

We will begin shortly

Embarking on an ESG Strategy in Shipping

ESG Playbook Launch Webinar



Mærsk Mc-Kinney Møller Center
for Zero Carbon Shipping



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GROUP**

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#ESG



Today's presenters



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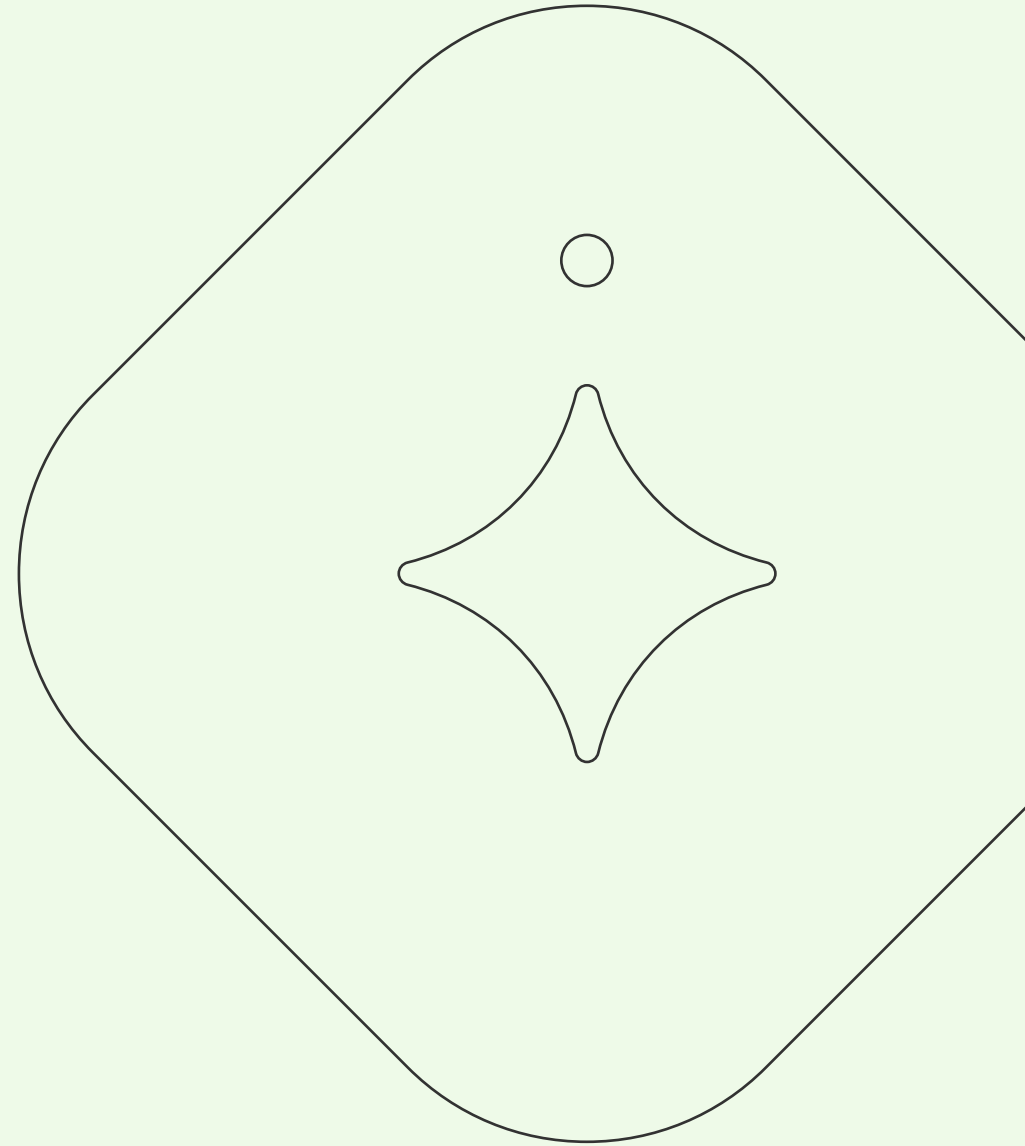
Agenda

- 01 Why ESG?
- 02 The ESG Playbook
- 03 ESG Learnings

Why ESG?



BCG



What is ESG?



Environmental

With the challenge of **climate change**, a company's **usage of natural resources** and its **pollution and waste management** become a matter of societal awareness



Social

Health and safety of employees, **product liability** and the **assumption of responsibility** within a company's environment shape its public image



Governance

Corporate governance such as leadership's orientation on **ESG-aligned company policies** and **supply chain management** are steering mechanisms of ESG implementation



BCG

Source: BCG & Mærsk McKinney Møller Center for Zero Carbon Shipping

Now is the time to act



We are running out of time, transformative action is required

- Within 7 years the carbon budget for 1.5 °C scenario is depleted
- To stay within the 1.5 °C, shipping must cut emissions by 45% in 2030



Changing shipping dynamics are amplifying the need for ESG

- Global supply chains are continuously being disrupted by global crises
- New roles and alliances emerge in shipping as the race to zero continues



Regulators, investors, and customers are demanding change in shipping

- Shipping is facing a wave of new ESG regulation e.g., EU ETS, CSRD & CII
- 80% of US investors plan to reallocate capital to ESG short term



The scope of expected sustainability is widening in shipping

- Carbon tunnel vision must be avoided, shipping has wider ESG role
- Shipping is lagging behind on ESG and must speed up for a just transition



Today

Sustainability can provide a competitive advantage

Tomorrow

Sustainability will become a license to operate



BCG

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

A two-fold value proposition for those who choose to lead

The two-fold value proposition of ESG



Capture new sources of profits
e.g., by participating in growing sustainable markets, increase margins through green premium pricing, and improve access to talent



Mitigate business risks related to material environmental, social and governmental factors

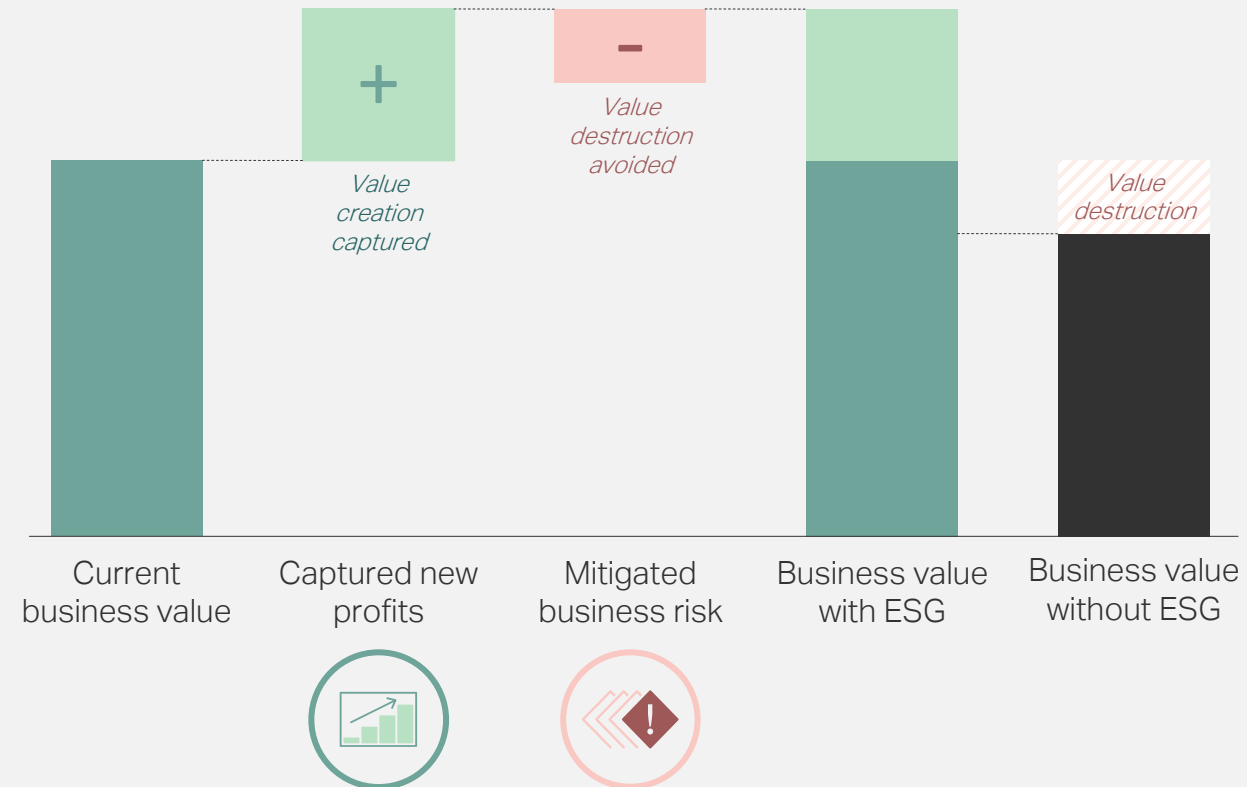


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Source: BCG and MMMCZCS analysis



The ESG imperative



Shipping companies have 13 sources of value creation

ESG profit generation and risk reduction sources for companies



Capture new sources of profits



Premium pricing



Higher customer loyalty



Reduce operational costs



New revenue streams



Talent attraction & retention



Increase investor access



Lower cost of capital



Mitigate current and future business risks



Avoid customer flight



Ensure resilient operations



Limit divestments



Reduce stranded assets



Safeguard social license to operate



Avoid regulatory risks

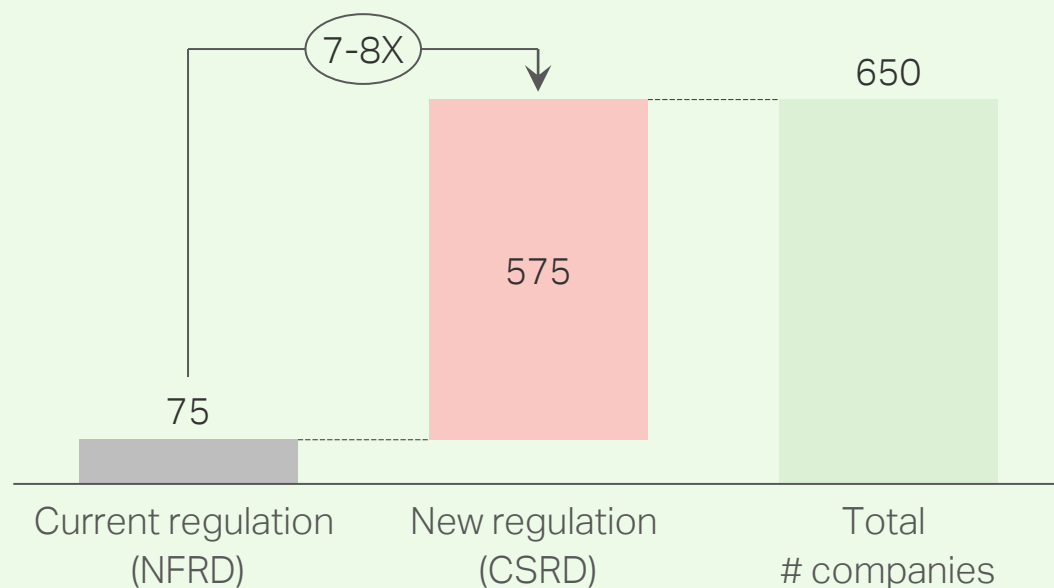


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Source: BCG analysis; The Strategic Race to Sustainability; BCG and MMMCZCS analysis

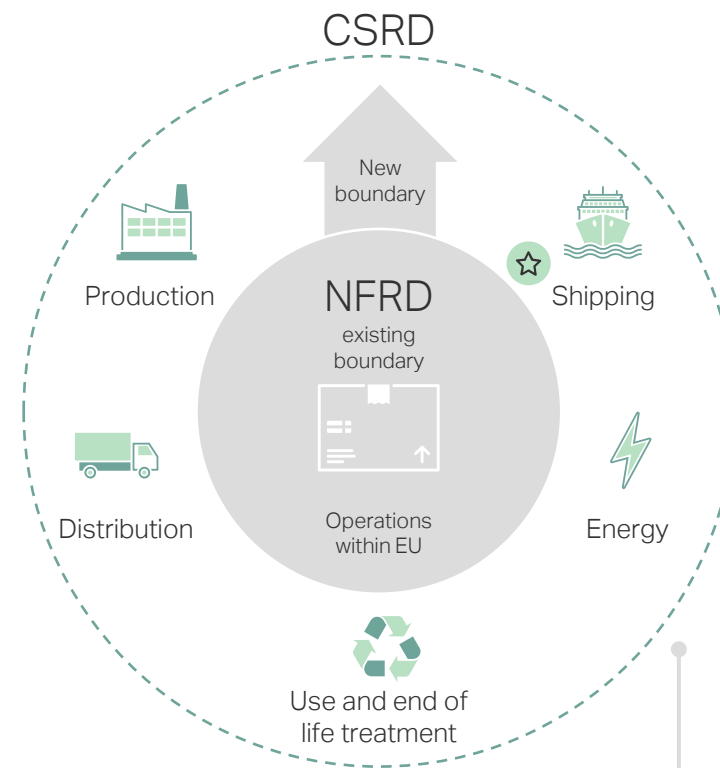
Upcoming ESG regulations will reinforce the ESG value proposition

Direct Impact: Companies w. disclosure grows 7-8X



15% of EU shipowners impacted
85% EU shipping capacity impacted

Indirect Impact: value chain discl. impacts shipping

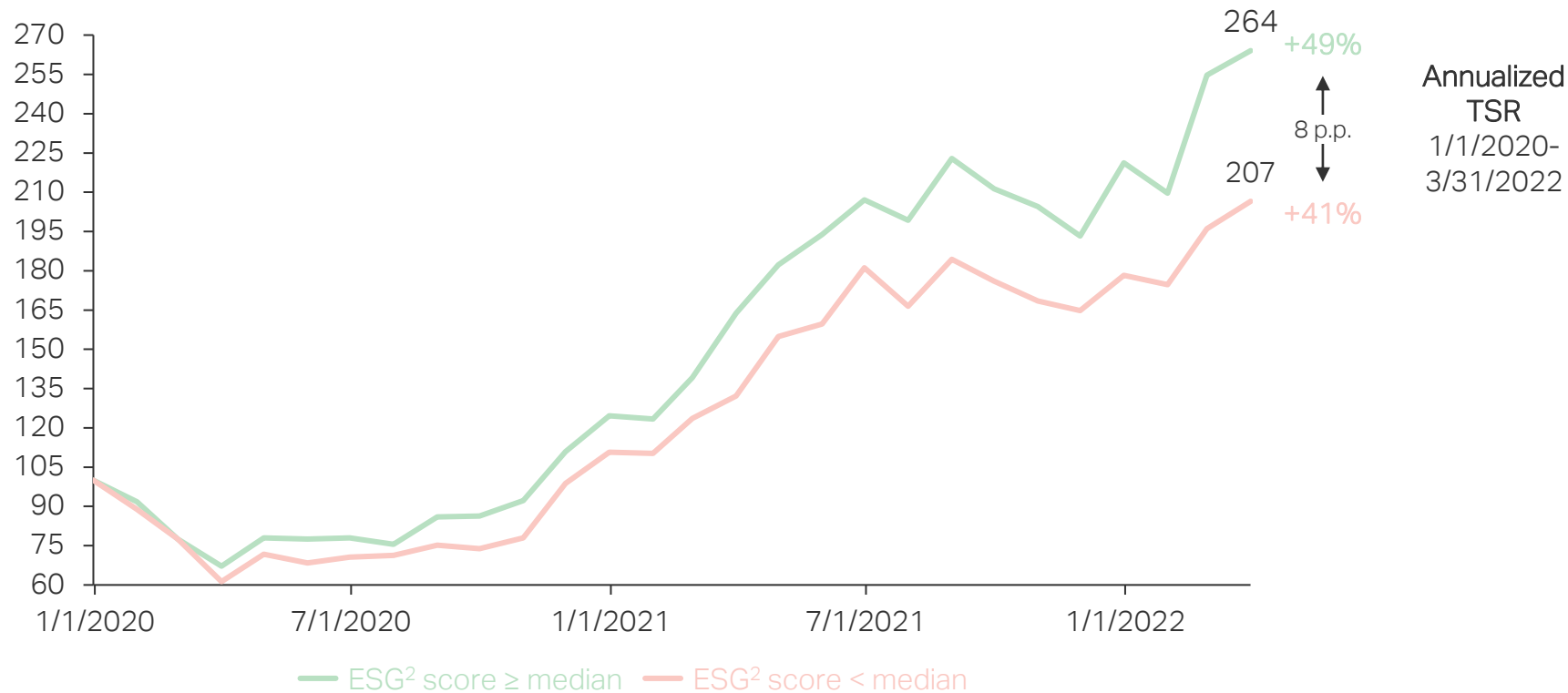


All indirectly impacted by value chain reporting mandates



Those that choose to lead on ESG create superior returns

TSR index: 12/31/2019 = 100¹



Shipping companies with robust ESG strategies deliver better shareholder returns

ESG score: Environmental + Social + Governance commitment and effectiveness

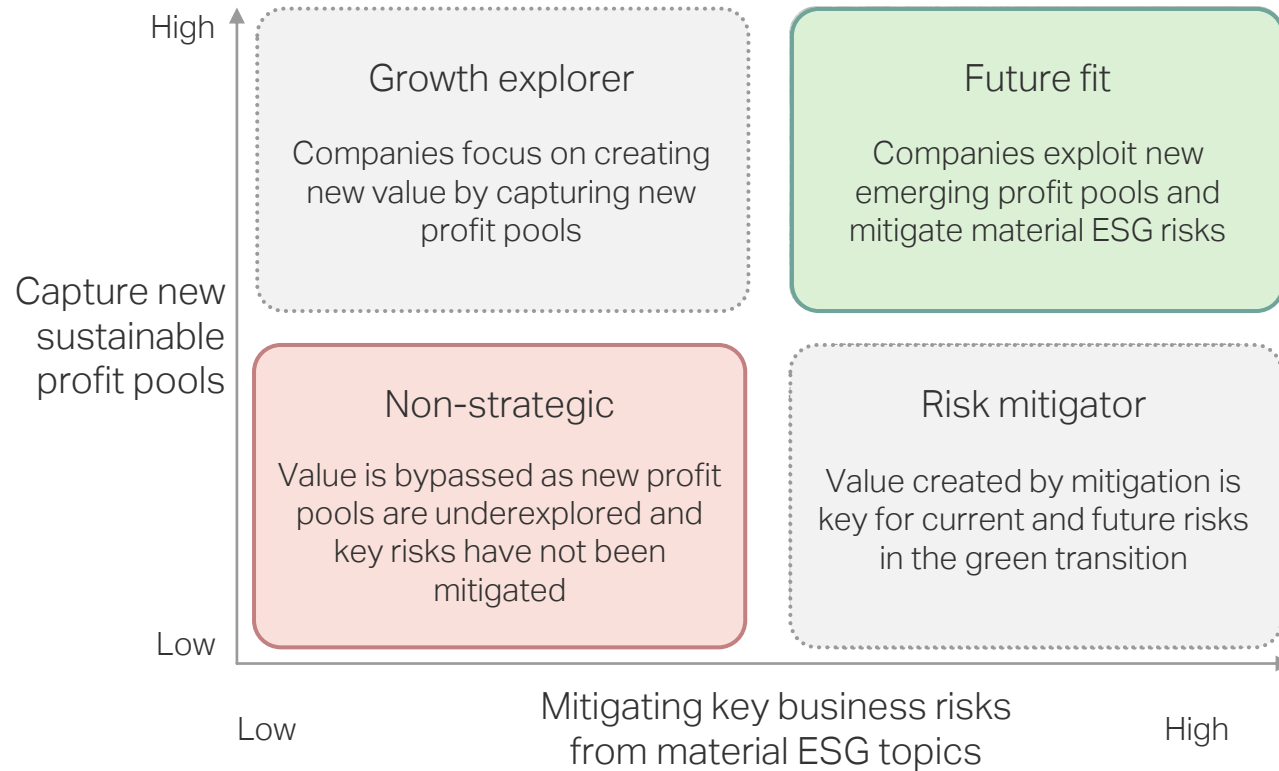
TSR: Total Shareholder Return (share price return and dividend yield)



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Note: 1. Median rebalanced monthly total return of a set of 40 Marine Transport players; 2. ESG score measure a company's relative material Environmental (Toxic Waste & Emissions, Carbon Emissions), Social (Health & Safety) and Governance (Corporate Governance, Corporate Behavior) performance, commitment and effectiveness
Source: Source: Refinitiv Eikon; MSCI ESG Scores; BCG Climate & Sustainability Team analysis

There are four ESG approaches for companies to consider



□ One-sided approach ■ Two-sided approach ■ Non-strategic approach



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Source: BCG & Mærsk McKinney Møller Center for Zero Carbon Shipping



Where would you position your company **today**?



Where do you want to be placed in the **future**?



What are your main **pain points** in achieving this?

The ESG Playbook



Our ambition is for all companies to kick start their journey

The playbook is here to guide that journey

1 Address the complex value chain needs and pressures with an end-to-end approach

2 Provide tangible insights and starting points for companies to tailor to

3 Enable the acceleration of the sustainable transition for shipping

Our comprehensive approach to creating a robust ESG strategy



Prioritize



Conduct baseline of current ESG Journey



Identify priority topics for company



Define



Set clear ambition levels for key topics



Align on initiatives to achieve ambitions



Activate



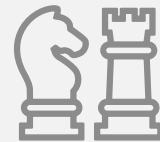
Develop execution roadmaps for ESG initiatives



Anchor with company for long term success

Our ESG Approach will walk you through each step with best practices and insights

The Playbook will help you deliver a strategy through 5 key deliverables



A tailored ESG strategy



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Source: BCG & Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping

Panel discussion
& questions from audience

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