



# ESG Overview

Our approach to ESG has been driven by stakeholder engagement, and framed in accordance with **GRI Standards** “Core” option and **SASB Marine Transportation Material Topics**



# Introduction

## Shipping is increasingly focused on decarbonization

The container shipping industry links producers and consumers of goods, thereby facilitating economic growth. Container shipping is a key part of the global supply chain and, as such, is also a contributor to the United Nations Sustainable Development Goals - particularly those associated with poverty alleviation, economic growth, and infrastructure. It also represents a low carbon form of transportation, especially when compared to emissions associated with moving comparable volumes of cargo over the equivalent distances using other common modes of freight transport such as air, road, or rail. It is estimated that 80% of global trade is carried by sea.

Reducing the carbon footprint of the global supply chain is growing in both importance and emphasis:

- Shipping's main regulatory body, the IMO, has published its strategy for reducing GHG (greenhouse gas) emissions from shipping by 50% by 2050, with a parallel target of reducing the carbon intensity of transport work by at least 40% by 2030 and pursuing a 70% reduction by 2050 (compared to 2008 levels).
- An increasing number of ship finance banks are signing up to the Poseidon Principles and committing to measure their portfolios' emission profiles against the industry's targets.

The regulatory environment focused on decarbonizing shipping continues to evolve. Recent initiatives include CII (the Carbon Intensity Indicator) and EEXI (the Energy Efficiency Existing Ship Index). The latter was ratified in June of 2021 and will come into force from January 1, 2023.

Compliance with EEXI will be compulsory: if a ship is non-compliant it will not be permitted to trade until it becomes compliant. Compliance may be met in various way - the most common, effective, and cost-efficient of which is expected to be the installation of Engine Power Limiters (EPLs).

The relationship between speed and fuel consumption is non-linear: higher operating speeds require disproportionately higher fuel consumption and generate disproportionately higher emissions. An EPL limits the power output of a ship's main engine, which in turn puts a cap on the operating speed of that ship and limits the associated emissions. Consequently, EEXI may cause a reduction in the operating speed of the global containership fleet, which would have the knock-on effect of reducing effective capacity.

Our fleet is focused upon mid-sized and smaller ships, with capacity weighted towards Post-Panamax (wide beam) vessels. The latter combine a high level of operational flexibility with comparatively low costs and GHG emissions per cargo slot: aligning our commercial interests with a reduced emissions footprint. Our environmental and commercial strategies are aligned by taking a full life-cycle approach to the carbon footprint of ships: considering the impact of building and recycling ships, as well as operating them. We see expanding the economic lifecycle of existing ships until next-generation sustainable fuels and propulsion technologies become well-established, commercially available, and economically viable as being both environmentally sensible and financially prudent.

We have engaged independent consultants with the expertise to help us craft a decarbonization strategy to meet and exceed the targets set by the International Maritime Organization.

# 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.



# 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.

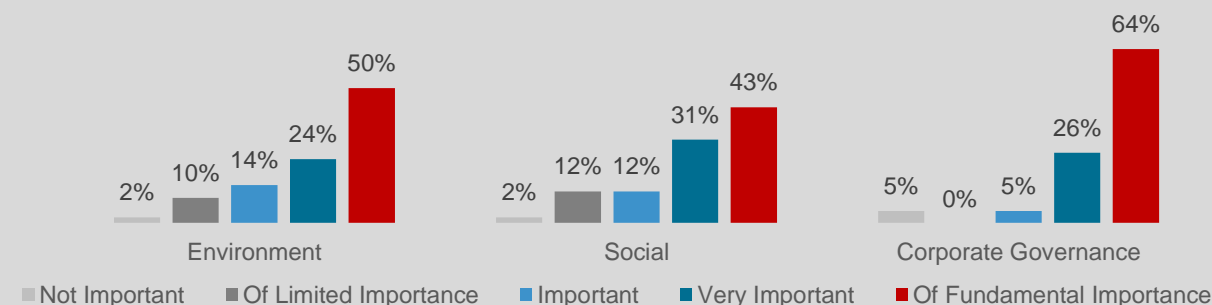
## Material issues

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:

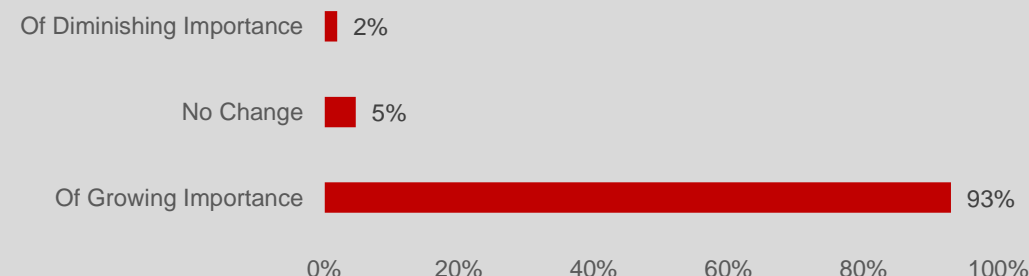
- Regulatory compliance, including compliance with environmental regulations and standards
- Strong corporate governance, ethics, and transparency
- Strong financial performance
- Strong risk management and internal control
- Responsible labour practices
- Occupational health and safety, with strong emphasis on managing COVID
- Clear commercial strategy
- Attraction and retention of talented employees
- Protection of the marine environment
- Reduction of GHG emissions and air pollution

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 key 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 of the stakeholder engagement process clearly underline the growing importance of ESG for the shipping industry. The vast majority of the stakeholders recognize the value of a long-term ESG strategy and evaluate the three broad ESG categories to be of fundamental importance - with Corporate Governance ranked most highly, followed by Environment and Social.



# Energy efficiency and emissions

↓8% in average EEOI (gr CO<sub>2</sub> / TEU-mile) in comparison with 2019\*

↓77% approx. in SO<sub>x</sub> emissions in comparison with 2019\*

## Monitoring and control of emissions is increasingly important.

We acknowledge that the monitoring and control of emissions is increasingly important and further action has to be taken to further improve our environmental footprint, although Greenhouse Gas (GHG) emissions per tonne-mile of cargo moved are significantly lower for the container shipping industry than for other common forms of freight, such as air, road, and rail.

The shipping industry faces an energy transition challenge:

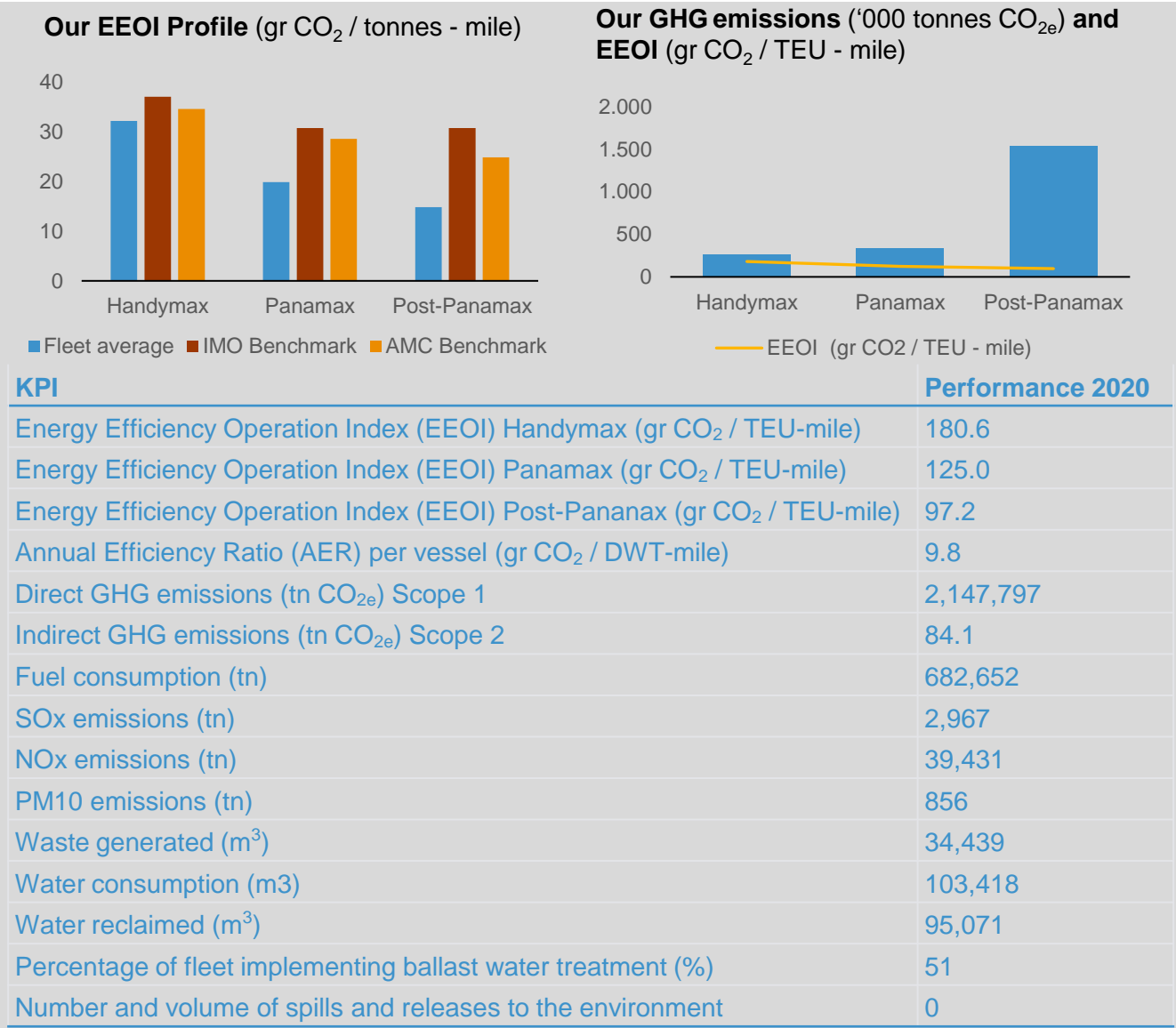
- There is increased regulatory pressure, heavily focused upon emissions reduction;
- The European Commission and the International Maritime Organization (IMO) have set targets to reduce shipping’s GHG emissions by 2030, with even more ambitious goals by 2050;
- Major financial institutions have signed up to the Poseidon Principles establishing a common baseline to assess and disclose the compatibility of their lending portfolios with the climate goals adopted by the IMO.

In 2020, the European Commission formulated the Green Deal, which is an action plan that aims to make the European Union “the first climate-neutral bloc” by 2050. One key objective of the Deal is to reduce CO<sub>2</sub> emissions from transport by at least 90% by 2050. The corresponding regulations incorporated within the Green Deal will demand increased transparency on ESG data across all business sectors. In addition, various organizations and institutions are in the process of developing regulatory frameworks to further strengthen the impetus to address climate change and sustainability.

## 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). The majority of our ships **were below the relevant IMO EEOI industry benchmarks** - basis IMO 2009 (with 2008 as the industry’s “year zero” for emissions benchmarking), and AMC benchmarks for 2020.

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).**



# 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 protection of the marine environment all influence our environmental footprint.

## Effective waste and water management

- We have developed comprehensive 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 continuous monitoring and consumption control, and setting annual reduction targets for freshwater consumption across our fleet. We utilize water evaporators and rainwater collectors (wherever possible) installed onboard our vessels for vessel daily operations.

## Protection of the marine environment

- As at December 31, 2020, 51% of our fleet, accounting for 22 of our ships, were fitted with approved Ballast Water Treatment Systems (BWTS). By Q2 2024, **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**, in order to tackle the underwater noise associated with propellers, hull form, and onboard machinery.
- We are committed to **responsible ship recycling practices**, consistent with the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships (HKC). All our ships, comply with the rigorous Inventory of Hazardous Materials (IHM) requirements stipulated by the EU Regulation on Ship Recycling (EU SRR).
- We target the **reduction of our on-shore environmental impact** by establishing reduction measures and procedures and 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.

34,439 m<sup>3</sup>

of waste generated on board our vessels during the reporting period

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

of waste generated per transport work during the reporting period

103,418 m<sup>3</sup>

of fresh water consumed on board

100%

of our fleet holds verified EU SRR IHM as of report issuance date



Spills or spill related incidents in the marine environment in 2020

100%

of our fleet will have been BWTS equipped by Q2 2024

# 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, policies, and equipment as we strive to protect both our people and the environment, and to meet our goal of zero spills and incidents.

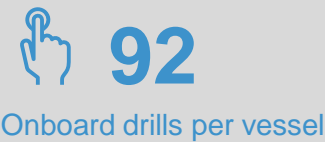
The quality and dedication of our people are core to the success of our business, and we consider their welfare and development essential to our operations.

Our aim is to create a diverse, equal opportunities work environment, underpinned by mutual respect, ethical behavior, and fundamental human rights.

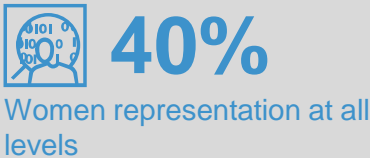
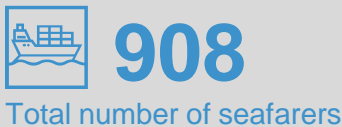
In order to achieve our goals, we:

- Comply with all applicable laws and regulations, and apply responsible standards where laws and regulations do not exist;
- Respond immediately to emergencies or accidents resulting from our operations;
- Continuously review and (re)evaluate risks and associated safety measures;
- Increase the safety awareness of our employees through safety drills, seminars, information 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 equal career enhancement opportunities, and fair remuneration according to expertise, experience, and responsibility, together with other benefits.

We are signatories to the **Neptune Declaration on Seafarer Wellbeing and Crew Change**, which is designed to give seafarers the support they deserve as key workers in the global supply chain.



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



+ 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 FY2020; neither were any violations of our ethical principles or anti-corruption policy.
- We recognize that exposure to corruption risks may vary by geography. In 2020, 12.5% 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 2020

179

Internal controls were tested during 2020

0

Material weaknesses or deficiencies were identified in 2020 internal audits.

12.5%

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

\*Transparency International's Corruption Perception Index



# Disclaimer

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

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