Sustainability Report 2020

Simon Møkster Shipping AS

– Your best partner

Sustainability Report 2020
Simon Møkster Shipping AS
Stavanger, March 2021

Cover Photo
Ingvild Karlsen
Stril Luna as seen from Snorre B

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Distribution
This report will be distributed digitally
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Table of Content

Our Priorities

Safety

Zero injuries to personnel

Zero non-planned emissions or spills

Minimal burden to the environment

Climate Action

40 % reduction in GHG emissions by 2030

70 % improvement in energy efficiency by 2030

Net-zero emissions in 2050

Sustainable Growth

Commitment to the UN Sustainable Development Goals

50 % of total revenue from non-oil and gas activities in 2030

50 % reduction in food waste by 2030

1 Introduction

Simon Møkster Shipping was established in Stavanger in 1968 by Capt. Simon Møkster. The Company has been involved in the offshore shipping industry since 1975 and in the offshore wind and renewables sector since 2014.

The Møkster group owns and manages a fleet of 16 modern offshore support vessels with high quality specifications designed for operations in harsh weather conditions. Additionally, Simon Møkster Shipping provides manning services for four vessels owned by external owners.

The main market segments are: Platform Supply Vessels (PSV), Emergency Response and Rescue Vessels (ERRV) and Service Operation Vessels (SOV) in the subsea and renewables segments.

Per 31.12.2020, the Møkster group employed 460 persons, 435 seafarers and 25 ashore.

Simon Møkster Shipping aims to provide our clients with a diversified service, which includes rescue, NOFO oil recovery, firefighting, in addition to supply and multi-field service.

Simon Møkster Shipping has a long-term perspective for both ownership and chartering activities. A strong focus on health, safety, environment and quality are fundamental for all activities.

Photo: MMT/Jakup Janiszewski

1.1 Management Letter

2020 will forever go down in history under the headline "COVID-19". A virus outbreak which has affected us and the whole world in all aspects of daily life and business. It has been a year where everything has been turned up-side-down. It has also been thought provoking – how little we know of what tomorrow will bring.

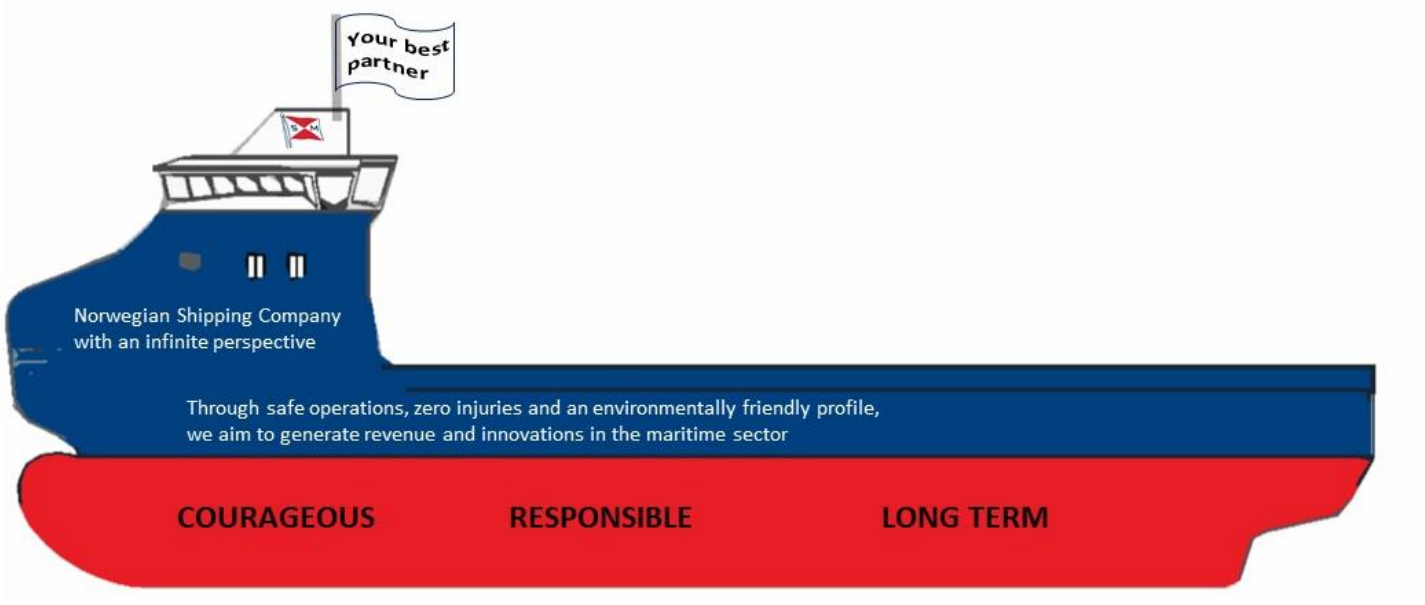
If we rewind back to the end of 2019, we had a positive outlook for the new year and decade. 2020 was going to be a year with increased activity after five very challenging years, increased rates and an important step towards sustainable income for our industry. We saw increased activity within offshore oil and gas and many new opportunities within the offshore wind segment.

As we know, the year was not going to play out that way. On the 12th of March 2020 Norway shut down, similar to most of the world. The oil price was already dropping and hit bottom in the end of April, our customers halted all new investments and plans for the year.

Simon Møkster Shipping's core values are **courageous**, **responsible,** and **long term**. As a shipping company we shall strive to live up to these values no matter which direction the wind blows around us, and all of us have been put to the test in 2020. When the short term seems especially uncertain it is vital to look ahead at the longer picture. We shall do our best to encourage each other and develop good solutions which will bring us forward. Our focus shall be to continue to deliver our services and to sell our maritime competence to all our current customers and potential new ones and live up to our vision of being **your best partner**.

Sustainability, climate actions and the environment have a high priority at Simon Møkster Shipping, our customers, our suppliers and the rest society around us. How are we all able to best influence and contribute to find good environmentally friendly solutions for our operations and in everyday life both at home and at work? It is a common challenge requiring collaboration and cooperation if we are to succeed.

In 2020, Simon Møkster Shipping also joined the Family Business Sustainability Pledge. The Family Businesses for Sustainable Development is a joint global initiative by UNCTAD which aims to integrate sustainability into conventional business models and champion a more transparent sustainability path that can be measured and reported. Sustainable development is defined as development



Anne Jorunn Møkster
Chief Executive Officer


Photo: Jon Ingemundsen

which satisfy the needs of today without undermining future generations opportunities to meet their needs. As a family-owned company we have an infinite perspective on both business and ownership. The ideas of sustainable **environmental** and **social** development and **governance** is at our core.

Simon Møkster Shipping has produced an annual environmental report since 2001. Over the last two decades this report has evolved into this first sustainability report, covering several different aspects of sustainable development and operational reporting.

Throughout 2020 we have worked on improving our commitment to the UN Sustainable Development Goals (SDGs). Through several campaigns targeting seven of the UN SDGs, we have strived to generate discussion and activities on how each individual and the Company as a whole, can influence and contribute to more sustainable operations. In addition, we work to challenge and initiate cooperation with our customers, suppliers and others.

The first campaign launched in January presented our greenhouse gas (GHG) emission reduction ambitions. **By 2030, Simon Møkster Shipping's ambition is to cut the total CO2 emissions from our fleet with 40 %, further working towards net-zero emissions in 2050.** To relate this to activity and to ensure that we also achieve actual reductions regardless of fleet size, we have an additional energy efficiency ambition. **By 2030, we shall achieve a 70 % reduction in CO2 emissions per sailed distance.** These ambitions are a continuation of the FuelRACE campaign, the Company's own fuel saving initiative that started in 2014. In 2020 we made further leaps to reach our ambitions by **reducing CO2 emissions by 13.9 %**, an improvement from 10 % reduction in 2019.

When our minds are so preoccupied with the COVID-19 pandemic and everything it entails, it is vital not to forget that safety must be the top priority in all our operations and in day-to-day life. Everyone shall return home as healthy as they were when they went on board.

Stavanger, 15 February 2021

Anne Jorunn Møkster

Chief Executive Officer

1.2 Summary of ESG Indicators

Environmental

Indicator	2020	2019	Our Goals
Scope 1 emissions			
Fleet CO2 emissions	78 868.0 t	91 645.5 t	40 % reduction by 2030. Net-zero in 2050.
CO2 intensity	0.077 kg / DWT*nm	0.081 kg / DWT*nm	70 % reduction by 2030.
Energy mix - MGO - LNG - Shore power	 89.2 % 10.0 % 0.8 %	 94.5 % 5.1 % 0.4 %	
Scope 2 emissions			
Shore power usage	2,395 MWh	1,498 MWh	
CO2 emissions	40 t	25 t	
Scope 3 emissions			
Air travel CO2 emissions	237.9 t	467.1 t	
Air pollution			
NOx emissions	590 t	688 t	
NOx intensity	4.52 kg / GWh	4.80 kg / GWh	
SOx emissions	28 t	27 t	
PM10 emissions	24 t	28 t	
Ecological impact			
Spill incidents >50 l	1	1	Zero

Social

Indicator	2020	2019	Our Goals
Health and safety			
TRIF per 200,000 man-hours	0.44	1.32	0.5
LTI per 200,000 man-hours	0.22	0.38	Zero
Marine casualties	0	1	Zero
Monthly HSE reports	6.7 reports per vessel	6.5 reports per vessel	7 reports per vessel
Port state controls			
Deficiencies	0	2	
Detentions	0	0	

Governance

Indicator	2020	2019	Our Goals
Business ethics			
Corruption cases	0	0	Zero
Fines or non-monetary sanctions	0	0	
Sustainable growth			
Revenue from non-oil and gas related activities	14.5 %	16 %	25 % by 2025. 50 % by 2030.
Fleet utilisation	80 %	86 %	

Photo: Fred Inge Baade

Photo: Stig Morten Ask

1.3 Important Milestones in 2020

First Quarter

- Launched GHG emission reduction ambitions

Second Quarter

- Company accredited according to ISO 45001 standard
- Shore power connection installed on board Stril Pioner
- Shore power connection installed on board Stril Polar

Third Quarter

- Shore power connection installed on board Stril Orion
- Introduced goal to reduce food waste with 50 % by 2030
- Stril Explorer commenced work on the Beacon Wind OWF Site in the US

Fourth Quarter

- Launched recruitment film for the first digital Offshore and Maritime Days

  Follow this link for a view: Simon Møkster Shipping daily life on board our vessels

1.4 Møkster Fleet

Platform Supply Vessels

- Stril Mar
- Stril Barents
- Stril Luna
- Stril Polar
- Stril Orion
- Stril Mermaid
- Stril Odin
- Strilmøy
- Stril Pioner
- Stril Myster (sold 16.10.2020)

Field Support / Emergency Response and Rescue Vessels

- Stril Merkur
- Stril Herkules
- Stril Poseidon
- Stril Mariner
- Strilborg

Service Operation Vessels

- Stril Server
- Stril Explorer

Vessels with manning services owned by external shipowners

Only emission scope 3 from manning services for the vessels Elektron and Elektron II is included.

- Elektron
- Elektron II
- Siddis Mariner
- Siddis Sailor

Photo: Marius Krossøy

Photo: Fredrik A. Rossås

2 Our Way to Sustainability

Simon Møkster Shipping has a long tradition of open and transparent reporting of emission data and has prepared annual environmental reports since 2001. We are strong believers in cooperation between all parts of the industry and government to solve the sustainable development challenges, which has to start with openness and transparency from all industry actors. This document is the first full sustainability report for Simon Møkster Shipping. The reporting scheme is based on the ESG indicators of the SASB Financial Material disclosure topics for Marine Transportation [1] and the Norwegian Shipowners Association's ESG-guidelines [2].

During 2020, Simon Møkster Shipping has continued to increase the focus on sustainability in the organisation. Of a total of 17 UN Sustainable Development Goals, the choice was made to commit to and work with seven selected goals which closely involve our daily operations with crew, vessels and customers and where we as a company could have the greatest impact. Simon Møkster Shipping is focusing on the following seven specific UN SDGs:

3. Good health and well-being

7. Affordable and clean energy

8. Decent work and economic growth

9. Industry, innovation, and infrastructure

12. Responsible consumption and production

13. Climate action

14. Life under water

Focus on these was done in different ways.

- All employees in the Company attended quarterly campaigns that addressed the Company selected UN SDGs.
- The ambition to cut the total CO2 emissions from the fleet with 40 % by 2030, further working towards net-zero emissions in 2050 was announced.
- Food Waste Campaign started midsummer with a goal to decrease the food waste in the fleet with 50 % by 2030.

With these campaigns and goals, Simon Møkster Shipping is confident in that the Company will contribute to achieve the UN SDGs that have the most impact on the operations of the Company.

2.1 HSEQ Policy

Simon Møkster Shipping has a clear goal of being among the very best Norwegian companies that provide shipping services. The Company`s main process is the operation and management of others and our own vessels, as well as follow-up of new-builds and other projects.

Møkster's Vision: Your best partner

Møkster's Core Values: Through solidarity we will promote our foundational values, which are: long term, courageous and responsible.

Our goal is zero injuries to personnel, compliance with human rights, zero non-planned emissions and spills, minimal burden on the environment, and as little material damage as possible.

In order to achieve our goals, we highlight some of the points from our HSEQ policy:

Develop a safe and environment-friendly practise, and a healthy work environment within vessel operations.

Arrange such that employees thrive in a safe and secure work environment. The policy includes a prohibition of bullying and harassment of co-workers.

Identify work operations that require risk assessments and implement corrective measures and evaluation.

Ensure that our goals and commitments are communicated and understood throughout the organization.

Photo: Jartvar Johannessen

2.2 UN Sustainable Development Goals

By autumn 2015, the UN agreed on 17 goals for sustainable development towards 2030. These Sustainable Development Goals focus on the interdependence of environmental, economic and social development. They shall act as a roadmap for all countries in the global effort for sustainable development.

Simon Møkster Shipping is committed to increase its focus on the UN Sustainable Development Goals. As earlier mentioned, the following SDGs have been selected as being the main goals for the Company:

UN SDG 3: Good Health and Well-Being

Under Sustainability Goal 3, the UN describes how the world should ensure healthy lives and promote quality of life for all, regardless of age.

Target 3.9 states that by 2030, the goal is to substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

UN SDG 7: Affordable and Clean Energy

According to the UN, energy accounts for 60 % of the global CO2 emissions. The proportion of renewable energy that comes from hydropower, wind, solar, biofuels, biogas, as well as geothermal and marine sources is increasing year by year and according to UN the goal is that by 2030 this will be significant.

UN SDG 8: Decent Work and Economic Growth

This UN SDG aims to create fair economic growth and new jobs to combat inequality and eradicate poverty. To achieve this, one must ensure that young people are included in the labour market, ensure a stable and secure working life, facilitate more women in work and reduce informal and undeclared work [3]. The UN has set 12 targets within decent work and economic growth that one wants to achieve. Three of these is pointed out in relevance to our operations.

Target 8.2 is to achieve higher levels of economic productivity through diversification, technological upgrading, and innovation.

Target 8.6 is to by 2020 substantially reduce the proportion of youth not in employment, education or training.

Target 8.8 is to protect labour rights and promote safe and secure working environments for all workers [4].

UN SDG 9: Industry, Innovation and Infrastructure

Investments in infrastructure such as transport, irrigation systems, energy and information technology are crucial for creating sustainable development. Infrastructure is the underlying structure that must be in place for a society to function.

To achieve SDG 9, different countries must increase their potential for development and growth, and to see how they can utilise their resources and their industry most efficiently. The focus must be on education, health services, science and technology [3].

UN SDG 12: Responsible Consumption and Production

Under SDG 12, the UN describes how we must ensure sustainable consumption and production patterns.

Overconsumption - Sustainable consumption and production are about doing more with less resources. Today, we consume much more than what is sustainable for the globe. For example, one-third of the food produced is thrown away without being eaten.

Sustainable Lifestyle - To ensure good living conditions for current and future generations, every consumer must also change their lifestyle. This means reducing the use of resources, environmental degradation and climate emissions as a society and as an individual.

Target 12.3. By 2030, the percentage of food wastes per capita will be halved worldwide, both in retail and among consumers, and reduce wastage in the production and supply chain, including wastage after harvest.

UN SDG 13: Climate Action

The UN sets its goal to take urgent action to combat climate change and its impact. Target 13.1 is set to strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

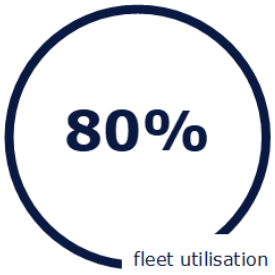
UN SDG 14: Life Below Water

SDG number 14 states that by 2025 all forms of marine pollution will be prevented and significantly reduced, especially from land-based activities, including marine litter and discharges of nutrients. We are to conserve and sustainably use the oceans, seas and marine resources for sustainable development.

2.3 Long-term Business Relations

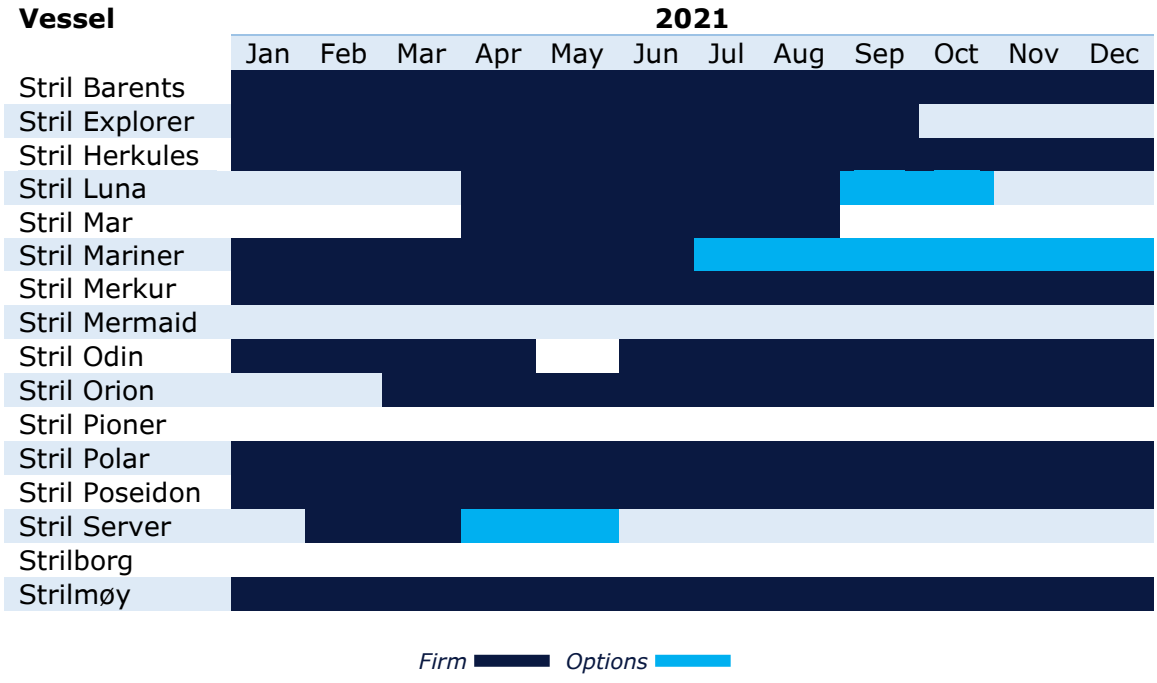
Simon Møkster Shipping has a strong tradition for long-term relationships with our customers and other business partners. These solid relations have been and will be crucial, for the necessary close collaboration to help us solve the challenges related to continued sustainable growth.

The Company's philosophy is to trade our vessels on longer contracts with limited exposure to the spot market. This contributes to both economic stability and give us the predictability and assurity to engage in new ventures in collaboration with our customers.



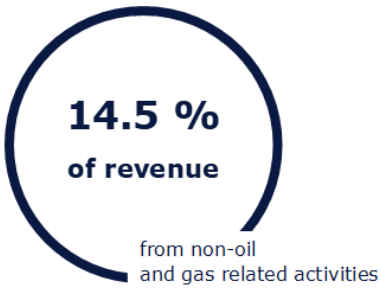
Fleet utilisation in 2020 was 80 %. Per 1 March, the firm contract coverage for 2021 is 62 %.

Table 1: Firm and options contract coverage for 2021 per 01.03.2021.



2.4 Business Plan Renewables

Part of Simon Møkster Shipping's strategy is to continue to diversify and reduce our dependence on the oil and gas industry by increasing our income from projects outside this sector. Our goal is to have 25 % of revenue from non-oil and gas related activities by 2025, increasing this to 50 % by 2030.



An important emerging market is the offshore wind segment. Simon Møkster Shipping has been involved in this segment since 2014. During 2020, we worked with several new and exciting customers on projects within the offshore wind and renewables segment. 2020 also saw our first work in this segment outside of Europe with the Stril Explorer which commenced survey work on the Beacon Wind OWF Site in the US, an important milestone for the Company. The operator Equinor has made a short film on the project, check it out at https://www.youtube.com/watch?v=lkSwjJNLmeQ.

14.5 % of the overall revenue in 2020, was earned by vessels operating in the renewables sector

Photo: From Stril Server

3 Environmental Performance

Emission to the environment can be divided into two categories: emission to air and spill to sea.

3.1 Spill to Sea

Spill to sea and pollution of the marine environment are mainly related to the use and "consumption" of antifouling coating and spillage during loading operations or other accidental spills.

3.2 Emission to Air

Emission to air can be divided into local air pollutants such as NOx, SOx and PM and global GHG pollution such as CO2. GHG emissions are further classified into three scopes.

Scope 1

Scope 1 emission is direct emissions from Company activities. For Simon Møkster Shipping the primary contributor to scope 1 emission is the burning of fuel on board the vessels.

Scope 2

Scope 2 emission is indirect emissions owned by the Company. An example is emission from the generation of electricity purchased by the Company.

Scope 3

Scope 3 emission is indirect emissions not owned by the Company but that occur in the value chain as part of the Company's operations.

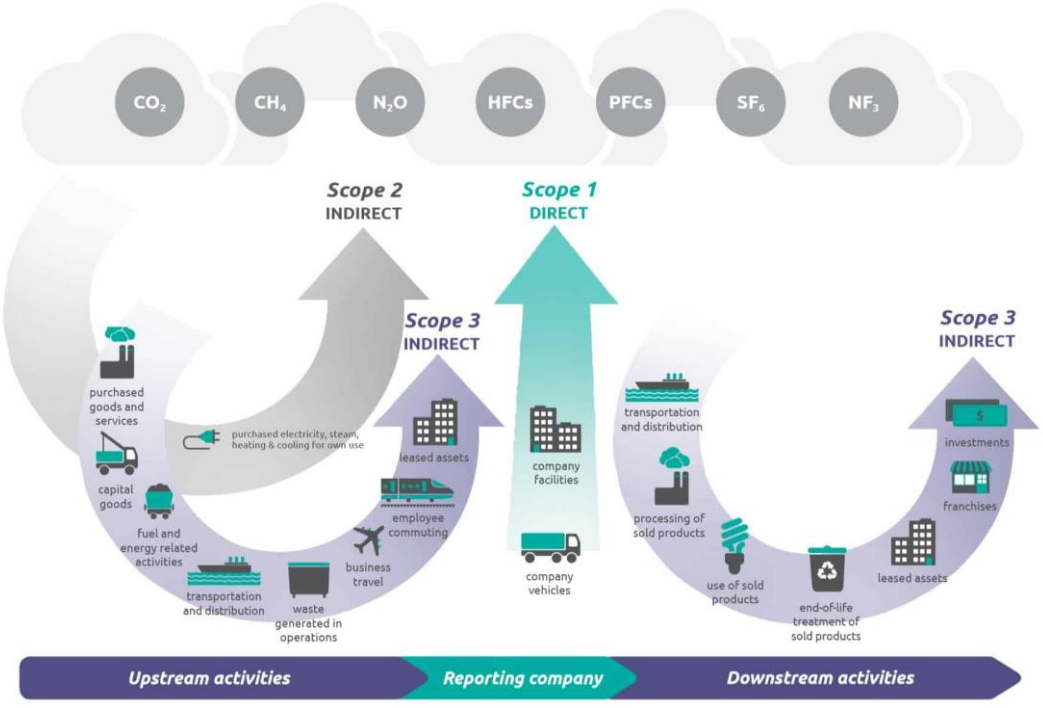


Figure 1: Overview of the GHG emission scopes across the value chain [5].

3.3 Facts About Emission to Air

Simon Møkster Shipping is working continuously to limit and reduce emissions to both sea and air, however, emission to air is the primary focus. The Company has clear ambitions to reduce CO2 emissions with 40 % by 2030 and further work towards net-zero by 2050.

The environmental impact of emission to air is assumed to be greater than emission to sea. All vessels managed by Simon Møkster Shipping use environmentally friendly coatings which are renewed every five years. There are also strict and efficient procedures in place to avoid spillage during loading operations.

Furthermore, there is a strong correlation between emission to air and fuel consumption. An effective vessel with a low fuel consumption will also have less emission to air. Reduced emissions as a result of lower fuel consumption will therefore also have an economic benefit.

The Company uses Marine Gas Oil (MGO) which is the purest and highest quality bunker oil used in the marine market. In addition, two vessels have dual-fuel engines capable of running on either MGO or LNG. One of these, the Stril Barents, is also an LNG-battery hybrid.

CO2

Carbon dioxide (CO2) is formed when hydrocarbon-fuel or other organic material is burned, including LNG. Emission of CO2 therefore directly corresponds to fuel consumption and is lowered by a more energy efficient operation of the vessel. Hence, both technical and operational factors have impact on the emission of CO2. Technical factors include hull shape, propulsion system and other technical solutions. Operational factors may be speed, utilisation, voyage planning etc.

CO2 in the atmosphere is consumed by growing plants. However, it is also a major contributor to the greenhouse effect due to the long circulation period in the atmosphere. CO2 is also taken up by the world's oceans, causing ocean acidification.

NOx

Nitrogen oxides (NOx) are formed as a reaction between the oxygen and nitrogen naturally present in the air at high temperatures, e.g. during combustion. The gas is easily dissolved in water forming nitric acid causing acid rain. NOx emission levels from combustion engines depends on factors such as RPM, injection time and combustion temperature.

The nitrogen content of the fuel or the choice between different types of fuel such as MGO or LNG will affect the NOx emission level. The use of SCR (catalytic converters) or other exhaust cleaning technologies will also greatly reduce the NOx emissions.

NOx emissions contribute to both acid rain and increased level of tropospheric ozone, which may have negative impact on vegetation and human health.

Stril Pioner, Simon Møkster Shipping's first LNG powered vessel, and the world's second LNG powered PSV, which greatly reduces NOx, SOx, and PM emissions.

SOx

Sulphur oxides (SOx) are formed during combustion of sulphur-containing fuel. The gas reacts with oxygen and is easily dissolved in water. SOx may have impact on human health, contaminate water or cause acid rain. The level of SOx in the exhaust is directly correlated to the sulphur content in the fuel, however, SOx emissions may also be reduced by treating the exhaust.

Particulates

In addition to the previously mentioned gases, particulate matter (PM) is also an essential part of emissions to air. PM is a common term for biproducts of combustion and is a major threat to human health and the environment in many places on earth. The term includes a range of harmful particulates such as soot and remains of fuel oil or lubrication oil which has not fully combusted.

Larger PM may be visible in the form of smoke or soot, however, PM is mostly invisible to the naked eye which makes it even more dangerous as people cannot see them. Smaller particles are also more harmful for humans and animals as they are less likely to get caught in the mucous membranes.

Several health issues such as asthma and some forms of cancer are linked to exposure to PM emissions. The heart and blood vessels may also be harmed if the particulates pass into the blood stream through the lungs which may cause extensive medical issues.

PM10 (particulates under 10 µm) are used for reporting of PM. The following factor is used for calculation of estimated PM emissions: PM10: 0.001 kg / kg MGO.

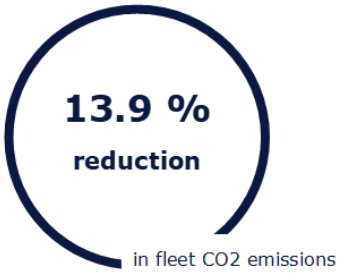
3.4 GHG Emission Reduction Ambitions

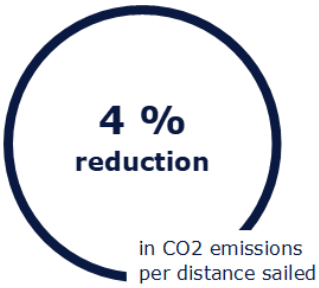
Simon Møkster Shipping takes our responsibility to contribute to reducing global GHG emissions seriously. In line with the targets set out in the 2016 Paris Agreement, IMO's GHG Strategy and the Norwegian Government's action plan for green shipping, Simon Møkster Shipping's ambition is to cut the total CO2 emissions from the fleet with 40 %, further working towards net-zero emissions in 2050. The Company follows the IMO in using 2008 as the baseline.

To relate this to activity and to ensure actual reductions regardless of fleet size, the Company has an additional energy efficiency ambition. By 2030, Simon Møkster Shipping shall achieve a 70 % reduction in CO2 emissions per sailed distance.

In 2020, the total reduction in CO2 emissions from the fleet (scope 1 emissions) was 13.9 %, which is a further improvement from 10 % reduction in 2019.

Additionally, the fleet energy efficiency measured in CO2 emissions per distance sailed improved by 4 %. Compared to the 2008 baseline, the total energy efficiency improvement has been 52 %. This is mostly due to a more modern fleet, technical innovations such as shore power connections and increased awareness and focus on voyage planning and use of eco speed during transit.





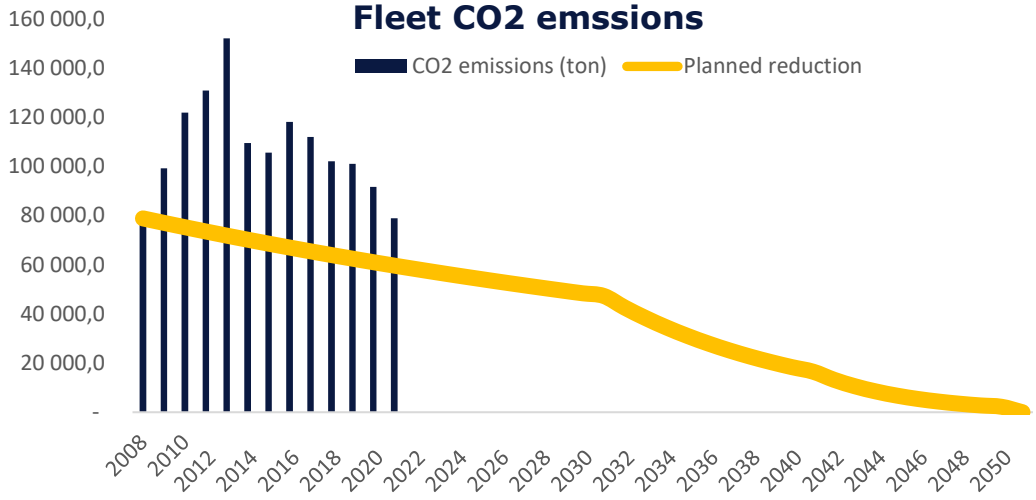


Figure 2: Annual fleet CO2 emissions in tonnes. The yellow line showcases the GHG reduction path the Company has committed to.

3.5 Fuel RACE

In 2014, Simon Møkster Shipping started FuelRACE (**R**educe fuel **A**nd **C**ut **E**mission), a campaign to set focus on reducing fuel consumption and emissions. The campaign contributed a lot to increase the awareness in the fleet regarding fuel consumption and the importance of good voyage planning and efficient sailing.

The 2020 KPI target for the fleet was set to 5 % annual reduction. Some steps were made to accomplish this goal.

- In 2020, all vessels in the fleet started to use MARESS as part of the FuelRACE initiative. MARESS is a computer software for better visualisation and management of the fuel consumption and emission data.
- 3 new vessels (Stril Polar, Stril Orion and Stril Pioner) installed shore power connection to achieve zero emission during port calls.
- Awareness campaign for all employees regarding Climate Action.

The 2020 FuelRACE winner was Stril Odin, achieving an average reduction in fuel consumption of 15.6 %. The vessel performed at or below baseline in every month of 2020 as shown in Figure 3 below.

Stril Odin, winner of the 2020 FuelRACE achieving a 15.6 % reduction in fuel consumption.

In particular, the vessel has managed to reduce consumption during transit. They excel in reducing speed as often as they can, and that they often have transit on only one engine while sailing. They often log trips at speeds all the way down to 6 knots. This saves both fuel and operating hours. We congratulate - well done on a fantastic result!

Figure 3: Stril Odin Yearly Report showing monthly fuel consumption in different modes.

3.6 Local Emissions

Local emissions include NOx, SOx and PM emissions. These differ from CO2 and other greenhouse gases as they do not contribute to global warming, however they may be harmful for the local environment and eco systems. In the daily operations, it is essential to limit the emissions of hazardous chemicals and air, water and soil pollution and contamination as stated in UN SDG target 3.9.

NOx and SOx Emissions

The fleet NOx emissions decreased by 14.2 % in 2020, continuing the trend from the last years. Over the past five years, NOx emissions have been reduced by 46 %. NOx emissions are not directly related to the fuel consumption, such as CO2 emissions, but dependent on other additional factors. Engine construction, use of SCR systems and alternative fuels such as LNG contributes to lower NOx emissions.

NOx emissions per GWh of energy produced decreased by 5.8 % in 2020 compared to 2019. Over the last 20 years this has been reduced by 67.2 % as a result of continuous work over several years and targeted efforts on reducing NOx emission.

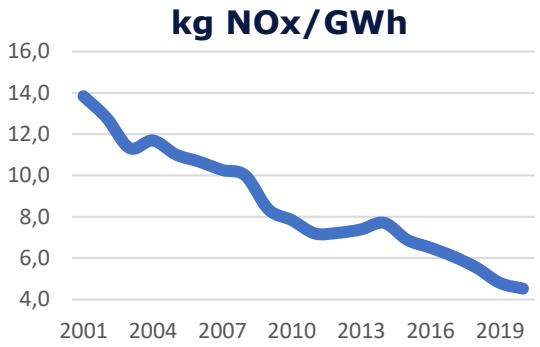


Figure 4: Annual NOx emissions in kg per GWh of energy produced 2001-2020.

SOx emissions in 2020 are similar to 2019, with a 28 % reduction in the last five years. SOx emissions is highly dependent on the sulphur content of the bunker oil. All vessels managed by Simon Møkster Shipping use low-sulphur marine gas oil (MGO) or LNG which both give very low SOx emissions.

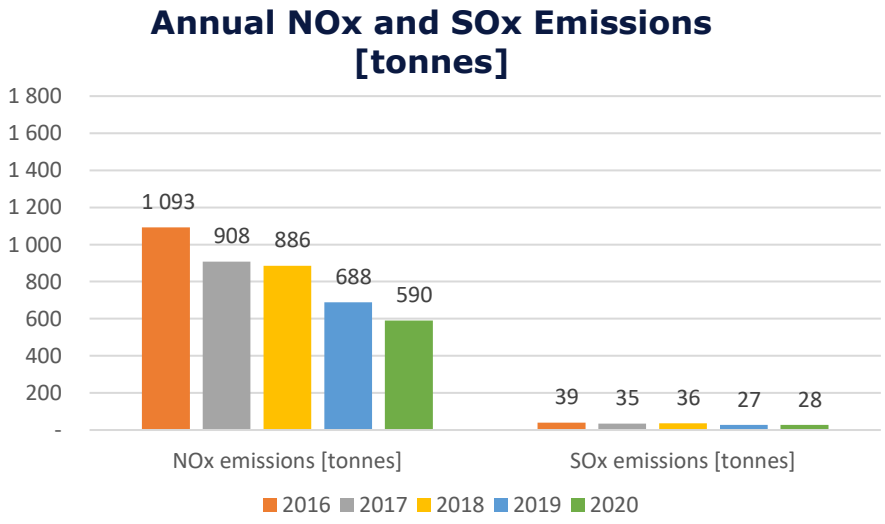


Figure 5: Annual fleet NOx and SOx emissions.

PM emissions

PM emissions are calculated from the vessels fuel consumption and hence follows the same trajectory as the total fleet fuel consumption.

2020 saw a reduction of 14.3 % in PM emissions.

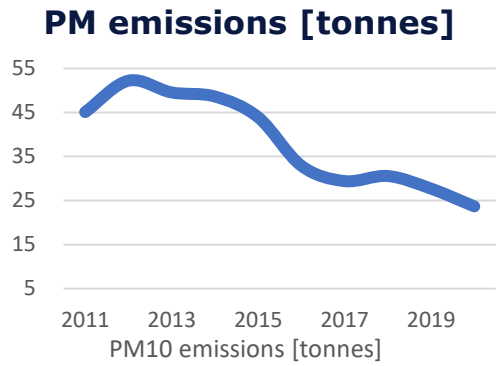


Figure 6: Annual PM emissions 2011-2020.

Emission data presented in this report have been prepared based on the following factors and assumptions:

Emission	Factor (kg/kg MGO)	Comment
CO2	3.165	Common factor for all vessels. For LNG powered vessels, the factor 2.74 kg/kg LNG is used.
NOx	*	*The factor varies from vessel to vessel and is defined from ship-specific data or from factors according to Norwegian authorities.
SOx	0.002-0.001038	Varies from year to year, ref SSB. For LNG SOx is set to 0.
PM10	0.001	PM10 = total number of particulates with size larger than 10 µm. For LNG PM10 is set to 0.
Energy equivalents	1 kg MGO fuel = 43.1 kWh 1 kg LNG fuel = 46.7 kWh	

Photo: Fredrik A. Rossa

Photo: Stig Morten Ask

3.7 Scope 2 and 3 Emissions

Scope 2 and 3 emissions relates to indirect emissions as a result of the Company's activities. The largest contributor to scope 2 emissions in 2020 is the energy used by the vessels supplied from shore primarily from shore power connection facilities.

Simon Møkster Shipping managed six vessels with shore power connections in 2020. The total energy consumption was 2,395 MWh. This is electricity from the Norwegian power grid, which result in a CO2 footprint of approx. 40 tonnes [6]. Simultaneously, the use of shore power connections while vessels are in port has given a reduction in vessel CO2 emissions of 1,740 tonnes, resulting in a net reduction of 1,700 tonnes CO2.

The largest contributor to the Company's scope 3 emissions is related to work travels for our personnel by airplane. Simon Møkster Shipping's CO2 emissions from air travel was reduced by 29 % in 2020 compared to 2019. This is mainly related to travel restrictions and increased use of digital meetings, due to the COVID-19 pandemic worldwide, but also as a result of the work to use local crew and that more crew travelled by train, bus or ferry.

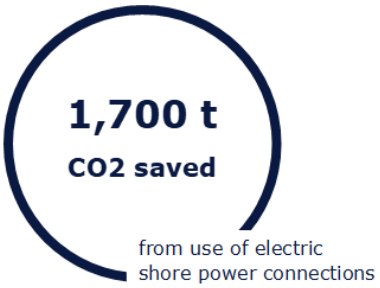


Table 2: Company's air travels in 2019 and 2020.

Area	km 2019	km 2020	CO2 2019 [t]	CO2 2020 [t]
Domestic	1,847,104	1,531,704	286.7	233.4
Nordics	671,319	502,149	85.8	60.9
Europe	451,749	205,352	61.7	26.6
Intercontinental	740,375	160,450	32.9	7.0
Total	3,710,547	2,399,656	467.1	237.9

3.8 Climate Risk

Simon Møkster Shipping acknowledges that climate changes poses both risks and opportunities for our business, now and in the future. In 2017, the Task Force on Climate-related Financial Disclosures (TCFD) presented recommendations and guidelines on climate-related financial disclosures. By utilising these, it gives corporations the possibility to be more transparent, focused, and informative when it comes to risk management and strategic planning process related to climate risks. The TCFD divided the climate-related risks into two major categories.

1. **Physical risks:** Risks related to the physical impact of climate change.

2. **Transition risks:** Risks related to the transition to a lower-carbon economy.

Physical Risks

The physical climate risk will impact the society as a whole and in terms of specifying the risk for the Company and the main business area this risk will be presented either by acute risks or by chronic risks.

Simon Møkster Shipping's main business area is to operate vessels offshore, so depending on where in the world the vessels are operating, they will be vulnerable to the acute risks that may occur in the area of operation. When it comes to the impact such risks will have on the main office area ashore in Stavanger, there is given a picture of a future scenario by using example of chronic risk such as sea level rise resulting in flooding.

A scenario given by the Norwegian Mapping Authority for year 2090 were sea level rise and a 1000-year tide occurs, will results in flooding of the quay area near the main office building, and will have economic and operational consequences for the Company [7].

All other physical risks related to high winds, heat stress and drought will certainly have an impact on the Company's operations, since this in many cases will affect the way of life for our customers, suppliers, ports, harbours and for our employees.

Transition Risks

As the world is on its way to a less polluting and greener economy when following the UN SDGs, the shipping sector will face big shifts in asset values or higher costs of doing business.

Simon Møkster Shipping has a clear goal that 25 % of the total revenue should come from non-oil and gas activities by 2025 and 50 % by 2030. On our way to a greener and cleaner business solution, there is risks with the transition to go over to a low carbon alternative. As outlined by the TCFD, such risk is related to policy, liability, technology, markets and reputation.

Policy and Liability Risk:

Decisions at the global level such as the Paris Agreement, national decisions such as increased CO2 taxes, or local decisions on requirements for using shore power systems when vessels are in ports. These are examples of significant changes that effects the business models and is therefore characterized as a policy risk that the company must be prepared and ready for.

Technology Risk:

The development and use of emerging technologies such as renewable energy, battery storage and energy efficiency will affect the competitiveness of our organization, the distribution costs, and ultimately the demand for our services from end users. It is important for our company to be innovative and find new solutions that can reduce our exposure to GHG emissions and therefore be less sensitive to changes in cost of carbon. This has been done, and is continuing to be important by installing ship-shore systems, batteries and have implemented energy efficiency program for our fleet.

Market and Reputation Risks:

Changes in supply and demand for our services due to climate-related market risk need to be considered. Reputation risk may also be present. By continue to seek opportunities in new markets and to do this in collaboration with the government, lenders, and existing and new customers we believe that we can be well positioned for the transition to a lower-carbon economy. [8]

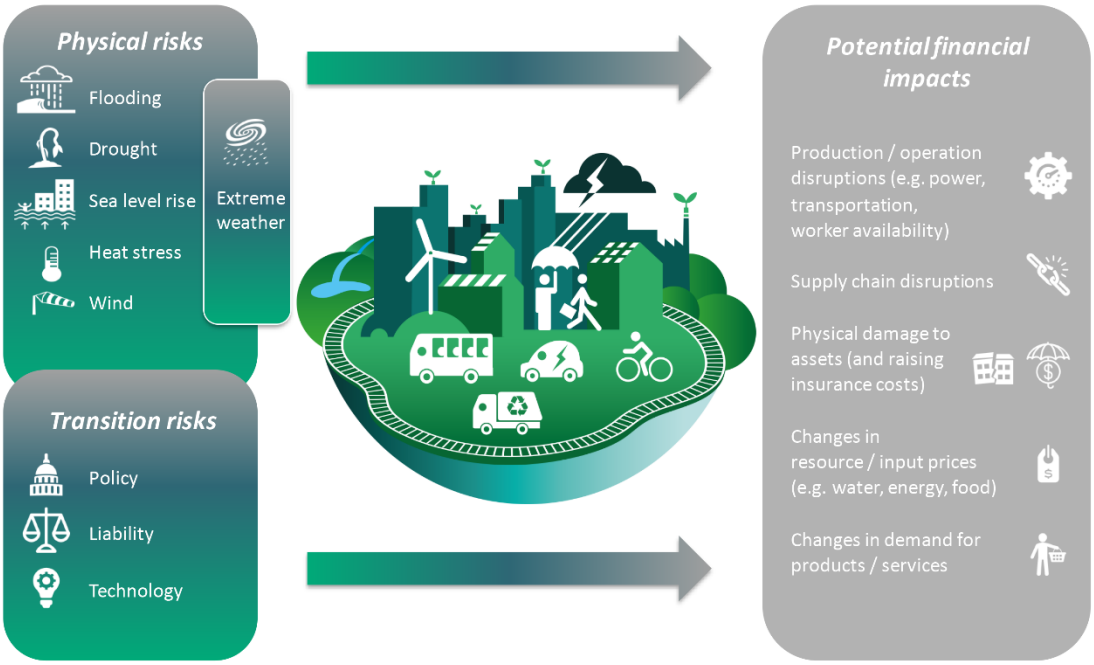


Figure 7: Aspects of climate risks [9].

Photo: Kjetil Fundingsland

4 HSEQ Performance

The Health, Safety, Environment and Quality (HSEQ) process includes all activities that go into running the HSEQ system within the company including the reporting system that is used for reporting non-conformities and improvement suggestions.

Simon Møkster Shipping's goal is **ZERO** injuries to personnel and that everyone shall return home as healthy as they were when they went on board. The safety performance is measured through use of parameters such as:

- TRIF (Total Recordable Incident Frequency)
- LTIF (Lost Time Incident Frequency)

To work towards our goal of zero injuries, the annual rolling KPI target for TRIF is 0.5 per 200,000 man-hours. For 2020 this target was met with a TRIF of 0.44.

Reporting of incidents, near-misses and other safety observations is a vital part in continuing to build a robust safety culture and learning from past mistakes. The Company had a KPI target in 2020 of 7 reports per vessel per month. On average every vessel prepared 6.7 reports. This is slightly below the KPI target; however, it is an improvement from 2019 which had an average of 6.5 reports per vessel.

TRIF
0.44
per 200,000 man-hours

LTIF
0.22
per 200,000 man-hours

6.7
reports
per vessel per month

Photo: Anna Julia Granberg

4.1 Reduce Food Waste

Food waste is a widespread problem worldwide. In Norway, over 390,000 tonnes of food are thrown away annually that could have been eaten. It is done by the food industry, grocery stores, in the serving industry and by consumers. Food waste includes all useful parts of food produced for humans, but which are either discarded or removed from the food chain for purposes other than human consumption, from the time when animals and plants are slaughtered or harvested.

Simon Møkster Shipping wants to focus on food waste in the fleet - with reference to UN SDG 12, for the Company's employees and have committed to halving the food waste in the fleet by 2030.

From July 2020 the Company launched the Food Waste Campaign with the aim to increase awareness on food waste and the negative consequences related to it. Efforts were also started to improve the quality in registration of food waste to establish an accurate baseline and to achieve accuracy in the results.

The campaign also aimed to increase experience transfer between cooks in the fleet. This will continue to be an important ongoing process in reaching our goals.

Photo: Patrik Sjunnesson

5 Social Responsibility

Simon Møkster Shipping has a goal to be a Norwegian shipping company with an infinite perspective. To realise this, we rely on a sustainable economic growth, investment in our employees and technological innovation.

UN SDG 8 Decent Work and Economic Growth aims to create fair economic growth and new jobs to combat inequality and eradicate poverty. Ensuring young people are included in the labour market, ensuring a stable and secure working life, facilitate for more women in work and reducing informal and undeclared work are vital in achieving this.

Simon Møkster Shipping was awarded *Årets maritime lærebedrift* in 2014. The Company is also a proud member of the SURF (Skipsfartens utdannings- og rekruteringsforum) initiative which is a collaboration between shipping companies, maritime schools and institutes, maritime recruitment organisations and shipowner associations in south-western Norway.

The Company Policy Governing Competence and Training commits to a culture of lifelong training. During 2020, the focus was on promoting and developing the knowledge of ISM, ISPS, ISO and relevant legislation and guidelines as well as increasing competence on ICT systems by:

- Having qualified personnel both ashore and on board
- Actively run training and cadet programs
- Increase advantage of training.

These initiatives will also continue in 2021.

45 total apprentices and cadets in training

18 new apprentices and cadets in training

63% of graduating cadets continued in the Company

Photo: Bjørn Bussesund

Simon Møkster Shipping Policy for Human Rights, Ethics and Social Responsibility follows the recommendations and guidelines issued by the Norwegian Shipowners' Association. The Company is committed to conduct all its business in such a way that authorities, customers, suppliers and employees have confidence in the Company and behave upright and reliable in all instances.

Further, the company is committed not to utilise suppliers that use or are suspected of using labour that is not covered by wage agreements, or do not have internationally agreed workers' rights, nor utilise suppliers that benefit from child labour.

All activities are subject to the three-question ethics test:

1) Is it legal?

2) Is it right?

3) Can it be justified?

6 Continuous Improvement and Innovation

Continuous improvement and innovation is paramount to ensure sustainable growth and development and to meet future challenges. Simon Møkster Shipping has a long track record as an industry leader in developing and implementing new and exciting concepts. The use of LNG and NOx abatement systems such as SCR, have been installed and in use since 2003. This is showing the Company's commitment to improve their vessels with regards to NOx emissions.

The last few years the Company has increased its focus on CO2 reductions, driven by the FuelRACE campaign, and huge improvements have already been achieved. The CO2 reduction is not only driven by innovation such as technical upgrades, but also closely linked to the human factors relating to the crew on board the vessels. An increased focus on how to perform the various operations in the most fuel-efficient way contributes to a "learning culture" both onboard and ashore.

A close cooperation with both suppliers and especially the charterers is essential to achieve good results. Simon Møkster Shipping has dedicated frame agreements in place both with relevant suppliers and with charterers.

6.1 Focus Areas for 2021

For 2021, Simon Møkster Shipping has identified some dedicated areas of action to further continue the work on reducing our environmental footprint. In addition, the Company will work to set clear targets for the ESG indicators.

Fuel Reporting and Monitoring

In Q4 2019, Simon Møkster Shipping started to use MARESS for fuel reporting and monitoring. MARES is a digitalised fuel monitoring and reporting system helping crew and the shore staff to improve fuel efficiency. The system was implemented in the fleet during 2020 and for 2021 the focus will be to expand the use of the system. This will be done through increasing user-knowledge and better implement the fuel efficiency measures and the Ship Energy Efficiency Management Plan (SEEMP) into the system.

Shore Power Connections

Per 01.03.2021, seven of the vessels managed by Simon Møkster Shipping are fitted with shore power connections, the latest, Stril Mar, being fitted in January of 2021. This means 86 % of the PSVs trading on the NCS are fitted with shore power connections.

The Company is working closely with our customers to push for the installation of shore power connection facilities in ports and offshore supply bases where this is not yet installed. Furthermore, the Company will work with relevant actors to push for upgrades to the electric grids where it does not have the capacity for shore power facilities.

The Company will also continuously seek to realise new shore power connections on additional vessels. Working to increase the usage of the shore power connections for the vessels while in port is also essential and will be a priority for 2021.

Energy Storage Systems

The first vessel managed by Simon Møkster Shipping to be fitted with a battery energy storage system (ESS) was Stril Barents in 2019. The Company is working closely with our customers to realise other ESSs and has ambitions to install additional systems in 2021. ESSs give large fuel and emission savings, in particular during DP operations.

Lifecycle Evaluations

Simon Møkster Shipping manages a modern fleet with an average age of 11 years. Through 2021 and beyond the Company will focus on how to best meet new regulations and energy efficiency standards. Newbuilds are associated with a substantial CO2 footprint. Hence, considering the total lifecycle GHG emissions, the Company will prioritise to upgrade and extend the lifetime of the existing fleet compared to newbuilds.

Alternative Fuels

What the energy mix of the future will look like is still very much undecided, but it will probably be a mixture of different fuels. Through 2020, Simon Møkster Shipping started looking at the feasibility for using LBG on our LNG powered vessels. This initiative will also continue into 2021, in addition to further feasibility studies on other new potential energy sources.

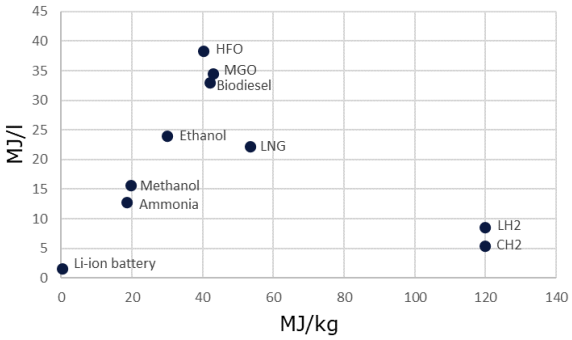


Figure 8: Energy density of various marine fuels.

Photo: Kjetil M. Fundingsland

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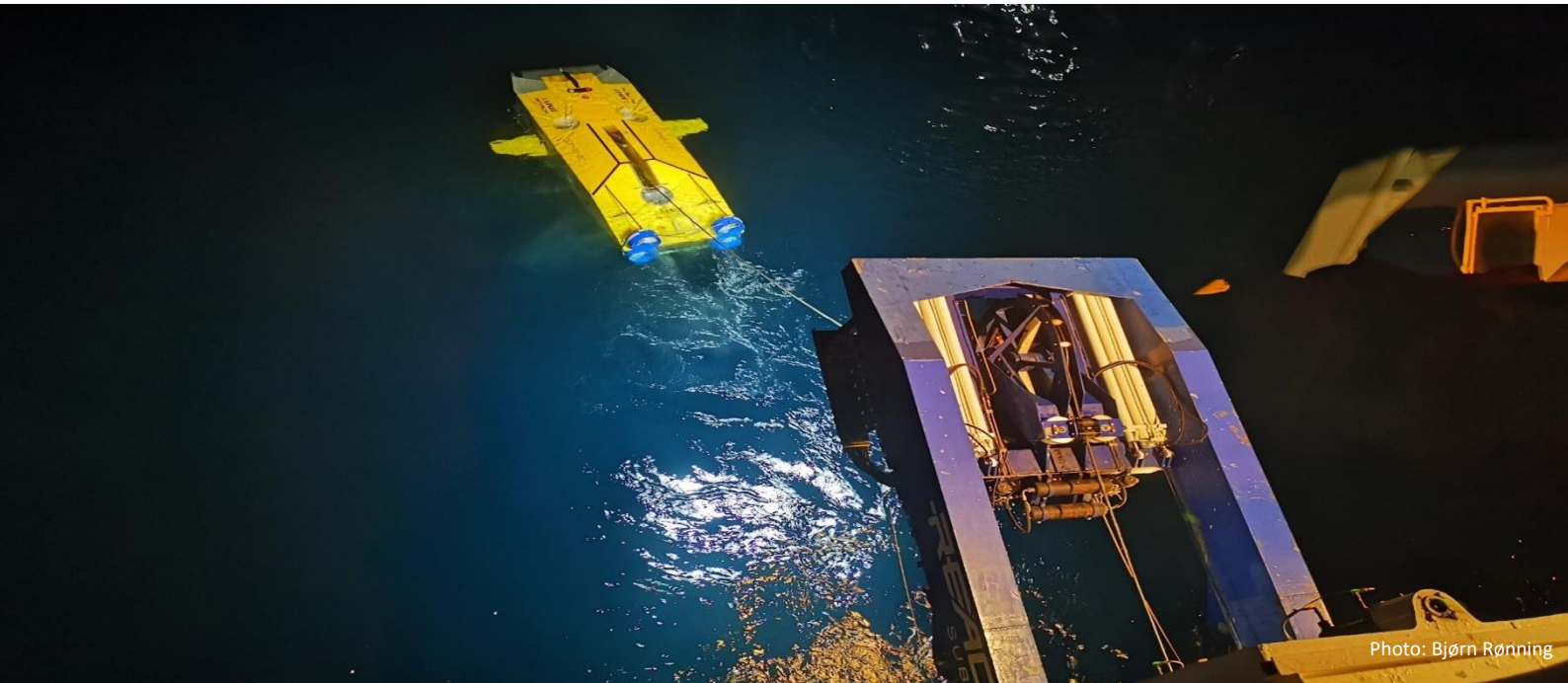

Abbreviations

CO2	Carbon dioxide
DP	Dynamic Positioning
ERRV	Emergency Response and Rescue Vessel
ESG	Environmental, Social and Governance
ESS	Energy Storage System
GHG	Greenhouse gas
HSEQ	Health, Safety, Environment and Quality
ICT	Information and Communications Technology
IMO	International Maritime Organization
ISM	International Safety Management Code
ISO	International Organization for Standardization
ISPS	International Ship and Port Facility Security Code
KPI	Key Performance Indicator
LBG	Liquefied Bio Gas
LNG	Liquefied Natural Gas
LTIF	Lost Time Incident Frequency
MGO	Marine Gas Oil
NCS	Norwegian Continental Shelf
NOFO	Norwegian Clean Seas Association for Operating Companies
NOx	Nitrogen oxides
PM	Particulate Matter
PSV	Platform Supply Vessel
SASB	Sustainable Accounting Standards Board
SCR	Selective Catalytic Reduction
SEEMP	Ship Energy Efficiency Management Plan
SOV	Service Operation Vessel
SOx	Sulphur oxides
SURF	Skipsfartens Utdannings- og Rekruteringsforum
TCFD	Task Force on Climate-related Financial Disclosure
TRIF	Total Recordable Incident Frequency
UNCTAD	United Nations Conference on Trade and Development
UN SDGs	Unites Nations Sustainable Development Goals

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