

# Corporate Social Responsibility

## A Sustainable Business Approach

We are a substantial shipping business that draws on and impacts a number of Capitals

Capitals are the resources and relationships we rely on to create value

The Capitals that we draw on include:

- **Human Capital** – the skills, experience 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**
- **Natural Capital** – predominantly our fleet's consumption of fuel and other inputs and the resulting impacts of emissions on the atmosphere and marine **environment**
- **Social & Relationship Capital** – 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

As a large player in our sector with an ambitious vision for the future, we recognise our stakeholder, community and environmental responsibilities which have a bearing on the long-term sustainability of our business. We believe that many of the responsible actions we take also make us competitively stronger and enhance the future value of our business.

These responsibilities and relationships are components of the key material matters that we focus on to deliver our strategy, and so our Corporate Social Responsibility ("CSR") efforts are rooted in our culture and integrated into our daily operating and business practices.

By integrating CSR information in our Annual Report, we create transparency about our operations so that stakeholders have a clear sense of our non-financial business practices and the linkage across our actions, policies and performance.



## STRATEGY

The broad strategic objectives that guide our sustainability initiatives relate to workplace and operating practices, the environment and the communities where our ships trade and our people live and work. They also relate to corporate governance which we address separately in the governance section of this report.

It is under this framework that Pacific Basin takes an active approach to CSR and whereby our policies and systems govern behaviour and practices. However, it is the spirit and the culture in our Company that turn sustainability efforts into reality and make a difference both within and outside of our organisation.

## HOW WE REPORT ON CSR

This report serves as a record of our CSR performance highlights in 2014, focusing on areas that are material to our business and stakeholders. It is designed to be read in conjunction with the CSR content on our website, which summarises more permanent aspects of our CSR narrative, such as:

- Key inputs and outputs of our business
- Initiatives we pursue to tackle our responsibilities
- Materiality, scope of reporting and CSR governance

Our CSR reporting follows the Environmental, Social and Governance (ESG) Reporting Guide published by the Hong Kong Exchanges and Clearing Limited. This guide has been added to the Listing Rules as a recommended best practice.

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# CSR Highlights

## Workplace

### Human Capital

#### OUR IMPACT IN 2014

Healthy working conditions, a strong safety culture, opportunities to advance and responsible business practices are the foundations of how Pacific Basin operates.

**3,000**

seafarers

**340**

shore-based employees

#### OUR PERFORMANCE

**0.9** (↓ **31%**)

Lost Time Injury Frequency

**6**

ships per Safety and Training Manager

**57%**

shore staff received external training

#### OUR STRATEGY

We strive to create a culture of safety, innovation and teamwork across our fleet and business enabling our employees to thrive and make a difference.



See more on page 40

## Environment

### Natural Capital

#### OUR IMPACT IN 2014

Propelling vessels across oceans requires a number of resources or inputs, the consumption of which results in outputs that impact the environment.

**12,000,000**

nautical miles travelled

**790,000**

tonnes of heavy fuel oil purchased

#### OUR PERFORMANCE

**9.22**

grams of CO<sub>2</sub> per tonne-mile

**902,000**

tonnes of CO<sub>2</sub> emitted

**18**

efficient newbuilding ships still to join our fleet

#### OUR STRATEGY

Our sustainability initiatives seek to reduce our most material outputs and impacts on the atmosphere and marine environment; we also seek to reduce waste by minimising what we consume both at sea and ashore.



See more on page 42

## Community

### Social & Relationship Capital

#### OUR IMPACT IN 2014

We are responsible members of the communities where our ships call and where our employees live and work. We are engaged members of our industry.

**758**

ports of call across 108 countries

**13**

office locations worldwide

#### OUR PERFORMANCE

**US\$218,000**

charitable donations and sponsorship – mainly for seafarer welfare causes



*"The crew you have assembled is truly one of the best I have had the pleasure to work with."*

Message of appreciation from one of many ports where our ships trade

#### OUR STRATEGY

We advocate and engage with organisations and other stakeholders that are involved in or connected with the business of shipping and the places where we operate; we follow applicable laws and responsible business practices.



See more on page 44

## Workplace – 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

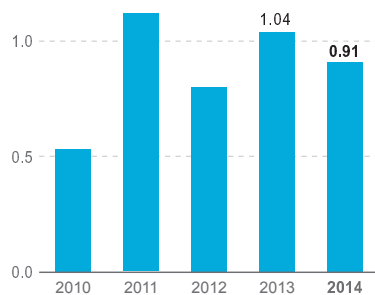
and onshore. Providing healthy work conditions, a safe and supportive environment and opportunities to advance and develop within the Company are key to the well-being and fulfilment of our staff and the success of Pacific Basin.

KPI

### Key Performance Indicators

#### External Inspection Deficiency Rate

**0.9** ↓ **13%**  
deficiencies per inspection



Our average deficiencies per inspection decreased 13% to 0.91.

68% of our Port State Control inspections found zero regulatory deficiencies (2013: 71%).

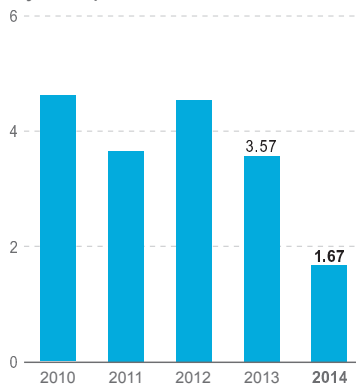
These results are among the best in the industry, especially considering the large proportion of our activity in the Far East where defects are typically raised in larger numbers and registered even if corrected and restored during the inspection.

#### Aim

Our target in 2015 is to achieve an inspection deficiency rate of less than 1.0 by maintaining our ships to a high standard, as assessed by external Port State Control (PSC) inspections.

#### Total Recordable Case Frequency (TRCF)\*

**1.7** ↓ **53%**  
injuries per million man hours\*



The safety of our people is our prime concern so we do whatever we can to minimise personal injury on our ships.

Our “lost time injuries” frequency (LTIF) reduced 31% year on year; such injuries decreased from 15 in 2013 to 13 in 2014 despite the increased number of ships we own.

Our total recordable case frequency (TRCF) reduced 53% to 1.7.

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.

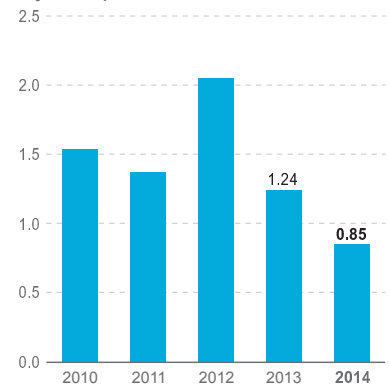
In 2014 we reinforced our established safety programme with a new campaign to “Make Complacency History”.

#### Aim

Our target is to substantially eliminate our personal injury incidents and to improve on our best LTIF result of 0.85.

#### Lost Time Injury Frequency (LTIF)\*

**0.9** ↓ **31%**  
injuries per million man hours\*



\* LTIF is a principal measure of safety performance and is the number of lost time injuries (where an injured person misses at least 8 hours work) per man-hour worked in the organisation over the reporting period multiplied by 1,000,000. TRCF measures the number of all recordable injuries per million man hours.

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About Us > Corporate Responsibilities > Corporate Social Responsibility > Workplace

Details on workplace engagement including working conditions, health & safety, development & training, diversity & equal opportunity and responsible business practices



### Health & Safety

We put safety first at all times and have clear policies and procedures for our ship and shore staff to follow. Our Pacific Basin Management System is a key element in capturing performance and provides a mechanism for us to analyse our performance to facilitate improvement.

Total injuries and injury frequency on our ships reduced to record-low levels in 2014 despite an increase in the number of owned and finance-leased ships we operate. Most were relatively minor slips, trips and falls, but regrettably there was one fatality where a crew member died from a fall he suffered when engaged in routine work on deck. The incident highlights the risks that are regularly faced in the execution of our responsibilities as well as the critical need to avoid complacency in even the most routine tasks.

We continue to invest in the employment of dedicated on-board Fleet Training Superintendents, and we hosted five training seminars ashore during the year. These seminars allow us to reinforce company policies, share experiences and get to know our seafarers and their families better.

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 managers operations are experienced former ships' Masters and Chief Engineers. This encourages a culture where problems are shared openly and officers can rely on the very best, consistent support from ashore.

We encourage near-miss reporting which in 2014 accounted for 689 reports (2013: 676) through which officers and crew described safety incidents and near-misses – however minor. This is the basis for valuable advice to our seafarers on avoiding similar occurrences in the future, as well as being a vital tool for the prevention of injury and loss.

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 Pacific Basin Management System ashore and at sea conforms to the mandatory International Safety Management (ISM) Code. It is also certified by Lloyd's Register Quality Assurance (LRQA) to voluntary standards, including:

- ISO 9001:2008 for our quality management system
- ISO 14001:2004 for our environmental management system
- OHSAS 18001:2007 for our occupational health & safety management system



### Recruitment, Training & Development

Investment in the development and training of our staff at sea and ashore is key to maximising our crew safety and productivity, and to motivating and retaining our people.

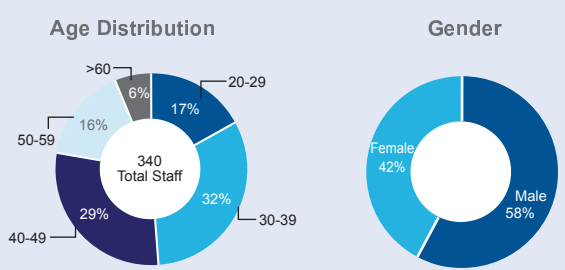
In 2014, we intensified our focus on complacency – a matter that is increasingly seen as an issue within the wider industry. Complacency can affect anyone in any position and we have a focused campaign to address it.

Ashore, we continued our concerted investment in staff training and leadership development, which is resulting in enhanced productivity and a strong foundation for our succession planning. Our recruitment and training of international graduate and other young recruits in recent years (11 in 2014) has armed our teams with keen, talented executives who are now demonstrating their value in our offices around the world.

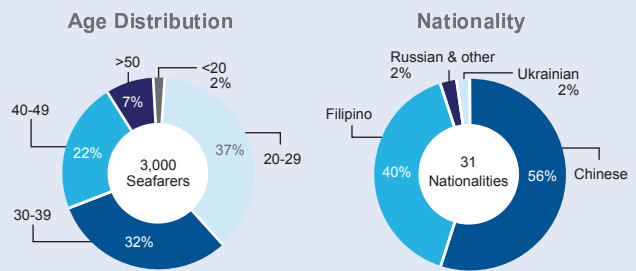
We extended our 360° feedback programme in 2014 so more senior executives could benefit from their superiors, subordinates and peers' different perspectives on their performance, strengths, weaknesses and developmental needs.

Employee Retention		Training	
Shore Staff	Seafarers	Shore Staff	Seafarers
80% overall (2013: 84%)	88% officer (2013: 81%) 80% overall (2013: 76%)	57% received external training (2013: 32%)	5 training seminars (2013: 5)
36% shore staff under Share Award Scheme (2013: 37%)		6 ships per Safety/Training Manager for pre-joining and on-board training	
		> 3 officer cadets per ship	

#### Shore Staff (Pacific Basin Group)



#### Seafarers (Pacific Basin Dry Bulk)



## Environment – drawing on our Natural Capital

### As a leader in our industry, we recognise our role in reducing the impact of our operations on air, sea and land

One of the ways we do this is by renewing or expanding our fleet with next generation, modern ships designed and equipped to enhance efficiency. In 2014, we added seven modern ships to our fleet on the water, bringing the average age of our owned ships to eight years. 18 further ships are

contracted to deliver into our owned fleet in the next two years – all efficient and of the best design for our trades.

We continued to apply our Right Speed Programme and other operational measures to minimise our ships' fuel consumption and emissions.

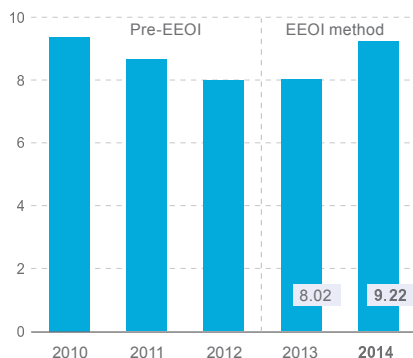
KPI

## Key Performance Indicators

### CO<sub>2</sub> Emissions

**9.22** ↑ **15%**

Grams of CO<sub>2</sub> per tonne-mile



Our fleet's carbon emissions in 2014 increased 15% to 9.22 grams of CO<sub>2</sub> per tonne-mile, as calculated using the new industry-standard ship Energy Efficiency Operational Indicator (EEOI) method. The increase was due to longer ballast voyages early in 2014 because of pronounced regional imbalances in the freight market.

Our average operating speeds – as optimised by our home-grown Right Speed Programme – were substantially unchanged compared to 2013. We continued to apply an array of 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 a number of new ships of efficient design.

#### Aim

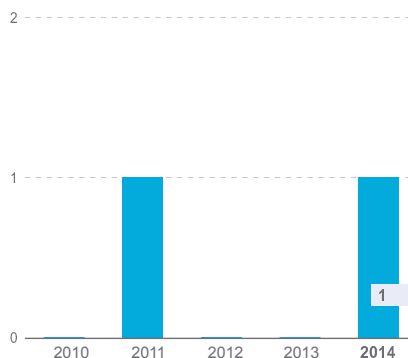
Our target in 2015 is to continue to achieve an EEOI of less than 10.

We aim to do what we reasonably can through technical and operational measures to minimise our CO<sub>2</sub> emissions in view of market pressures to increase ship operating speeds in a low fuel price environment.

### Environmental Pollution Incidents

**1** ↑ **1**

Incident



In 29,000 ship days in 2014, our owned fleet committed one marine pollution violation. The incident involved the discharge of bilge water while an oil content monitor was malfunctioning, which constitutes a violation of international regulations. We voluntarily disclosed the incident to and cooperated with the relevant authorities. The matter was resolved through appropriate corrective measures under our Pacific Basin Management System.

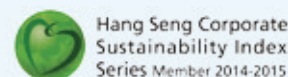
#### Aim

To always achieve no pollution incidents.

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[About Us > Corporate Responsibilities > Corporate Social Responsibility > Environment](#)  
 See more on how we tackle our environmental responsibilities

In 2014, we disclosed our carbon footprint data through:

- the new Carbon Footprint Repository (CFR) developed by Hong Kong's Environment Bureau for listed companies in Hong Kong;
- the inaugural HKQAA Sustainability Assessment for Hang Seng Corporate Sustainability Indexes in which we achieved an "A" rating on a scale of AAA to D; and
- CDP (formerly the Carbon Disclosure Project).





## ADDITIONAL ENVIRONMENTAL PERFORMANCE INDICATORS

The following environmental metrics quantify other material emissions, discharges and impacts from our operations. We have tracked these for several years and they are standard outputs in our industry.

	Unit	2014	2013	2012	2011
<b>Emissions</b>					
<b>At Sea</b>					
Ships in owned fleet (average)	ships	80	61	46	43
CO <sub>2</sub> (Scope 1 emissions from our dry bulk fleet)	metric tonnes	902,000	705,100	528,300	616,300
Chlorofluorocarbons ("CFCs")	kg/month	1.63	2.91	1.42	3.92
<b>On Shore</b>					
CO <sub>2</sub> (Scope 2+3 emissions from headquarter activities*)	metric tonnes	1,293	1,269	1,260	n/a
<b>Energy and Fuel Consumption</b>					
<b>At Sea</b>					
Heavy fuel oil (purchased)	metric tonnes	727,400	716,000	583,600	541,700
Low sulphur fuel oil (purchased)	metric tonnes	61,700	69,500	33,200	10,200
Marine gas oil & marine diesel (purchased)	metric tonnes	20,600	11,500	10,100	8,860
<b>Waste</b>					
Garbage landed	m <sup>3</sup> /month/ship	3.57	4.03	2.61	1.73
Garbage discharged to sea <sup>#</sup>	m <sup>3</sup> /month/ship	2.89	1.64	3.76	3.95
Engine room bilge water discharged to sea	m <sup>3</sup> /month/ship	7.97	8.71	10.10	9.42
Sludge incinerated	m <sup>3</sup> /month/ship	2.26	2.53	3.21	3.36

\* Emissions from our headquarter office consumption and activities includes emissions from staff commuting and business air travel, air conditioning, lighting and computer and office equipment, as well as paper and fresh water consumption (audit period: July 2013 to June 2014)

<sup>#</sup> Restated to a comparable basis

In addition to carbon-based fuel consumption, 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.

Underpinning the structure of our operations is the Pacific Basin Management System designed to measure and continually improve every aspect of fleet operations.

In 2014, we purchased more low sulphur marine gas oil instead of low sulphur fuel oil in anticipation of new emission regulations limiting fuel sulphur content to no more than 0.1% in designated emission control areas.

Enhanced engine maintenance and fewer leaks have resulted in reduced bilge water discharge, and availability of cleaner fuels led to reduced sludge incineration.

Reduced refrigeration machinery leakage resulted in significantly less release of Chlorofluorocarbons.

### Progress Ashore

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

Pacific Basin was again awarded a Silver Label from 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 office in Hong Kong (where 58% of our shore-based staff work) produced carbon emissions of 1,293 metric tonnes for the 2013/2014 audit year.

In expanding our office space to accommodate more fleet management staff, we outfitted and equipped our new office space with environmental considerations in mind such as the use of energy efficient T5 lights and 30% fewer lights per unit area than we have used previously. As a result, our carbon intensity in 2014 reduced by 9% to 7.2 tonnes CO<sub>2</sub> per employee.



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 Lloyd's Register Quality Assurance for ISO9001, ISO14001 and OHSAS18001 certification.

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 Key inputs and outputs of our ships and our ship-based environmental initiatives



## Community – 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 Main Communities:

- the seafarer community
- Hong Kong – our headquarters and flag state
- the shipping industry
- the ports where our ships trade
- the marine environment and the communities dependent on it

### COMMUNITY HIGHLIGHTS FROM 2014

Pacific Basin gave US\$218,000 in donations and sponsorship to good causes in 2014, the majority of which was directed to seafarer-related causes and was raised through staff-driven initiatives.

#### The Seafarer Community

- 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 2014, we donated over US\$50,000 to the Sailors' Society and the Mission to Seafarers.
- We were main sponsors of the Sailors' Society Hong Kong dinner, which, despite the downturn in the maritime sector, raised over US\$150,000 for seafarers in need around the world.
- We gave over US\$90,000 towards emergency disaster relief following Typhoon Yolanda which devastated large parts of the Philippines which is home to 40% of our seafarers.
- We gave US\$15,000 to seafarer, port and other maritime-related causes in countries where our ships frequently trade.

*"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 services."*

the Sailors' Society



#### Our Hong Kong Community

- In 2014, we deepened our association with the Hong Kong Maritime Museum by becoming inaugural partners under its new "CSR Partner Programme" which seeks to match the museum's programmes and initiatives with our shipping and Hong Kong community-focused social responsibility priorities. We have been supporters of the Museum for over 10 years, from its incorporation in 2003, opening in 2005 and relocation in 2013 to a more prominent location at Central Pier 8. From its new location, public and education programming has expanded significantly with local and international schools, community groups and families. In 2014, student visits were up 64% to 6,005, while 585 adults attended lectures and 1,700 joined family activities during the year. We occasionally turn to the museum and its exhibits for props that enhance the quality of training of our young staff.



- In 2014, we funded a fourth scholarship at Hong Kong Polytechnic University where two students are currently pursuing a bachelor's degree in International Shipping and Transport Logistics under our sponsorship. The first two recipients of our scholarship now work at Pacific Basin.
- The Fair Winds Charter which we signed up to in 2013 was extended in February 2014 for another year. Through this voluntary scheme, we and other ship operators undertake to switch to low-sulphur (0.5%) fuel when our ships are berthed in Hong Kong. The charter is now expected to lead to new Hong Kong regulation mandating fuel switch at berth in 2015, and eventually to prompt emission control measure in the Pearl River Delta.



### The Shipping Industry

- Pacific Basin and its senior management ensure our regular engagement with the shipping industry and relevant governmental and regulatory bodies through membership of appropriate industry organisations such as shipowners' associations. Our senior managers have assumed two new notable shipping association positions in recent months:
  - Our Chief Financial Officer became a non-executive director of the Standard P&I Club, the board of which assesses claims from shipping incidents by its members.
  - Our Fleet Director was elected Vice Chairman of the International Association of Dry Cargo Shipowners (Intercargo). Intercargo works with regulators and other shipping associations to ensure that shipping operates safely and efficiently, and it actively participates in the development of global legislation through the International Maritime Organization and other similar bodies.

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[Corporate Social Responsibility > Community](#)

Summary of memberships and committee positions we have with industry organisations through which we take an active role in discussion on legislative, regulatory and operational changes that affect our industry.



### Ports Where our Ships Trade

- In 2014 our ships called at 758 ports across 108 countries.
- 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 skillful 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 we call. Here are two examples of messages of appreciation we received in 2014:



*"The crew you have assembled is truly one of the best I have had the pleasure to work with, and, over the 30 years in stevedoring, I have worked with a lot. They are professional, experienced, and always willing to lend a hand. Their level of performance makes all our jobs so much easier, smoother and efficient. Our compliments to the crew. Thanks so much."*



*"I am pleased to extend my appreciation for your crew on board for their performance and commitment during the latest loading. The crew was well-organised and professional. The on board team followed three simple rules: (1) proper pre-planning and cargo gear checks before arrival, (2) good management, control and supervision during loading operation, and (3) working as a team with longshoremen for successful loadings one after the other. I look forward to continued support, efforts and commitment from all your seafarers on board the Pacific Basin fleet who are your brand ambassadors delivering their best performance and upholding a high standard for Pacific Basin."*