

# GLOBAL SHIP LEASE

## ESG Overview

Our approach to ESG has been driven by stakeholder engagement, framed in accordance with **GRI Standards** “Core” option and **SASB Marine Transportation Material Topics**, supported with input from **Maritime Strategies International Ltd (MSI)**, and guided by the expertise of **PwC Greece**.



# Introduction

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**80% of global trade is carried by sea**

**Shipping is a low carbon form of transportation**

**Shipping contributes to the United Nations Sustainable Development Goals**

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As an industry, shipping has a number of strengths.

However, that is not to understate the magnitude of the challenges we need to address going forward, arguably the most critical of which is to play a role in the global effort to tackle Climate Change and create a sustainable environment for our children.

Recognizing this, the International Maritime Organization has targeted a reduction in Greenhouse Gas emissions from shipping of at least 50% by 2050. And the Getting to Zero Coalition - an alliance of companies across the maritime, energy, infrastructure, and finance sectors, supported by governments and IGOs - of which Global Ship Lease is a committed member, is focused on getting commercially viable, zero-emissions vessels into operation by 2030.

Against this backdrop, the Global Ship Lease investment strategy is weighted towards Post-Panamax containerships, which retain a high level of operational flexibility while also reducing costs and Greenhouse Gas emissions per unit of cargo carried, aligning our commercial interests with reduced emissions.

Furthermore, we are focused on extending the economic lifetime and optimizing the operating performance of existing ships - thus avoiding the carbon footprint associated with constructing new vessels - until the industry can transition to next-generation, green propulsion technologies.

In our ESG report, we endeavor to identify the levers that we, as a company, can pull in order to continue to translate environmental sensitivity, social responsibility, and good governance into specific actions. To this end, we have enlisted the help of our core stakeholders - including customers, employees, investors, financiers, suppliers, and industry bodies - to gauge the materiality of the many different facets of ESG and guide us in drafting a strategic roadmap to address them. To help drive this process, and to ensure that ESG becomes increasingly embedded in our company culture and the way we do business, we have established a specialized ESG committee at the Board level.

These are complex times, and the challenges we must collectively face, together with the nature of ESG itself, will continue to evolve. We are committed to continuous improvement and to ensuring that Global Ship Lease creates sustainable value over the long term.

# Our ESG vision



We are implementing an **ESG strategy** aligned with the **IMO GHG emission reduction targets** and the **UN Sustainable Development Goals**, ensuring that we act as responsible stewards of the **marine environment** and cultivate an inclusive, diverse, healthy, and **safe work environment** (both on board our vessels and ashore), while building an agile, profitable, and **sustainable business** which is governed with rigor and transparency.

Our ESG strategy includes the following four strategic goals:

- To promote and ensure **marine environmental protection and sustainability** through the implementation of operational best practices and the optimization of our ships to increase energy efficiency and reduce carbon emissions;
- To be a **responsible employer**, encouraging employees' long-term loyalty and increasing their environmental awareness (both onboard and ashore), to build a socially inclusive and sustainable work environment;
- To contribute to the **social prosperity** of the communities in which we operate, as well as to the sustainability of the container shipping industry as a whole;
- To ensure **active and constructive communications with our key stakeholders** in order to understand their needs, address their concerns, and build long-term relationships to better manage the challenges, and capitalize upon the opportunities, of a cyclical and volatile market.

As a company providing part of the global transportation infrastructure, we embrace the United Nations 17 Sustainable Development Goals (SDGs) unanimously adopted in the IMO 2030 Agenda for Sustainable Development, and will work together with other stakeholders in the maritime industry to promote sustainable development.

We have identified the goals to which we can make the most meaningful contribution and integrated them to our strategic commitments and action plan.



 **SUSTAINABLE DEVELOPMENT GOALS**

# Engaging with our stakeholders

Stakeholder engagement is, and will continue to be, core to the formulation of our ESG strategy. Feedback from stakeholder engagement informs our targets, risk management, and resource allocation in order to meet stakeholders' expectations and address their concerns, while helping us to better understand:

- The impact of our activities; and how to manage positive impact and mitigate negative impact in a responsible and constructive manner;
- The potential risks and opportunities associated with each stakeholder group; and how we can manage those risks and opportunities both proactively and effectively.
- The effectiveness, and required evolution, of our ESG strategy.

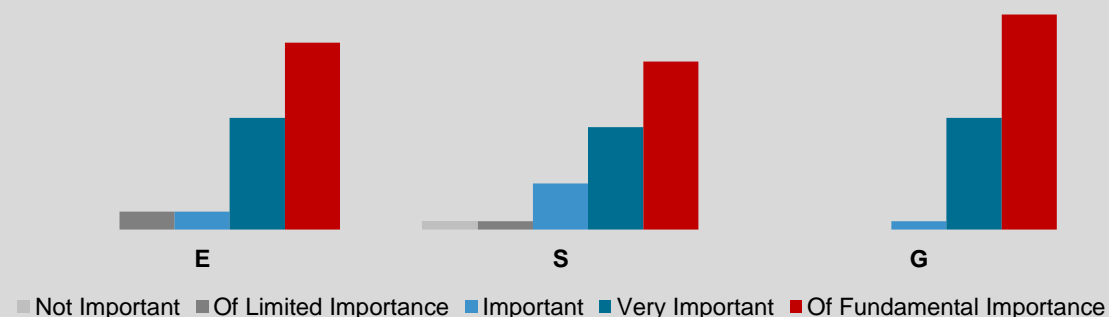
## Material issues

The issues identified as most material - both by us and by our stakeholders - are considered critical to our sustainable success and we have either already embedded, or will embed, management processes and systems to monitor and enhance our performance in these areas with the highest priority:

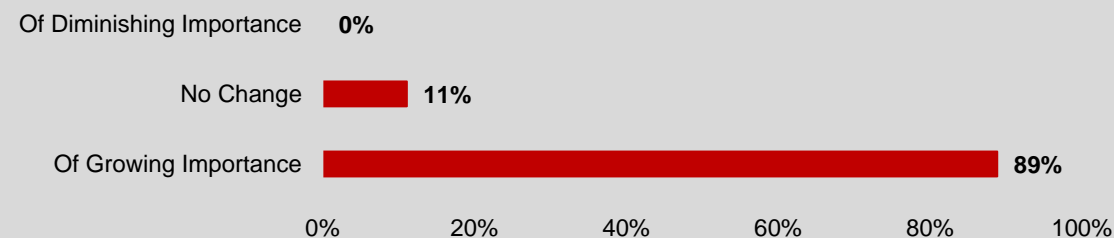
- Strong risk management and financial controls
- Regulatory compliance
- Compliance with environmental regulation and standards
- Respect for occupational health and safety
- Strong corporate governance, ethics, and transparency
- Reduction of Greenhouse Gas (GHG) emissions and air pollution
- Responsible labor practices
- Protection of the marine environment
- Strong financial performance
- Active measures to improve fuel and energy efficiency
- Clear commercial strategy
- Attraction and retention of talented employees
- Willingness to develop employee competency

In order to obtain a high-level understanding of stakeholder sensitivity to ESG overall, and to gauge the degree to which our ESG performance should inform our overall strategy, we asked a sample of stakeholders the following questions:

## How would you evaluate the importance of the three broad ESG categories?



## How do you expect the importance of ESG to evolve going forward?



The results strongly indicate that ESG will become increasingly important for the maritime industry over time - with the majority of stakeholders considering all three ESG pillars to be of fundamental importance - and highlight the value of developing and implementing a long-term ESG strategy.

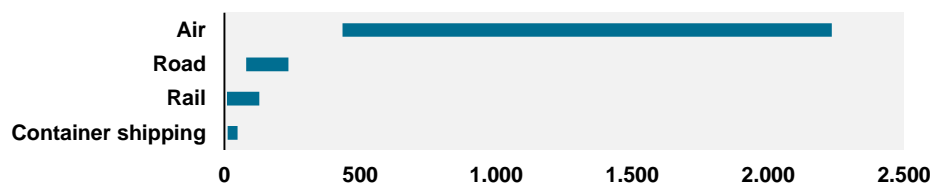


# Energy efficiency and emissions

## Monitoring and control of emissions is increasingly important.

The container shipping industry represents a low carbon form of transportation, with GHG emissions comparing very favorably to those associated with moving comparable volumes of cargo over the equivalent distances using other common modes of freight transport such as air, road, or rail. But significant improvements are still required.

### gr CO<sub>2</sub> / Tonnes-km per mode of transport\*



\*Source: 2<sup>nd</sup> IMO GHG Study, and Maritime Strategies International Ltd (MSI)

There is considerable variation in vessel emissions per tonne-mile of cargo carried, with the (fuel) economies of scale yielded by larger vessels typically resulting in lower emissions per container carried. Other factors, such as vessel age and design, fuel-saving retrofits, operating speed, time in port, weather routing, and other operational differences, also significantly impact the relative fuel efficiency of different sizes types of containership. However, in general, there is a strong correlation between ships with low fuel costs per TEU “slot” and ships with low emissions per TEU slot.

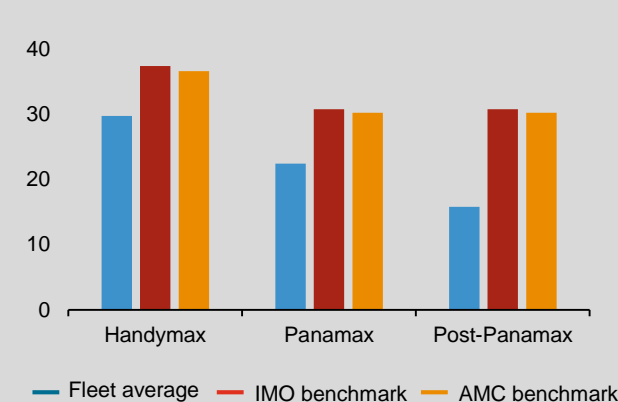
## Our vessels outperform the industry in terms of low GHG emissions.

To assess the energy performance of our ships we use the IMO Energy Efficiency Operation Index (EEOI). In container shipping, the most appropriate relevant cargo metric is the TEU (Twenty Foot Equivalent Unit – a standard container).

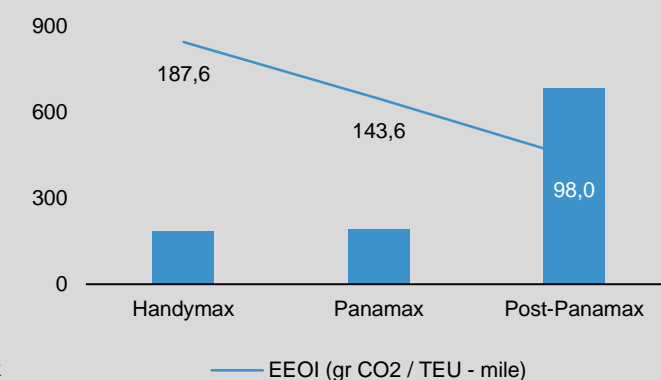
The majority of our ships **beat the relevant IMO EEOI industry benchmarks** - basis IMO 2009 (with 2008 as the industry’s “year zero” for emissions benchmarking), and AMC benchmarks for 2019.

Recognizing the serious social and economic challenges of climate change, and the significant value of transitioning shipping to a decarbonized future, **we are a committed member of the “Getting to Zero Coalition” (GTZ).**

### Our EEOI Profile (gr CO<sub>2</sub> / tonnes - mile)



### Our GHG emissions ('000 tonnes CO<sub>2e</sub>) and EEOI (gr CO<sub>2</sub> / TEU - mile)



KPI	Performance 2019 *
Energy Efficiency Operation Index (EEOI) Handymax (gr CO <sub>2</sub> / TEU-mile)	187.6
Energy Efficiency Operation Index (EEOI) Panamax (gr CO <sub>2</sub> / TEU-mile)	146.3
Energy Efficiency Operation Index (EEOI) Post-Panamax (gr CO <sub>2</sub> / TEU-mile)	102.9
Total GHG emissions (tn CO <sub>2e</sub> )	1,057,937
Total fuel consumption (tn)	339,653
Total SOx emissions (tn)	6,259
Total NOx emissions (tn)	16,971
Total waste generated (m <sup>3</sup> )	14,997
<b>Total water consumption (m3)</b>	<b>55,630</b>
<b>Percentage of fleet implementing ballast water exchange / system (%)</b>	<b>100 / 40</b>
<b>Number and volume of spills and releases to the environment</b>	<b>0</b>

\* The reported KPIs refer to the second semester of 2019 and/or data as at December 31, 2019

# Protection of the marine environment

**We consider protection of the climate in general, and of the marine environment in particular, to be of fundamental importance.**

Our waste management practices, ballast water treatment, focus on energy efficiency and investments in operational enhancements, and overall the protection of the marine environment all influence our environmental footprint.

## Effective waste and water management

- We have developed procedures for the proper management and disposal of waste generated aboard our vessels, in accordance with international and local environmental regulations.
- We are committed to using fresh water efficiently in our onboard operations - through continuous monitoring, consumption control, and the setting of annual reduction targets.

## Protection of the marine environment

- As at December 31, 2019, 17 of our ships were fitted with approved Ballast Water Treatment Systems (BWTS). By end-2023, **all of our ships will be equipped with approved BWTS.**
- Our ISO 14001 - compliant environmental management systems - together with the ISM code are designed to ensure that **no harmful substances are either spilled, or disposed of, into the marine environment** as a result of our operations.
- We comply with both local and international regulations governing the **reduction of underwater radiated noise levels.**
- We are committed to **responsible ship recycling practices**, consistent with the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships (HKC).
- We target the **reduction of our on-shore environmental impact** by setting reduction targets for the consumption of paper, batteries, fresh water and electricity for the period 2020 - 2023.

## Our environmental management approach

Our approach goes beyond compliance with environmental regulations, and we take a proactive stance on monitoring, managing, and minimizing all aspects of our environmental footprint. Our environmental action plan includes: Environmental Management Systems (EMS) in accordance with ISO 14001 and ISO 50001:2011, environmental and energy-efficiency programs, clear targets for the improvement of our environmental performance, promotion of a culture of environmental awareness, and a focus on energy-efficiency.

15,000 m<sup>3</sup>

of waste generated on board our vessels during the reporting period

1.6 mm<sup>3</sup> / TEU-mile

of waste generated per transport work during the reporting period

55,630 m<sup>3</sup>

of fresh water consumed on board

100%

of our fleet to hold verified EU SRR IHM by the end of 2020

100%

of our fleet apply BWE procedures

100%

of our fleet will have been BWTS equipped by end-2023



**Spills or spill related incidents to the marine environment in 2019**

# Health & Safety and responsible labor practices are our top priority

**We operate in a manner which protects human health and safety, the environment, and property.**

We invest in our people, polices, and equipment as we strive to protect both our people and the environment, and to meet our goal of **zero spills and incidents**.

**The success of our business is determined by the quality and commitment of our personnel, both on board and ashore.**

Our aim is to cultivate a safe work environment encouraging dedication among our staff - with practices promoting mutual respect, equal opportunities, diversity, empowerment, career-advancement, and fundamental human rights.

In order to achieve our goals, we:

- Comply with all applicable laws and regulations, and apply responsible standards where laws and regulations do not exist;
- Respond quickly, effectively, and with care to emergencies or accidents resulting from our operations;
- Continuously review and evaluate our operations and apply additional measures where appropriate;
- Increase the safety awareness of our employees through seminars, campaigns, and team activities;
- Support our people's continuous improvement of their skills and promote further education;
- Care about the welfare and development of our people, offering career enhancement opportunities, and fair remuneration according to expertise, experience, and responsibility, together with other benefits.



**21**

Onboard drills per vessel



**43**

Onboard internal audits / inspections per total fleet



Note that all employee-related data includes personnel employed both directly by GSL, and indirectly via our technical and commercial management partners



**0**

Number of serious marine incidents



**7.71**

LTIF+ per 1,000,000 manhours



**10.28**

TRFC+ per 1,000,000 manhours



**833**

Total number of seafarers



**75%**

Seafarers' retention rate



**768**

Total number of training hours (seafarers)



**212**

Total number of employees ashore



**86%**

Employee's retention rate



**41%**

Gender diversity at all levels, including senior management

+ LTIF – Lost Time Injury Frequency  
\*\* TRCF – Total recordable case frequency

# Corporate governance

We have adopted and communicated our Code of Business conduct and Ethics to our employees, directors, officers, and agents. The code covers the following key topics:

- Conflicts of Interest
- Corporate Opportunities
- Related Party Transactions
- Confidentiality and Privacy
- Honest and Fair Dealing
- Protection and Proper Use of Company Assets
- Compliance with Laws, Rules and Regulations
- Securities Trading
- Disclosure
- Procedures Regarding Waivers
- Internal Reporting and Whistleblower policy

## Strong corporate governance practices

- Our Board of Directors is committed to its fiduciary responsibility to represent shareholder interests and oversee the management of our business and set high standards for our directors, officers, and employees.
- The Board of Directors is supported by a number of specialized committees:
  - ✓ Audit Committee;
  - ✓ Conflicts Committee;
  - ✓ ESG Committee;
  - ✓ Nomination and Corporate Governance Committee;
  - ✓ Compensation committee.
- We have a rigorous and effective internal control environment to ensure robust governance practices, disciplined business processes, and high levels of transparency and disclosure.
- No bribery, fraud, or other whistleblowing incidents were recorded during FY2019; neither were any violations of our ethical principles or anti-corruption policy.
- Corruption risks vary by geography. Only 3% of our port calls were in countries in the 20 lowest rankings of Transparency International's Corruption Perception Index (CPI)

## Pillars of our corporate culture



0

Bribery and fraud, ethical and whistleblowing incidents in 2019

188

Internal controls were tested during 2019

0

Material weaknesses or deficiencies were identified in 2019 internal audits.

3%

of port calls in countries with the 20 lowest rankings in CPI\*.



# Disclaimer

## ***Forward-Looking Statements***

This report contains forward-looking statements. Forward-looking statements provide Global Ship Lease, Inc.'s current expectations or forecasts of future events. Forward-looking statements include statements about Global Ship Lease, Inc.'s expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "will" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. These forward-looking statements are based on assumptions that may be incorrect, and Global Ship Lease, Inc. cannot assure you that the events or expectations included in these forward-looking statements will come to pass, or that it will achieve or accomplish these expectations, beliefs or projections. Actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including the factors described in "Risk Factors" in Global Ship Lease, Inc.'s Annual Report on Form 20-F and the factors and risks Global Ship Lease, Inc. describes in subsequent reports filed from time to time with the U.S. Securities and Exchange Commission. Accordingly, you should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Global Ship Lease, Inc. undertakes no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this report or to reflect the occurrence of unanticipated events.

# Contact Information

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