Navigation Guide
Simple instructions to help you navigate this interactive document

You will encounter the following elements throughout the document, all of which will be clickable:

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Got it! Start reading
Content of the ESG Playbook for Shipping

- Why ESG is important to you
- ESG topics in the shipping industry & your segment
- Key components of your ESG Strategy
- Contact information
Why ESG is important to you

Explore
What is ESG?

Environmental

Social

Governance
Purpose of the ESG Playbook for Shipping
Unlock the value proposition of ESG through concrete tools and processes tailored for the shipping industry

Industry transition through ESG

Guide to a credible ESG strategy
Call to action
Now is the time to act!

We are running out of time, transformative action is required

Changing shipping dynamics are amplifying the need for ESG

Regulators, investors and customers are demanding change

The scope of expected sustainability is widening in shipping

Today
Sustainability can provide a competitive advantage

Tomorrow
Sustainability will become a license to operate

Source: Mercator Research Institute on Global Commons and Climate Change; Earth Overshoot Day; Stockholm Resilience Centre; Financial Times; Demand for ESG Investments Outstrips Supply (2022); MMM/CES Ready, Set, Decarbonize (2022); BCG analysis; BCG: The Road Ahead for Low-Carbon Fuels (2022)
Value of ESG

ESG can be deployed to capture new sustainable business value and mitigate current and future business risks.

The ESG imperative

<table>
<thead>
<tr>
<th>Current business value</th>
<th>Captured new profits</th>
<th>Mitigated business risk</th>
<th>Business value with ESG</th>
<th>Business value without ESG</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Value creation captured</td>
<td>+ Value destruction avoided</td>
<td>+ Value destruction avoided</td>
<td>+ Value destruction avoided</td>
<td>+ Value destruction avoided</td>
</tr>
</tbody>
</table>

Source: BCG & MMMCZS analysis
Shipping companies that choose to lead on ESG capture superior value

TSR index:
12/31/2019 = 100¹

Annualized TSR
1/1/2020-3/31/2022

ESG score:
Environmental + Social + Governance
commitment and effectiveness

ESG² score ≥ median
ESG² score < median

ESG² score:
Environmental + Social + Governance commitment and effectiveness

TSR:
Total Shareholder Return (share price return and dividend yield)

Shipping companies with robust ESG strategies deliver better shareholder returns

Annualized TSR
1/1/2020-3/31/2022

8 p.p.

+49%

+41%

¹. Median rebalanced monthly total return of a set of 40 Marine Transport players; 2. ESG score measures a company’s relative material Environmental (e.g., Toxic Waste & Emissions, Carbon Emissions), Social (e.g., Health & Safety) and Governance (e.g., Corporate Governance, Corporate Behavior) performance, commitment and effectiveness.

Why ESG is important to you

62%
A new mindset is required
ESG accountability requires a new mindset focusing on collective action across the value chain.
Environmental, Social & Governance reinforcement

Solid ESG strategies require a holistic approach & awareness of interdependencies of E, S, & G

How integrated thinking creates superior outcomes

How disintegrated thinking creates suboptimal outcomes

88%
Strategic approaches
Companies can take one of four approaches to ESG

- **Growth explorer**: Capturing new sustainable profit pools from material ESG topics.
- **Future fit**: Mitigating key business risks from material ESG topics.
- **Non-strategic**: Two-sided approach.
- **Risk mitigator**: One-sided approach.

Questions to consider:

- Why ESG is important to you.
ESG topics in the shipping industry & your segment

Explore
Materiality Assessment
Integrated analysis of which ESG topics you should focus on

What is it?

How does it work?

Why is it helpful?

Business criticality - Relevance for long-term business success

Importance to stakeholders
Materiality Matrix

The final output of a materiality assessment is a matrix that highlights the topics most material for your stakeholders and your business.

Materiality matrix is a function of stakeholder importance and business criticality.
Materiality Matrices
Each segment has its own materiality matrix encompassing the differences across ESG topics in the shipping industry & your segment.
Key components of your ESG Strategy
What is a credible ESG strategy?
Strategy credibility through long-term and interim target setting, investments in initiatives, and ongoing transparency on progress

Foundation of a credible ESG strategy

Set time-bound long-term ESG commitments with interim targets
Develop an initiative roadmap for how to achieve targets
Invest in initiatives and governance
Track progress and report using globally recognized standards such as SASB, GRI, CDP, and TCFD
Building blocks
Five instrumental pieces of your ESG strategy

ESG baseline
- Current state of E, S, and G for your shipping company
- Analytical foundation for the ESG project

Material topics
- Most important topics within E, S, and G for your shipping company
- Benchmark to overall industry and your industry segment

ESG targets
- Prioritized targets across E, S, and G aligned with company priorities
- Ambitions for your shipping company

Main initiatives
- Detailed and tangible initiatives to reach new ESG targets
- Clearly defined actions and roles

ESG roadmaps
- Roadmaps for prioritized initiatives
- Sub-initiative charters describing actions and deliverables

The key pieces constitutes the **ESG strategy**

Source: BCG and IMNCICS analysis
Phases
The strategy process consists of 3 phases and 10 key meetings

Phase 1
Why is it important to you?

Phase 2
What will you prioritize?

Phase 3
How do you execute?
Contact

If you want to know more or be assisted in the process of making your ESG strategy - reach out to us!

Tanja Dalgaard
Partnership & Portfolio

Anne Katrine Bjerregaard
Head of Strategy & Sustainability

Mikkel Krogsgaard
Managing Director & Partner, BCG CPH

Peter Jameson
Partner, BCG CPH

Maersk Mc-Kinney Møller Center for Zero Carbon Shipping

Read more about BCG’s Climate & Sustainability practice

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