Code and ESG Reporting Guide encompassed in the Stock Exchange’s Rules Governing the Listing of Securities on The Stock Exchange.

As such, the Board has overall responsibility for, and is engaged in, our CSR strategy and reporting, including evaluating and determining CSR-related risks, and ensuring appropriate and effective CSR risk management and internal control systems are in place. Management provides confirmation to the Board of the effectiveness of these systems.

The Board delegates to the Audit Committee (comprising all six Independent Non-executive Directors) more specific responsibility for reviewing the effectiveness of the Group’s internal control and risk management systems, and reviewing the work of the Risk Management Committee. In turn, our Risk Management Committee (comprising our CEO, CFO, Company Secretary, and Risk and Internal Audit Manager), reporting to the Audit Committee, is responsible for assessing and enhancing the Group’s risk management, as well as CSR and corporate governance policies, strategies and performance.

The Chief Executive Officer is delegated responsibility by the Board for executing our corporate sustainability strategy and initiatives. In turn, his direct reports across the Group have functional responsibility for sustainable business practice in specific areas, most notably our Fleet Director and the senior managers of our Fleet Management division (covering technical operations, fleet personnel and risk, safety & security) and our Human Resources and Administration department.
Key Material Matters

We assess all the matters that are material to the long-term success of Pacific Basin and the sustainable growth of our business and operations. This exercise – an analysis of opportunities and risks and how to balance them – also assists us in developing and achieving our strategic objectives. Sustainability is a key element of each of these material matters, and this is the driving force behind our long-term progress and success.

Through this process, we have identified the material matters below which are key components of our business model and key drivers of our Group’s performance and long-term viability.

What is material is defined as a matter that would impact our senior management, Board and Board Committees’ decisions, applying several criteria such as:

- the potential economic impact of a matter on the business and its value over the short, medium and long term;
- our main stakeholders’ concern with a matter and its likely effect on them; and
- the extent to which a matter is likely to grow in significance and impact in the future.

Materiality Matrix & Stakeholder Engagement

Pacific Basin engages in active two-way dialogue with our stakeholders – primarily customers, suppliers, employees, shareholders, financiers, industry associations and regulators. This enables us to map issues that are of greatest importance to our business and stakeholders, and determine the key matters for discussion in our CSR reporting. In addition to our day-to-day contact with customers, we conduct regular and in-depth customer and investor surveys that provide insight about our operations and ways we can improve. We also engage actively with associations that work to influence and respond to regulations that affect our industry.

We measure and report key performance indicators (KPIs) across our environmental and workplace performance. Through the reporting of these KPIs and information in our CSR Report, we disclose each element deemed to be of greatest impact to our business and stakeholders.

We welcome our stakeholders’ feedback on our approach to CSR and the key material matters we discuss in our CSR reporting. Please refer to the feedback form and contact details on page 41 of this report.
Our Key Impacts & Responsibilities

Propelling a vessel across oceans and operating a network of offices require many resources, the outputs of which impact the environment, our staff and the communities in which we operate. To minimise these impacts, we have ship and shore-based initiatives to reduce atmospheric emissions, marine discharges and resource consumption, enhancing the safety and wellbeing of our staff, and enhancing the quality of the relationships and interactions we have with our communities.

At Sea

Inputs
Key resources and relationships we rely on (our Capitals)

<table>
<thead>
<tr>
<th>Human Capital</th>
<th>Physical &amp; Natural Capital</th>
<th>Social &amp; Relationship Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff at sea</td>
<td>Steel &amp; vessel materials</td>
<td>Customers</td>
</tr>
<tr>
<td></td>
<td>Fuel oil</td>
<td>Suppliers</td>
</tr>
<tr>
<td></td>
<td>Paints</td>
<td>Ports &amp; local community</td>
</tr>
<tr>
<td></td>
<td>Ballast water</td>
<td>Dock/port workers</td>
</tr>
<tr>
<td></td>
<td>Food &amp; packaging</td>
<td>Agents</td>
</tr>
<tr>
<td></td>
<td>Cargo packing materials</td>
<td>Local regulators</td>
</tr>
<tr>
<td></td>
<td>Lubricants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chemicals</td>
<td></td>
</tr>
</tbody>
</table>

Outputs
Our impacts and CSR responsibilities

Physical Impacts
Accidents & illness, personal fitness, productivity & effectiveness

Mental Impacts
Separation from family & friends, absence of normal life ashore, mental wellbeing, boredom

Atmospheric Emissions
CO₂, Greenhouse gases, SOx, NOx, PM, VOCs

Marine Discharge
Bilge and ballast water, sewage and grey water, garbage/food waste, toxic leaching from paint, cargo residue and accidental discharges

Shore Discharge
Garbage, waste dunnage, cargo residue, sludge, hazardous waste, expended parts

Other impacts
Steel and other resources consumption (for vessel construction), and noise, odor and visual impact

Goodwill & Reputation Impacts
Ship/crew performance and cooperation impact support from customers. Courtesy, cooperation and professionalism impact support from shore-side workers, authorities and other service providers. Poor performance and attitude impact brand reputation and vessel turnaround time in port.

KPI A1.1
Type of emissions and data

KPI A3.1
Significant impacts of activities
On Shore

Inputs

Human Capital
Staff ashore

Physical & Natural Capital
Business travel
Commuting
Electricity
Paper supplies
Water & Sewage
General waste

Social & Relationship Capital
Customers
Suppliers
Regulators & policy makers
Communities
Investors
Finance providers

Outputs

Physical Impacts
Accidents & illness, personal fitness, productivity & effectiveness

Mental Impacts
Work-life balance

Atmospheric Emissions
CO₂, Greenhouse gases, SOx, NOx, PM, VOCs

Other Impacts
Non-recyclable, non-biodegradable waste, water pollution, fuel & resources consumption

Goodwill & Reputation Impacts
Courtesy, fairness, cooperation and professionalism impact support and goodwill from customers and other partners/stakeholders

Our Worldwide Network
12 office locations including:

- 10 commercial offices
- 3 technical & crewing offices

Our Hong Kong headquarters is home to commercial, technical, crewing and comprehensive other functions
Workplace & Safety

Drawing on our Human Capital

The health, safety and behaviour of our employees underlies every aspect of how we operate. They are driven by policies, procedures, a team culture and efforts to continually improve how we conduct ourselves in our business at sea and onshore. Providing healthy work conditions, a safe and supportive environment and opportunities to develop and advance within the Company are key to the well-being and fulfilment of our staff and the success of Pacific Basin.

We strive to be the employer of choice for our existing staff and for talented potential employees in our industry. We are passionate about our people and do what we can to provide our multi-national colleagues with a safe, supportive, enjoyable and fulfilling working environment.

In-house Ship Management Expertise Ensures Safety & Quality at Sea

As ship owners, our service reliability is enhanced by an innovative and comprehensive in-house technical ship management capability that assures the quality of our large fleet of owned ships and growing number of seafarers, while also driving our sector-leading safety and environmental performance.

Our experienced team of ship managers provide dependable shore-based support to our fleet so that our seafarers can manage our ships with a strong safety culture and meet the specific needs of our customers.

Our shore-based and ship-board teams work together to ensure operational readiness and service reliability of our ships at all times, as well as compliance with classification society and flag state rules, environmental regulations and all other local and international laws and regulations. Their combined efforts are key drivers of stakeholder satisfaction and our Pacific Basin brand value.

Our comprehensive technical ship management function covers:

- Procurement
- Marine & safety quality management and superintendence
- Regulatory compliance
- Dry docking supervision
- Safety & security assessments and training
- Internal/external audit corrective action implementation

We operate our own Pacific Basin crewing and training centres in Dalian, Manila and Hong Kong where our crew recruiting, training and management activities are based. Our pool of over 3,800 seafarers are mainly from China and the Philippines, and some of our officers and cadets are from Russia and Ukraine (FSU), Hong Kong and Bangladesh.
We believe that the right investment in our employees – both at sea and ashore – does much to increase safety, knowledge, productivity and contribution, and promote a deeper sense of belonging across our organisation. That investment in our employees and their engagement broadly addresses the following areas:

- Health & Safety
- Training & Development
- Labour Standards & Workplace Conditions
- Diversity & Equal Opportunity
- Responsible Business Practices
- Responsible Procurement

**Health & Safety**

We put safety first at all times. Our Pacific Basin Management System provides clear policies and procedures for our ship and shore staff to follow and mechanisms for us to analyse our performance and facilitate improvement, with one main objective: *Promoting and ensuring safety at sea and prevention of human injury or loss of life*

Our HSEQ policy and our Pacific Basin Management System embody a number of broad actions designed to achieve this objective:

- We employ and train qualified seafarers in accordance with requirements of flag state and STCW (Standards of Training, Certification & Watchkeeping) Convention
- We have implemented risk assessment systems to review all identified risks to our ships, personnel and the environment, and to identify and establish appropriate safeguards and practices
- We seek to continuously improve quality, health & safety and environmental performance and management skills of personnel ashore and at sea, through a system of audits, analysis and feedback
- We keep personnel appropriately informed of HSEQ matters by circulating pertinent information and providing training resources
- We provide a safe and healthy work environment and ensure the welfare of the staff
- We enforce a drug and alcohol policy on board our ships and ensure all watch-keeping personnel undergo drug and alcohol tests before embarking on any of our vessels
- We conduct anti-piracy training, follow best practices and adhere to Internationally Recommended Transit Corridor mandates covering areas threatened by piracy attacks

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Aspect B2 (Health & Safety)
General Disclosure
People-focused Safety Innovation

We constantly strive to enhance our safety culture with commitments from senior management ashore driving this safety mind-set across our organisation and fleet.

Our commitment to safety is manifested not only through our proactive Pacific Basin Management System, but also through innovative proprietary initiatives and significant investment in seafarer training at sea and ashore to standards exceeding mandatory requirements, resulting in safety performance metrics (KPIs) that are among the best in the industry.

Some of our established home-grown concepts and programmes that seek to maximise our crews’ engagement and risk mitigation and safety performance include:

■ Our “22 Crew, 22 Owners™” concept to empower our teams at sea to manage our vessels – and think like owner/managers – with a proactive safety culture
■ Five focus areas to “Make Complacency History” (see side bar)
■ “5 levels of leadership” to influence and develop staff on board to lead by example and inspire colleagues to follow
■ “Zero defects in external checks through good self-checks and cross-checks by managers”, and loss prevention using our paperless “3W” risk assessment prior to each task
■ Crew rest periods after tiring operations (even if delaying a ship’s departure) to reduce the risk of fatigue and stress-related accidents
■ Our “Zero Lost Time Injuries” programme including enhanced pre-joining and on-board training, and monthly alerts to the fleet with reminders of earlier injuries sustained on our ships
■ Analysis of industry and internal incidents and near-misses to learn from one’s own and other people’s mistakes (OPM)
■ Near-miss reporting generating valuable advice to help our seafarers avoid similar occurrences in the future
■ Providing our teams at sea with the best and most understanding shore-based support with a ratio of one former Master or Chief Engineer ashore for every 2.3 ships in our owned fleet

“Make Complacency History”

We highlight five focus areas in our campaign to eradicate complacency across our fleet, including:

■ Safety of Crew
  = Zero Lost Time Injuries
■ Safety of Environment
  = Zero MARPOL violations
■ Safety of Navigation
  = Zero navigational accidents
■ Safety of Machinery
  = Zero issues from improper overhaul
■ PB Brand & Business
  = Zero issues from neglect of care and maintenance

This campaign has been expanded to engage with our seafarers’ families through family newsletters and informal participation during our regular safety seminar dinners and through our family welfare officer in our recruitment centres for a more holistic and effective approach.
Health & Safety Performance in 2018

We have steadily reduced our Total Recordable Case Frequency by an average of 5% per year since 2004

In 2018, we recorded near record low total injuries and injury frequency on our ships, most arising from relatively minor slips, trips, falls and crushing incidents.

We recorded a lost time injuries frequency (LTIF) of 0.82 which was unchanged year on year to equal our best safety performance in 13 years. Our crew registered 15 such injuries in over 760,000 man days in 2018.

Our total recordable case frequency (TRCF) reduced 6% to 1.37 which is low by industry standards. Overall, we have steadily reduced our TRCF by an average of 5% per year since 2004.

Our aim is to substantially eliminate our personal injury incidents and to improve on our recent low LTIF result of 0.82.

Our safety performance is driven by effective policies and procedures in our Pacific Basin Management System and a comprehensive programme of seafarer training and development at sea and ashore.

In 2018, we continued to reinforce our established safety programme with our campaign to target “Zero Lost Time Injuries”, involving enhanced pre-joining and on-board training, and monthly alerts to the fleet with reminders of injuries sustained on our ships. Our “Make Complacency History” campaign also reaches out to our seafarers’ families for a more holistic and effective approach.

We aim to achieve an inspection deficiency rate of less than 1.0 defects per inspection by maintaining our ships to a high standard, as assessed by external Port State Control (PSC) inspectors.

In 2018, our average deficiencies per inspection improved by 2% to 0.53.

79% of our Port State Control inspections found zero regulatory deficiencies (2017: 78%).

These results are among the best in the industry, especially considering the scale of our activity in the Far East where defects are typically raised in larger numbers.
For improved navigational performance, we continue to pursue an extensive engagement exercise which collects wide-ranging feedback from our ships’ officers and managers as well as company-specific Bridge Team Management training for all our navigating officers, which we introduced in 2013.

We encourage near-miss reporting which in 2018 accounted for 548 reports (2017: 672) through which officers and crew described safety incidents and near-misses, however minor, which serves as a valuable tool for the prevention of injury and loss.

Operating in a highly regulated industry

Our workplace safety, health and engagement metrics follow best practices as defined by the industry and our peers. Shipping is a highly regulated industry and Pacific Basin meets all minimum requirements and in some cases exceeds requirements determined by local, regional and industry mandates and customer expectations.

Our commitment to Safety is manifested through (a) a proactive Pacific Basin Management System, (b) innovative home-grown initiatives and significant investment in seafarer training at sea and ashore to standards exceeding mandatory requirements, and (c) KPIs that are among the best in the industry.

Quality Assured

Our Pacific Basin Management System ashore and at sea conforms to the mandatory International Safety Management (ISM) Code. It is also certified by DNV GL Business Assurance to voluntary standards, including:

- ISO 9001:2015 for our quality management system
- ISO 14001:2015 for our environmental management system
- OHSAS 18001:2007 for our occupational health & safety management system
Training & Development

We believe that our investment in the development and training of our staff at sea and ashore drives engagement, motivation and retention of our staff and is key to maximising their safety and productivity.

High-performance teamwork at Pacific Basin is vital to our success. We foster high crew standards and teamwork at sea, and our shore-based technical and operations managers are experienced former ship captains and chief engineers. This encourages a culture where problems are shared openly and officers can rely on the very best, consistent support from ashore.

Employees at Sea

We train our seafarers to standards equal to or exceeding those required by the International Maritime Organization’s International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (or STCW).

This significant investment we make in seafarer training at sea and ashore drives our safety and external inspection performance indicators which are consistently among the best in the industry.

Here are a number of training and development investments we make to ensure a class-leading safety culture, service delivery and workplace fulfilment:

- We host at least four officer training seminars annually at our crewing centres in Manila and Dalian, and in 2017 and 2018 also in Odessa. Through these two-day events, we engage with our “on-board managers” to reinforce our company policies, practices and values, review regulatory changes and industry developments, share safety and navigation-related experiences, and analyse industry incidents and develop preventive measures with the involvement of our crew and managers.

  5 training seminars in 2018
  (2017: 5)

- Our experienced Masters and Chief Engineers voluntarily run training sessions for our ratings whilst both teachers and students are on shore-leave.

- We conduct enhanced pre-joining briefings for all our sea staff.

- Our senior crewing managers review all staff’s training needs during appraisals to ensure skill gaps are identified and plugged and further development training is on offer.

- We have run officer cadet recruitment and training schemes in our crewing centres in China since 2005 and the Philippines since 2010, as well as in Hong Kong since 2013 and Odessa since 2017.

- We train 1-2 officer cadets on each of our ships.

  1.6 officer cadets per ship
  (2017: 1.5)
We employ Marine & Safety Managers and Training Managers ashore who conduct fleet safety inspections, navigation audits and pre-joining briefings and provide shore-based support on marine and safety issues to our ships’ crews.

In addition to our Marine & Safety Managers ashore, we deploy 11 Fleet Training Managers to sail periodically on our owned vessels and offer our crew on-the-job training.

Our in-house technical department communicates shore-based advice and support to our ships’ staff to enhance the safety of our operations at sea and the consistency of our service quality.

We review incidents and near-misses, analyse root causes and develop and implement preventive measures, all of which we communicate back to our ships.

We promptly notify our ships of relevant regulatory changes and industry developments.

We circulate monthly alerts to our fleet with reminders of lessons learned from past accidents and injuries sustained on our ships.

Some of the investments we make in non-STCW training on-board, in classrooms and via computer include regular simulator-based training in Bridge Team Management and the types of ECDIS (Electronic Chart Display Information System) fitted on our ships, and Maritime Resource Management, in partnership with the Swedish Club. We cultivate leadership qualities through MRM training for both our shore-based and on-board managers, because we believe the success of our safety management system depends on the trained skills of our managers and how these leaders approach our safety management system’s implementation at sea, on shore and at the ship-shore interface.

Our crew conferences, training seminars and cadet programmes offer a clear path of career advancement within the ranks of our crew.
Employees Ashore

Ashore, we make a concerted investment in staff training and leadership development at all levels of the organisation, which has resulted in enhanced productivity, engagement, loyalty and retention and a strong foundation for our succession planning. That investment ashore broadly takes the following forms:

- Independently-run classroom and seminar-based training
- On-the-job training, site visits and company visits
- Understudy programmes for young executives
- Social and team-building exercises promoting high-performance teamwork and a culture of high standards
- Leadership and management training for high-potential employees identified as future leaders
- Training in specialised management tools
- Group-wide intranet connectivity, instant messaging and web-based video supporting real time information sharing

The Company has a healthy budget for training and development of shore-based staff, of which typically more than half receive some form of external training each year provided by local trainers or leading business schools internationally.

Our recruitment and training of international graduate and other young recruits in recent years has armed our teams with keen, talented executives who are now demonstrating their value in our offices around the world. In 2018, 6 young staff members attended our structured three-month trainee programme in which trainees cycle through our various departments, travel on ships, visit dry-docks, spend time with our shipping agents, shipbrokers and customers, and receive an in-depth experience in all facets of dry bulk shipping.

KPI B3.1
Percentage of employees trained by category

KPI B3.2
Average training hours per employee
Labour Standards & Workplace Conditions

Through the commitment we make to our crews’ training, safety, motivation and overall job fulfilment, we benefit in return with increased retention of high-quality, loyal seafarers and safe operations

Our labour standards, human rights practices and workplace conditions adhere to all conventions where our ships trade and our offices are located.

Our labour policies and minimum standards are determined with reference to the conventions of the International Labour Organization (ILO) – the United Nations agency that shapes policies to promote decent working conditions for seafarers and other workers.

These ILO conventions relating to seafarers have been consolidated into a single, coherent instrument – the Maritime Labour Convention 2006 (“MLC”) – which has been ratified by China and the requirements of which have been largely incorporated in Hong Kong flag state legislation under Hong Kong CAP478 Merchant Shipping (Seafarers) and other ordinances. As such, the conventions are mandatory for us to follow in respect of our Hong Kong-flagged dry bulk ships.

Where ILO conventions have not been ratified by our flag state, we voluntarily comply with or exceed the requirements of such conventions by way of a Collective Bargaining Agreement (“CBA”) with the International Transport Federation (“ITF”) -affiliated seafarer unions. Pacific Basin was actively involved in drafting the current Hong Kong flag state CBA which applies to all Hong Kong employers of seafarers under the ITF.

We have modernised our ship communications with KVH’s mini-VSAT broadband service with enhanced data transfer to facilitate ship-to-shore crew training and support, and to enable our seafarers to stay in touch with family and friends.

Seafarers’ Bill of Rights

The Maritime Labour Convention 2006 (MLC) is an international agreement of the International Labour Organisation (ILO) which sets out seafarers’ rights to decent conditions of work.

More than 100 pages long, the MLC 2006 sets minimum requirements for nearly every aspect of working and living conditions for seafarers such as:

- freedom from forced labour
- minimum age
- prevention of child labour
- conditions of employment
- hours of work and rest
- occupational safety & health
- health protection & medical care
- payment of wages
- annual leave & repatriation
- accommodation, food & catering
- social protection
- right to collective bargaining

Our compliance with ILO conventions and CBA terms is audited by Port State Control inspections

KPI B4.1
Description of measures to review employment practices to avoid child/forced labour

KPI B4.2
Description of steps taken to eliminate child/forced labour when discovered
Employee Wellbeing Ashore

Ashore, our offices adhere to all relevant local workplace health and safety and related codes, offering our employees a safe, comfortable and productive work environment. This includes good lighting and air conditions, and ergonomic workstations.

2018 was our group headquarters’ first full year in new premises outside of Hong Kong’s Central business district. The new office provides a healthier, more casual and more practical and fulfilling working environment that supports more productive and collaborative work.

In 2018, we relocated our regional offices in Santiago, London and Manila and refurbished our Durban office, again taking the opportunity to upgrade our office work spaces for greater energy efficiency, and staff comfort, fulfilment and collaboration.

We supply free fruit and regularly offer healthy snacks. We actively support colleagues who take on healthy physical challenges in the aid of charitable causes or simply to stay fit, and we encourage all our staff around the world to make the most of whatever nature and facilities are available to them for better health and fitness. We encourage a healthy balance between family life and work.

We keep our employees engaged through newsletters, information circulars, town hall meetings, an open-door policy, and multiple means of staying connected through a group-wide intranet, instant messaging and video conferencing systems.
Diversity & Equal Opportunity

We take pride in the diversity of our staff – including the diversity of cultures and age that exists among our shore-based staff comprising executives of 29 nationalities.

The gender and age distribution of our shore-based workforce is well-balanced.

31% of our shore-based staff have worked for Pacific Basin for over 10 years, which is testament to the job fulfilment at Pacific Basin over a period of significant growth.

Our high officer and crew retention rate speaks volumes about the job fulfilment we offer our seafarers.

We are caring, good humoured and fair, and treat everybody with dignity and respect, encouraging diversity of opinions and cultures.

We reaffirm our longstanding commitment to providing a safe environment for all our staff free of discrimination and harassment on any grounds. We operate a zero tolerance policy towards sexual harassment in our workplace, and we investigate all allegations of sexual harassment promptly, discreetly and with respect.

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**336 Shore Staff**

- 43% Female
- 57% Male

**29 Nationalities**

- Filipino: 37%
- Chinese: 30%
- Russian & other: 2%

**Age Distribution**

- >50: 7%
- 40-49: 24%
- 30-39: 31%
- 20-29: 37%
- <20: 1%

**3,800 Seafarers**

- 40% Female
- 56% Male

**Nationalities**

- Filipino: 40%
- Chinese: 17%
- Russian & other: 2%

**Age Distribution**

- >50: 1%
- 20-29: 37%
- 40-49: 24%
- 30-39: 31%
- <20: 7%

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- **90%** shore staff retention (2017: 87%)
- **25%** shore staff under equity incentive scheme (2017: 25%)
- **31%** shore staff with Pacific Basin for over 10 years
- **95%** officer retention (2017: 94%)
- **86%** overall crew retention (2017: 87%)

KPI B1.2

Employee turnover
**Responsible Business Practices**

In the pursuit of our vision, mission and objectives, we always seek to apply sound and internationally accepted business ethics and principles.

Our business principles cover a range of tenets and traits designed to maximise the trust, respect and friendship between the Company and its stakeholders, highlighting the fairness and responsibility with which we approach our business.

**Our Vision, Mission & Business Principles**

**Our vision** is to be a leading ship owner/operator in the dry bulk shipping space, and the first choice partner for customers and other stakeholders.

**Our mission** is to be the best in our field by continuously refining our business model, our service and our conduct in everything we do.

The guiding **business principles** that dictate our behaviours and actions:

- We are passionate about our customers, our people, our business and our brand
- We honour our commitments and value long-term relationships over short-term gain
- We offer a personalised, flexible, responsive and reliable service, and we look for ways to make it easier to do business with us
- We target excellence and success through dedication and teamwork, and we see everyone in Pacific Basin as a corporate ambassador
- We take a sustainable business approach and promote high standards of safety and environmental stewardship
- We are caring, good humoured and fair, and treat everybody with dignity and respect, encouraging diversity of opinions and cultures

**Anti-Corruption**

Our Code of Conduct prohibits our staff from offering or accepting bribes or engaging in fraud, forgery, collusion, anti-competitive behaviour or other forms of corruption.

0 Cases of corrupt practices

We require our staff to abide fully by local anti-corruption laws such as the Prevention of Bribery Ordinance under Hong Kong law for staff in our Hong Kong headquarters. Similar anti-corruption laws (such as the UK Bribery Act 2010) and expectations apply to all our staff around the world.

During 2018 we introduced an enhanced anti-bribery policy to bolster the Company’s anti-corruption culture.

We provide anti-corruption seminars and training for most of our shore-based and seafaring staff on a rotational basis.

We were not in 2018, are not currently and have never been involved in any legal cases regarding corrupt practices.

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<th>Aspect</th>
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<td>B7 (Anti-Corruption)</td>
<td>B7.1 Number of legal cases regarding corrupt practices</td>
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Pacific Basin has been certified by globally recognised anti-bribery organisation TRACE since 2017, signifying that our company has been thoroughly vetted, trained and certified by TRACE in anti-bribery matters.

In 2018, Pacific Basin joined the Maritime Anti-Corruption Network (MACN) which strives through collective action to eliminate all forms of corruption in the maritime industry. The organisation does this by: raising awareness of the challenges faced; implementing the MACN Anti-Corruption Principles and co-developing and sharing best practices; collaborating with governments, NGOs and civil society to identify and mitigate the root causes of corruption; and creating a culture of integrity within the maritime community.
Whistleblowing

We are committed to providing a workplace free of dishonest, illegal or discriminatory activities. As part of our efforts in this area, we have whistleblowing procedures in place for seafarers, shore-based staff and external stakeholders to raise serious and genuine concerns, in confidence, following procedures that are published on our intranet (for our shore-based staff) and on our website (for external stakeholders).

Sanctions

Our ships operate globally and we engage in trades that comply with international laws and do not contravene international trade sanctions or relevant local or national laws.

Our customers are required not to ship illegal goods on our vessels, and our global chartering organisation follows the key rule of “knowing your customer and their business” which enhances our understanding of their cargo.

Our customers are mainly reputable, blue-chip organisations who we know well. For newer potential customers, we may seek advice on their background, verbal and written references, formal counterparty risk appraisals, and we check if they appear on US, UK, EU and UN sanction lists.

We also consider where voyages are from and to, and monitor the layers of sanctions prevailing around the world so as not to risk exposure to criminal penalties.

There are also safety nets that give us additional comfort that trades we engage in do not violate relevant laws. Importantly, banks do not provide letters of credit or finance to, or otherwise transact with, customers if the cargo or trade breach sanctions, thus preventing the customer from executing a freight contract with us. A second check arises when the cargo and/or freight invoice is payable, at which point banking systems automatically vet the countries and counterparts involved in the transaction.

We know our customers and their business and adhere to trading practices that follow the letter of local, regional and international maritime law.
Responsible Procurement

Our Pacific Basin Management System manual requires that, in all but some exceptional circumstances, stores and spares for our fleet are purchased from approved suppliers who are vetted before approval and reviewed at regular intervals thereafter.

Our selection and continued support of suppliers is heavily influenced by the outcome of our reviews of their and their products’ performance affecting occupational health, safety, quality and the environment.

Examples of vetting criteria we require of our suppliers and subcontractors include, as appropriate:

- Certification to a recognised international standard
- Approval by regulatory authorities
- Authorised agents or original equipment manufacturers, and/or
- Membership of a reputable organisation such as International Ship Suppliers Association (ISSA) or the International Marine Purchasing Association (IMPA)

In 2018, our list of vetted vendors numbered approximately 460, of which about 200 were new suppliers and about 260 were existing suppliers re-evaluated during the year.

Our number of suppliers increased significantly in 2018 due mainly to the larger size of our owned fleet, increased routine ship dry-dockings, and the installation of ballast water management systems on several of our ships.

Similarly, we purchase bunker fuel only from reputable and reliable suppliers, most of whom we have long term relationships with. We vet our bunker suppliers at least annually checking their financial position through website searches and through our network of contacts and other resources in the bunker and shipping industry.

We source no more than 30% of our annual fuel needs from any single supplier. We sourced over 80% of our fuel from 10 major bunker suppliers in 2018. The remainder was sourced from about 15 smaller suppliers for spot bunkering in remote ports.
Award-winning Safety & Quality at Sea

The history of our technical team stretches back well beyond the founding of Pacific Basin, as many of our technical management colleagues served at the venerable Jardine Ship Management which we acquired in 2000. Drawing on our technical team’s combined experience, a safety-first ethos and the prudent rules and guidelines enshrined in our Pacific Basin Management System, we are proud to be the stewards of best practices in technical, safety, quality and CSR management. We frequently receive industry recognition for our commitment to and performance in these areas, as well as other areas such as corporate governance and investor relations.

In 2018, we won top global and regional industry awards for CSR/ESG and best dry bulk operator overall, including:

**Lloyd’s List Global Awards 2018**
- Dry Bulk Operator of the Year

**ShipTek 2018 Hong Kong Summit**
- Ship Owner of the Year

**International Bulk Journal Awards 2018**
- Customer Care Award

**Hong Kong Marine Department Award**
- Outstanding performance in Port State Control Inspections

**Port of Vancouver’s EcoAction Program**
- Blue Circle Awards

**Hong Kong ESG Report Awards**
- Best ESG Report-mid-cap

Some notable other awards in recent years include:

- Company of the Year at Lloyd’s List Global Awards 2017
- Safety Award at International Bulk Journal Awards 2017
- CSR Award at Seatrade Maritime Awards 2017
- Safety Award at Lloyd’s List Global Awards 2016
- Ship Operator Award at Lloyd’s List Global Awards Asia 2015 and 2016
- Best CSR Award at Asian Excellence Recognition Awards 2015
- Hong Kong Marine Department award for Outstanding Performance in Port State Control Inspections (nine times in the past 10 years)
- Shipping Company of the Year at BIMCO Awards 2014
- Shipmanager of the Year and Environment Award at Lloyd’s List Asia Awards 2011
- Environment Award at Lloyd’s List Global Awards 2011 and IBJ Awards 2012
- Seafarer of the Year at Lloyd’s List Global Awards 2011 (Captain Zhu Qianchun)
Drawing on our Natural Capital

The primary environmental impacts of shipping are emissions and discharges. At sea and in port, these outputs are substantially all regulated and compliance is enforced across international, regional and local jurisdictions.

We recognise our responsibility to reduce the impact of our operations on air, sea and land, and our Pacific Basin Management System is designed to measure and continually improve every aspect of fleet operations, including our environmental outputs.

Our environmental philosophy is centred on our commitment to being a responsible company at the forefront of environmental efforts within the dry bulk shipping industry.

We have embedded across our global footprint at sea and ashore environmental programmes and initiatives that embrace environmental stewardship and, specifically, serve to reduce our atmospheric emissions, marine discharges and resource consumption. Broadly speaking, we achieve this by:

- One of the ways we reduce the environmental impact of our operations is by our efficient operation of modern ships designed and equipped for efficiency.
- Through our largely counter-cyclical acquisition of newbuilding vessels and modern second-hand ships, we renew our fleet with new or modern ships of the best, efficient designs and equipped with technical enhancements that reduce atmospheric emissions and marine discharges.
- Similarly, we retrofit our existing ships in operation with technical enhancements that reduce atmospheric emissions and marine discharges, and we adopt operational measures to minimise our ships’ fuel consumption and emissions.
- Environmental measures embraced by our employees at sea and ashore include training and defined policies and practices such as reducing our consumption of electricity, water and other materials, and recycling.
- Our policies and guidelines are designed to promote environmental awareness, mandate environmentally-friendly activities and promote similar behaviour at work and in the communities where our ships trade and our employees live and work.
- The first step to improving the environmental performance of our fleet is to monitor, measure and analyse the outputs of our vessels. From there, we can assess and adopt measures to reduce our environmental impacts, with performance improvements achieved through both technical and operational enhancements.

Tackling our Environmental Responsibilities

Propelling a vessel across oceans requires many resources, the outputs of which impact the environment, as summarised on page 12. We take a holistic approach to reducing our operations’ impact on the atmosphere, sea and land. Our Pacific Basin Management System ashore and at sea conforms to the mandatory International Safety Management (ISM) Code and is also certified by DNV GL Business Assurance to voluntary standards, including ISO 14001:2015 for our environmental management system. We track the effectiveness of our Environmental Management Systems using KPIs.
Environmental Responsibilities

We seek to minimise our impact on the environment from atmospheric emissions, resource consumption and marine discharges through the adoption of energy-efficient and environmentally-friendly ship designs, technologies and practices at sea and ashore. The information below is a summary of significant initiatives we pursue to reduce our environmental impact.

Atmospheric Emissions & Fuel Efficiency

The main measures and technologies we use to minimise our emissions include:

Fuel-efficient Operational Measures

- Upgraded adaptive autopilot systems reduce rudder movements and improve course-keeping by automatically adapting to load characteristics and weather conditions.
- Our proprietary Right Speed Programme determines optimal operating speeds based on prevailing freight rates and fuel prices.
- Optimal scheduling of our fleet coupled with fuel-efficient voyage planning minimises ballast passages (achieving a >90% laden ratio) resulting in fuel savings.

Improving Hull and Propulsion Hydrodynamics

- Fitting propeller boss cap fins improves propulsion hydrodynamics, which improves fuel efficiency and reduces emissions.
- Application of anti-fouling paints over a larger hull area reduces drag and improves fuel efficiency even when fully laden.
- Computer-aided calculation and monitoring of hull performance over time allows us to optimise hull condition management.
- By continually renewing our fleet, we introduce ships with fuel-efficient hull designs and machinery which reduces fuel consumption.

Improving Engine Performance

- Fuel combustion catalysts facilitate more complete and cleaner combustion. This leads to fuel savings and reduces the frequency of engine overhaul maintenance.
- Computer-aided optimisation of cylinder lubrication and machinery overhaul intervals leads to reduced fuel and lubricating oil consumption.

SEHK

ESG

KPI A1.5
Measures to mitigate emissions

SEHK

ESG

KPI A2.3
Energy efficiency measures
Environmentally-friendly Features

- Propeller boss cap fins improve propulsion hydrodynamics, reduce shaft torque and improve fuel efficiency
- Non-Hub-Vortex propeller for high efficiency
- Mewis ducts increase propeller thrust
- Fuel-efficient rudder design
- Shaft generator for fuel saving
- Main engines with electronic control for better efficiency
- Computer-aided cylinder lubrication and machinery overhaul optimisation leads to reduced fuel and lubricating oil consumption
- Oily water separators minimise risk of inadvertently pumping out contaminated bilge water
- Bilge evaporation equipment in machinery space minimise discharge of waste water
- Non-ozone depleting environmentally friendly refrigerants in refrigerating plants
- Environmentally-friendly biodegradable oils used for oil-to-sea interfaces
- Garbage compactors facilitate easy storage of operational garbage

- Advanced self-tuning autopilot systems reduce rudder movements and improve course-A to improve fuel efficiency
- Right Speed Programme determines optimal operating speeds based on prevailing freight rates and fuel prices
- Optimal fleet scheduling and fuel-efficient voyage planning minimise ballast passages enhance fuel savings
- Fuel-efficient hull designs (including Aeroline design) and machinery for better fuel efficiency
- Computer-aided calculation and monitoring of hull performance enables hull condition management optimisation
- Application of anti-fouling paints over larger hull area reduces drag and improves fuel efficiency even when fully laden

CO₂ Emissions Performance in 2018

Our carbon intensity remains among the lowest in our segment due to our technological and operational measures and the overall efficiency of our large, modern fleet.

Our aim is to maximise cargo carried per tonne of energy consumed.

Our fleet’s carbon emissions intensity in 2018 reduced 2% to 10.90 grams of CO₂ per tonne-mile, as calculated using the industry-standard ship Energy Efficiency Operational Indicator (EEOI) method. This was primarily due to our ships operating at slightly slower average operating speeds in 2018 as optimised by our proprietary Right Speed Programme based on prevailing market freight rates and fuel prices.

We continued to apply technologies and practices that we implemented in earlier years to minimise our fuel consumption and emissions, and benefitted from the delivery into our fleet of new and modern ships of efficient design.

In 2018, we added five modern ships to our fleet on the water, and the average age of our owned ships was 9.3 years as at 31 December 2018. All these acquisitions are efficient ships of excellent design for our trades.

Our carbon intensity also benefited marginally from the slight increase in our average ship size with the delivery of five modern ship acquisitions into our fleet.

1 2014-2017 EEOI data has been restated to reflect a more appropriate fleet-wide assessment methodology.
Marine Discharges & Waste Management

The main measures and technologies we use to minimise our marine discharge and waste include:

Reducing Marine Discharges

- Our ISM and ISO-compliant safety management system prescribes system controls, procedural safeguards and training to prevent and respond to oil spillage.
- Oily water separators minimise the risk of inadvertently pumping out contaminated bilge water.
- IMO-compliant ballast water management plans set out strict practices to minimise the spread of aquatic species.
- We use biocide-based paints and monitor advances in more eco-friendly paints.

Waste Management

Garbage compactors on our ships facilitate easy storage of operational garbage (excluding food waste and cargo residues) until it can be disposed of responsibly on shore.

In over 38,300 ship days in 2018, our owned fleet committed no marine pollution violations (2017: no pollution violations). This MARPOL performance is indicative of the effectiveness of our Pacific Basin Management System and the high standard of professionalism of our seafarers.
Green Efforts Ashore

Across our offices ashore, we do what we reasonably can to minimise our footprint by addressing environmental elements that are within our control.

Guidelines and communications are regularly posted and policies and practices are in place across our network of offices to:

- Reduce consumption of electricity, water and materials
- Recycle office waste

Having successfully discontinued the use in our Hong Kong office of plastic rubbish bin liners at our desks in 2017, we have rolled out a similar practice across our regional offices and, in 2018, we commenced the reduction of rubbish bins to encourage further minimisation of office waste.

Pacific Basin was awarded a Silver Label in the WWF’s Low-carbon Office Operation Programme that measures and tracks outputs and Energy Consumption from our headquarters in Hong Kong.

An independent audit of our environmental performance determined that our headquarters office in Hong Kong (where 60% of our shore-based staff work) produced carbon emissions of 1,186 metric tonnes for the 2017/2018 audit year (2016/17: 1,135). This represents an increase in emissions of 4.4% which was attributable to increased business travel and staff commuting (scope 3 emissions) largely offset by a significant 55% reduction in our electricity consumption (scope 2 emissions).

Our increased business travel was mainly attributable to a continued return to normal levels of air travel, mainly because of our ship managers’ increased ship visits to our larger fleet of owned ships and to attend to more routine dry-dockings and ballast water treatment system installations.

Our lower electricity consumption was due to the full-year effect of our relocation in May 2017 to a modern, more efficient new office with low-energy motion-activated lighting, fewer lights and more natural light, and more efficient air-conditioning.

Our Pacific Basin Management System ashore and at sea conforms to the mandatory International Safety Management (ISM) Code. It is also certified by DNV GL Business Assurance to voluntary ISO 14001:2015 standards for our environmental management system.

We disclose our carbon footprint data through:

- the Carbon Footprint Repository (CFR) developed by Hong Kong’s Environment Bureau for listed companies in Hong Kong;
- the HKQAA Sustainability Rating and Research for the Hang Seng Corporate Sustainability Index Series; and
- the World Wildlife Fund’s (WWF) Low-carbon Office Operation Programme (Loop).
Drawing on our Social & Relationship Capital

We recognise our obligations as a responsible member of the communities in which we operate, and we seek to ensure that the interests of these communities are represented within Pacific Basin and vice versa. Our engagement in and contributions to these communities takes a number of forms, in an effort to support their – and our – longer-term sustainability.

We achieve this by:

- Maintaining regular engagement with stakeholders and organisations connected to the shipping industry and the places and jurisdictions in which we operate;
- Ensuring we comply with the laws and regulations of the jurisdictions in which we operate;
- Being mindful of the implications of our business activities on our communities and stakeholders;
- Supporting through activities and donating financially to the most deserving communities and causes most closely connected to our business – in particular seafarer welfare; and
- Supporting and sponsoring our employees who get involved in the communities in which they and Pacific Basin are active or reside, and who participate in groups and associations related to aspects of the shipping industry.

Our engagement in and contributions to the communities in which we operate are an important part of sustainability at Pacific Basin. We continue to donate to and be actively involved in good causes, the majority of which relate to seafarer causes and other staff-driven initiatives.

The Seafarer Community

As one of the largest foreign employers of Chinese crew and a significant employer of Filipino crew, we invest in recruitment activities and training programmes in Dalian, Manila, Hong Kong and Odessa. Community donations are focused on seafarer welfare causes.

- Our Human Resources Director is an Asian Ambassador of the Sailors’ Society, an organisation we support because of our particular interest in the welfare of seafarers and their dependents globally. Through this role, we promote regionally the need to support the welfare of seafarers whose lives at sea are not easy and who give so much to the business of shipping.

- In 2018, our charitable donations and sponsorship amounted to over US$84,000, including donations to the Sailors’ Society and the Mission to Seafarers.

- We sponsor a minibus in Manila for the use of the Sailors’ Society to provide free transport to all seafarers in Manila and to facilitated ship visits by the Manila port chaplain.

“Our sponsors’ long-term support is crucial to sustaining our welfare output. And continuation of these crucial alliances and the industry’s recognition of seafarers’ need for our welfare work is fundamental to being able to sustain our free provision of service.”
Ports Where our Ships Trade

Our ships trade globally and our crew and ships are considered ambassadors for Pacific Basin wherever they sail, so we inspire them to:

- strictly abide by requirements under applicable environmental law so as to minimise our impact on the cities, towns, ports and shorelines we visit;
- show skilful seamanship and act professionally in the way they conduct their ships’ business;
- be respectful law-abiding visitors, to show warm hospitality towards visitors on board, and to be in every way becoming of Pacific Basin personnel; and
- establish and maintain good relations with port authorities, agents and other stakeholders in the places we visit.

One measure of our success in this area is the feedback we get from stevedores, port operators and other stakeholders in the ports where we call. Here are examples of commendations we received in 2018:

<table>
<thead>
<tr>
<th>Customer at load port in Australia</th>
<th>Department of Ecology, Washington, USA</th>
<th>Stevedore in Vancouver, Canada</th>
<th>Customer at load port in Mozambique</th>
</tr>
</thead>
<tbody>
<tr>
<td>We thank your captain and his officers and crew for their exceptional co-operation during cargo loading.</td>
<td>Our inspector found your vessel to be well organised and safely operated. Your vessel’s management practices demonstrate a strong commitment to marine safety and protection of the marine environment.</td>
<td>The crew was very cooperative and did everything possible to make this a smooth loading. The Chief Mate in particular did a fantastic job.</td>
<td>Your skilled crew demonstrated responsibility and safety awareness making for smooth cargo loading operations, and they gave their best efforts to our crane operators. I really thank you for your crew’s assistance and appreciate the Master and Chief Officer’s excellent organisation and cooperation.</td>
</tr>
</tbody>
</table>

In 2018 our ships called at 793 ports and 104 countries.
Our Hong Kong Community

We take an active role in Hong Kong where we are headquartered, listed and where our owned dry bulk fleet is flagged. We are members of the Hong Kong Shipowners Association executive committee, the Shipping Consultative Committee of the Hong Kong Administration and the Seafarer Advisory Board. We also support various maritime and related causes in Hong Kong.

- **Hong Kong Maritime Museum (HKMM) –** We have been supporters of HKMM since its establishment in 2003 and we are inaugural partners under the museum’s CSR Partner Programme which matches the museum’s programmes and initiatives with our shipping and Hong Kong community-focused social responsibility priorities.

  The museum welcomed over 132,000 visitors in 2018, including over 19,000 student and community group visitors and 12,000 event attendees. In addition to showing its permanent collections, which expanded with important new acquisition and gifts in 2018, the museum arranges quality exhibitions and programmes such as public lectures, symposia, family activities and industry focused events.

  Marking the International Day of the Seafarer, Pacific Basin sponsored free admission to the public, with Pacific Basin ship cadets, shore-based managers and former ship captains volunteering their time to present museum objects, seafaring stories and career paths with local families.

  Special exhibitions included a world class display of artefacts telling the history of early Sino-American trade in the late eighteenth and nineteenth centuries and, during Hong Kong Maritime Week, a shipbuilding and green technology exhibition providing a glimpse into the future of green shipping.

  HKMM continues to generate community value through its social enterprise managed café, marine environment agenda and outreach programmes involving local schools and minority groups.

- **Hong Kong Maritime Week –** We frequently support Hong Kong Maritime Week (formerly Maritime Awareness Week) to generate enthusiasm amongst young Hongkongers for shipping as a worthwhile career.

- **Maritime Education –** We regularly recruit interns from Hong Kong’s Maritime Services Training Institute, which is part of the Vocational Training Centre, some of whom transition into full-time employees.

  Our Fleet Personnel GM serves as vice chairman of the Maritime Education and Training Sub Committee of the Hong Kong Shipowners Association, helping to work with government and academia to raise the profile of maritime education in Hong Kong and promote shipping careers to young Hongkongers.

- **Student Scholarships –** In 2018, we funded two more scholarships at Hong Kong Polytechnic University where four students are currently pursuing a bachelor’s degree in International Shipping and Transport Logistics under our sponsorship. Five recipients of our scholarship now work at Pacific Basin in Hong Kong, London and Vancouver.

- **Supporting local employment –** We employ on some of our ships a number of senior officers from Hong Kong, and we have run an officer cadet recruitment and training scheme in Hong Kong since 2013.

- **All our owned ships fly the Hong Kong flag and our crews typically include 1-2 Hong Kong officer cadets.**

- **Pacific Basin Soccer Sixes –** In November, we hosted the seventh instalment of the Pacific Basin Soccer Sixes intercompany football tournament in which Hong Kong’s shipping and related services companies fielded 20 teams in this increasingly popular sporting event for the Hong Kong shipping hub.
■ Funding other good causes, a Pacific Basin team completed the mountainous 100km Oxfam Trailwalker hike for the fourteenth consecutive year in aid of Oxfam’s poverty alleviation programmes.

■ A team of 10 colleagues ran the Bloomberg Square Mile Relay race through Hong Kong’s Central business district raising funds for local charity Unleash Foundation which promotes the inclusion of youth with physical disabilities through inclusion training and home-based work opportunities.

■ A team of three colleagues completed the Sailors’ Society Hong Kong Trek in aid of outreach work for seafarers around the world. They hiked 25km of the Hong Kong Trail together with four other PB colleagues who supported our team and assisted the organisers from the Sailors’ Society.

The Shipping Industry

We are active contributors within the shipping community and have a voice in the international dialogue with legislators and other parties on topical issues and future legislation in our industry.

Pacific Basin and its senior management ensure our regular engagement with the shipping industry and relevant governmental and regulatory bodies through membership of organisations such as:

■ International Association of Dry Cargo Shipowners (Intercargo)
■ The Baltic and International Maritime Council (BIMCO)
■ The Baltic Exchange
■ Executive Committee of the Hong Kong Shipowners Association, an influential organisation within the International Chamber of Shipping and the International Maritime Organization (IMO)
■ Sub committees of the Hong Kong Shipowners Association, such as the Marine Sub Committee and the Maritime Education and Training Sub Committee
■ Hong Kong Shipping Consultative Committee
■ Hong Kong Shipping Register Customer Relations Group
■ Lloyd’s Register and ClassNK Technical Committees
■ ClassNK Hong Kong Owners Committee
■ Maritime Anti-Corruption Network
The following environmental and social metrics quantify material emissions, discharges and workplace impacts from our operations. We have tracked these for several years and they mainly represent normal, efficient operations.

<table>
<thead>
<tr>
<th>Unit</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Owned ships operated (average)
  # ships | 80 | 83 | 86 | 99 | 107 |
| Chartered ships operated (average)
  # ships | 137 | 124 | 127 | 143 | 115 |
| Cargo volume carried
  million tonnes | 52 | 55 | 57 | 66 | 62 |
| Revenue
  US$ million | 1,718 | 1,260 | 1,087 | 1,488 | 1,592 |

**Environment**

**Emissions (owned fleet)**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At Sea</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEOI CO2 Index(^1)</td>
<td>grams CO2 per tonne-mile</td>
<td>8.70</td>
<td>10.54</td>
<td>11.36</td>
<td>11.14</td>
</tr>
<tr>
<td>CO2 (Scope 1 emissions from our owned dry bulk fleet)</td>
<td>metric tonnes</td>
<td>902,000</td>
<td>1,043,000</td>
<td>1,028,000</td>
<td>1,313,000</td>
</tr>
<tr>
<td>Chlorofluorocarbons (CFCs)</td>
<td>kg/month</td>
<td>0.45</td>
<td>0.30</td>
<td>0.46</td>
<td>0.32</td>
</tr>
<tr>
<td><strong>On Shore</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total CO2 emissions from headquarter activities(^2)</td>
<td>metric tonnes</td>
<td>1,293</td>
<td>1,329</td>
<td>1,067</td>
<td>1,135</td>
</tr>
<tr>
<td>Scope 2 emissions from headquarter activities</td>
<td>metric tonnes</td>
<td>526</td>
<td>594</td>
<td>556</td>
<td>390</td>
</tr>
<tr>
<td>Scope 3 emissions from headquarter activities</td>
<td>metric tonnes</td>
<td>767</td>
<td>735</td>
<td>511</td>
<td>745</td>
</tr>
</tbody>
</table>

**Fuel Purchased**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>for owned &amp; chartered fleet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy fuel oil</td>
<td>metric tonnes</td>
<td>727,400</td>
<td>749,700</td>
<td>804,500</td>
<td>919,900</td>
</tr>
<tr>
<td>Low sulphur marine gas oil (&amp; diesel prior to 2015)</td>
<td>metric tonnes</td>
<td>20,600</td>
<td>69,200</td>
<td>78,100</td>
<td>87,400</td>
</tr>
<tr>
<td><strong>for owned fleet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy fuel oil</td>
<td>metric tonnes</td>
<td>233,100</td>
<td>280,100</td>
<td>290,100</td>
<td>338,300</td>
</tr>
<tr>
<td>Low sulphur marine gas oil (&amp; diesel prior to 2015)</td>
<td>metric tonnes</td>
<td>8,100</td>
<td>26,600</td>
<td>33,500</td>
<td>35,000</td>
</tr>
<tr>
<td><strong>for chartered fleet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy fuel oil</td>
<td>metric tonnes</td>
<td>494,300</td>
<td>469,600</td>
<td>514,400</td>
<td>581,600</td>
</tr>
<tr>
<td>Low sulphur marine gas oil (&amp; diesel prior to 2015)</td>
<td>metric tonnes</td>
<td>12,500</td>
<td>42,600</td>
<td>44,600</td>
<td>51,500</td>
</tr>
<tr>
<td><strong>Fuel Consumed</strong> by owned fleet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy fuel oil</td>
<td>metric tonnes</td>
<td>284,000</td>
<td>307,000</td>
<td>297,000</td>
<td>378,000</td>
</tr>
<tr>
<td>Low sulphur marine gas oil, etc.</td>
<td>metric tonnes</td>
<td>5,000</td>
<td>27,000</td>
<td>32,000</td>
<td>42,000</td>
</tr>
</tbody>
</table>

**Waste**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garbage landed</td>
<td>m3/month/ship</td>
<td>3.57</td>
<td>2.63</td>
<td>2.97</td>
<td>3.67</td>
</tr>
<tr>
<td>Foodwaste discharged to sea</td>
<td>m3/month/ship</td>
<td>0.41</td>
<td>0.48</td>
<td>0.47</td>
<td>0.46</td>
</tr>
<tr>
<td>Cargo residue discharged to sea</td>
<td>m3/month/ship</td>
<td>1.17</td>
<td>0.70</td>
<td>0.47</td>
<td>0.84</td>
</tr>
<tr>
<td>Engine room bilge water discharged to sea</td>
<td>m3/month/ship</td>
<td>7.97</td>
<td>8.44</td>
<td>6.80</td>
<td>6.19</td>
</tr>
<tr>
<td>Sludge incinerated</td>
<td>m3/month/ship</td>
<td>2.26</td>
<td>2.14</td>
<td>2.23</td>
<td>2.21</td>
</tr>
</tbody>
</table>

**MARPOL pollution incidents**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
</table>

**Social**

**Working Conditions**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shore-based staff</td>
<td># staff</td>
<td>340</td>
<td>330</td>
<td>330</td>
<td>335</td>
</tr>
<tr>
<td>Women in workforce</td>
<td>%</td>
<td>42</td>
<td>45</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>Shore staff nationalities</td>
<td>#</td>
<td>31</td>
<td>31</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Shore staff by age</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-29 years old</td>
<td>%</td>
<td>17</td>
<td>14</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>30-39 years old</td>
<td>%</td>
<td>32</td>
<td>35</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>40-49 years old</td>
<td>%</td>
<td>29</td>
<td>28</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>50-59 years old</td>
<td>%</td>
<td>16</td>
<td>18</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>&gt;60 years old</td>
<td>%</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Shore staff by region</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>%</td>
<td>68</td>
<td>74</td>
<td>76</td>
<td>74</td>
</tr>
<tr>
<td>Europe</td>
<td>%</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>N. America</td>
<td>%</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Australasia</td>
<td>%</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>S. America</td>
<td>%</td>
<td>13</td>
<td>5</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Africa</td>
<td>%</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

---

**KPI A2.1**

Direct/indirect energy consumption

**KPI A1.2**

GHG emissions in total tonnes
Our EEOI and other environmental and safety KPI data in this report has been measured or calculated in accordance with industry standards, and has been audited by DNV GL Business Assurance for ISO9001, ISO14001 and OHSAS18001 certification.

### Our Key Impacts

#### Our inputs and outputs of our ships and our office activities

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seafarers (dry bulk fleet)</td>
<td>#</td>
<td>2,900</td>
<td>3,000</td>
<td>3,000</td>
<td>3,400</td>
<td>3,800</td>
</tr>
<tr>
<td>Seafarers by age</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;20 years old</td>
<td>%</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>20-29 years old</td>
<td>%</td>
<td>37</td>
<td>33</td>
<td>36</td>
<td>37</td>
<td>39</td>
</tr>
<tr>
<td>30-39 years old</td>
<td>%</td>
<td>32</td>
<td>33</td>
<td>32</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>40-49 years old</td>
<td>%</td>
<td>22</td>
<td>25</td>
<td>24</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>%</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Seafarers by nationality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>%</td>
<td>56</td>
<td>52</td>
<td>54</td>
<td>56</td>
<td>57</td>
</tr>
<tr>
<td>Filipino</td>
<td>%</td>
<td>40</td>
<td>44</td>
<td>42</td>
<td>40</td>
<td>39</td>
</tr>
<tr>
<td>Ukrainian</td>
<td>%</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Russian &amp; other</td>
<td>%</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Shore staff retention</td>
<td>%</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>87</td>
<td>90</td>
</tr>
<tr>
<td>Shore staff under share award scheme</td>
<td>%</td>
<td>36</td>
<td>36</td>
<td>23</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Seafarer retention</td>
<td>%</td>
<td>88</td>
<td>90</td>
<td>92</td>
<td>94</td>
<td>95</td>
</tr>
<tr>
<td>Overall</td>
<td>%</td>
<td>80</td>
<td>84</td>
<td>87</td>
<td>87</td>
<td>86</td>
</tr>
</tbody>
</table>

#### Health & Safety

<table>
<thead>
<tr>
<th></th>
<th>per mil man hrs</th>
<th>1.44</th>
<th>1.60</th>
<th>1.32</th>
<th>1.46</th>
<th>1.37</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injury frequency (TRCF) KPI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Injury frequency (LTIF) KPI</td>
<td></td>
<td>0.85</td>
<td>0.95</td>
<td>0.94</td>
<td>0.82</td>
<td>0.82</td>
</tr>
<tr>
<td>Crew fatalities</td>
<td>#</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>deficiencies per PSC inspection</td>
<td>#</td>
<td>0.91</td>
<td>0.91</td>
<td>0.74</td>
<td>0.54</td>
<td>0.53</td>
</tr>
<tr>
<td>Zero deficiency rate in PSC</td>
<td>%</td>
<td>68</td>
<td>70</td>
<td>72</td>
<td>78</td>
<td>79</td>
</tr>
<tr>
<td>Near-miss reports</td>
<td>#</td>
<td>689</td>
<td>539</td>
<td>783</td>
<td>672</td>
<td>548</td>
</tr>
<tr>
<td>Navigational accidents</td>
<td>#</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

#### Development & Training

<table>
<thead>
<tr>
<th></th>
<th>staff %</th>
<th>57</th>
<th>55</th>
<th>48</th>
<th>47</th>
<th>46</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seafarer/officer external training seminars</td>
<td>#</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Ships per safety/training manager</td>
<td>#</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Officer cadets per ship</td>
<td>#</td>
<td>3.0</td>
<td>2.4</td>
<td>2.0</td>
<td>1.5</td>
<td>1.6</td>
</tr>
</tbody>
</table>

#### Supply Chain Management

<table>
<thead>
<tr>
<th></th>
<th>#</th>
<th>220</th>
<th>280</th>
<th>240</th>
<th>240</th>
<th>460</th>
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</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td></td>
<td>38</td>
<td>27</td>
<td>26</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>Bunker suppliers</td>
<td></td>
<td></td>
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</tbody>
</table>

#### Anti-Corruption

<table>
<thead>
<tr>
<th></th>
<th>#</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases of corruption</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

#### Community Investment

<table>
<thead>
<tr>
<th></th>
<th>US$’000</th>
<th>218</th>
<th>71</th>
<th>55</th>
<th>58</th>
<th>84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsorship &amp; donations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

1. Our fleet numbers exclude one owned Post-Panamax ship and one chartered Post-Panamax ship which are chartered out under long-term charters and which we do not control either commercially or technically.

2. Our CO2 emissions have been calculated using the industry-standard ship Energy Efficiency Operational Indicator (EEOI) method since 2013. 2014-2017 EEOI data has been restated to reflect a more appropriate fleet-wide assessment methodology.

3. Emissions from our headquarter office consumption and activities includes emissions from staff commuting and business air travel, air conditioning, lighting, computer and office equipment, and paper and fresh water consumption (audit period: July 2017 to June 2018).

4. We are retrofitting bilge water evaporation tanks across our fleet resulting in less discharge of bilge water through oily water separators.

5. Regrettably two crew members died during the year from non-work related illnesses.

6. We sustained two navigational accidents in 2018. One of our ships made contact with a sailing boat off Bermuda, and another collided with a vessel in the Singapore Straits following a sudden auxiliary engine failure resulting in a temporary blackout and loss of power. Neither incident resulted in any injury, hull breach or pollution. The lessons learned have been shared with our ships’ crews through publication of a fleet circular and discussion in our pre-joining, on-board training and officer safety seminars.
We have measured and tracked key aspects of our CSR performance for several years and we meet the Stock Exchange ESG Guide’s disclosure requirements and recommendations for 2018.

### A. Environment

<table>
<thead>
<tr>
<th>SEHK ESG Index Ref.</th>
<th>Description</th>
<th>Cross-references &amp; Comments</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Emissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Type of emissions and data</td>
<td></td>
<td>12-13</td>
</tr>
<tr>
<td>1.2</td>
<td>GHG emissions in total tonnes</td>
<td></td>
<td>38-39</td>
</tr>
<tr>
<td>1.3</td>
<td>Hazardous waste produced</td>
<td></td>
<td>38-39</td>
</tr>
<tr>
<td>1.4</td>
<td>Total non-hazardous waste produced</td>
<td></td>
<td>38-39</td>
</tr>
<tr>
<td>1.5</td>
<td>Measures to mitigate emissions</td>
<td></td>
<td>30-31</td>
</tr>
<tr>
<td>1.6</td>
<td>Handling of waste and reduction initiatives</td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>A2</td>
<td>Use of Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Direct/Indirect energy consumption</td>
<td></td>
<td>38-39</td>
</tr>
<tr>
<td>2.2</td>
<td>Water consumption (total)</td>
<td>Not applicable as our business does not require sourced water</td>
<td>NA a</td>
</tr>
<tr>
<td>2.3</td>
<td>Energy efficiency measures</td>
<td></td>
<td>30-31</td>
</tr>
<tr>
<td>2.4</td>
<td>Issues in sourcing water</td>
<td>Not applicable as our business does not require sourced water</td>
<td>NA a</td>
</tr>
<tr>
<td>2.5</td>
<td>Total packaging material</td>
<td>Not applicable as our business does not require packaging material</td>
<td>NA a</td>
</tr>
<tr>
<td>A3</td>
<td>Environment and Natural Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Description of significant impacts of activities</td>
<td></td>
<td>8-9</td>
</tr>
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</table>

### B. Social

<table>
<thead>
<tr>
<th>SEHK ESG Index Ref.</th>
<th>Description</th>
<th>Cross-references &amp; Comments</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>Employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Total workforce by employment</td>
<td></td>
<td>23</td>
</tr>
<tr>
<td>1.2</td>
<td>Employee turnover</td>
<td></td>
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</tr>
<tr>
<td>B2</td>
<td>Health and Safety</td>
<td></td>
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</tr>
<tr>
<td>2.1</td>
<td>Number and rate of work related injuries</td>
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<td>17</td>
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<tr>
<td>2.2</td>
<td>Lost days due to work injury</td>
<td></td>
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<tr>
<td>2.3</td>
<td>Description of occupational health and safety measures adopted</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>B3</td>
<td>Development and Training</td>
<td></td>
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</tr>
<tr>
<td>3.1</td>
<td>Percentage of employees trained by category</td>
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</tr>
<tr>
<td>3.2</td>
<td>Average training hours per employee</td>
<td></td>
<td>21</td>
</tr>
<tr>
<td>B4</td>
<td>Labour Standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Description of measures to review employment practices to avoid child/ forced labour</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>4.2</td>
<td>Description of steps taken to eliminate child/forced labour when discovered</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>B5</td>
<td>Supply Chain Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Number of suppliers</td>
<td></td>
<td>27</td>
</tr>
<tr>
<td>5.2</td>
<td>Description of practices related to engaging suppliers</td>
<td></td>
<td>27</td>
</tr>
<tr>
<td>B6</td>
<td>Product Responsibility</td>
<td>Not applicable as our business does not manufacture or trade in products</td>
<td>NA a</td>
</tr>
<tr>
<td>B7</td>
<td>Anti-Corruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1</td>
<td>Number of legal cases regarding corrupt practices</td>
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<td>25</td>
</tr>
<tr>
<td>7.2</td>
<td>Description of preventative measures and whistleblowing</td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>B8</td>
<td>Community Investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>Focus areas of contribution</td>
<td></td>
<td>34-37</td>
</tr>
<tr>
<td>8.2</td>
<td>Resources contributed</td>
<td></td>
<td>34-37</td>
</tr>
</tbody>
</table>

Remarks:

a) We do not address SEHK ESG subject areas A2.2, A2.4, A2.5 and B6 because we are a freight service business that does not require sourced water or packaging material and does not manufacture and/or sell products.

b) Items in bold black text are mandatory “comply or explain” matters, while the disclosure level for all other items is currently “recommended” only.
Thank you for your interest in Pacific Basin’s Corporate Social Responsibility Report 2018. We welcome your feedback on the content of this CSR Report so that we can better shape our future CSR strategy and improve our CSR performance and reporting.

Please send any comments to our corporate communications team at:
E: comms@pacificbasin.com
T: +852 2233 7000

Stakeholder Feedback Survey

1. Which of the following best describes you and your relationship to Pacific Basin?
   - Shareholder
   - Bondholder
   - Potential or past investor
   - Analyst
   - Banker/financial institution
   - Customer
   - Tonnage provider
   - Supplier
   - Employee
   - Media
   - Industry association
   - Non-government organisation
   - Government Department
   - Other stakeholders (please specify)

2. How would you rate the content of our CSR Report in terms of quality and quantity of information and level of disclosure/ transparency? (5= Excellent, 1= Poor)
   - 5
   - 4
   - 3
   - 2
   - 1

3. Please rate the content and quality of our CSR Report according to the following criteria.
   (5= Excellent, 1= Poor)
   - Stakeholder Inclusiveness
   - Balance
   - Clarity
   - Comparability
   - Materiality/Relevance
   - Completeness
   - Sustainability Context
   - Accuracy
   - Transparency
   - Structure
   - Design and layout

4. What existing or potential new aspect(s) of the report would you like us to elaborate on in our future CSR reporting?

5. Please share with us your any other comments or requests regarding Pacific Basin’s CSR Report:
6. From your perspective as a Pacific Basin stakeholder, what sustainability-related issues are most important and least important to you? Please rate the following issues in terms of their importance to you.

- Healthy, Safety & Accident Prevention
- Anti-Piracy
- Employee Engagement & Labour Relations
- Labour Standards & Working Conditions
- Diversity & Equal Opportunity
- Compliance in a Highly Regulated Industry
- Development & Training
- Responsible Business Practices
- Responsible Procurement
- Anti-Corruption & Whistleblowing
- Anti-Collusive Behaviour
- Sanctions
- Energy Efficiency
- Marine Pollution
- Carbon Emissions
- NOx & SOx Emissions
- Other Environmental Impacts (e.g. ballast water, other marine discharges, shore discharges & waste management)
- Environmental Initiatives Ashore
- Seafarer Community
- Local & Related Communities
- Management & Governance Practices
- Industry & Legislative Engagement

7. What other sustainability-related issues are important to you in regards to Pacific Basin and, on a scale of 1-5, how do you rate their importance to you?

a) ........................................................................................................................................

b) ........................................................................................................................................

c) ........................................................................................................................................

d) ........................................................................................................................................

e) ........................................................................................................................................
All reports are now available at www.pacificbasin.com/ar2018

Please send us your feedback via our online feedback form