DryLog Ltd

ESG Report

2021

Contents

Letter From The CEO

I am pleased to present our second ESG Report which highlights our non-financial Environment, Social, and Governance (ESG) performance, strategy, risks, opportunities, and targets throughout our value chain. This report is an important milestone in our journey towards non-financial reporting. While it fulfils typical expectations towards an ESG report, incl. alignment with SASB standards, we want to take this report as an opportunity to build trust with all our stakeholders. We do this by addressing both negative and positive aspects of our ESG performance, taking an open book approach and being fully transparent, and demonstrating our commitment to sustainability with a clear strategy and roadmap.

The future financial stability of our company is closely tied to our ability to create long-term value for our stakeholders, while also considering the impact on society and the environment. Since the formation of the company, this has been a top priority. In order to achieve this, we need to understand our environment and develop a comprehensive ESG strategy. This will help us to enhance our impact on society, build stronger relationships with our stakeholders, and navigate the ever-changing global landscape.

Our **Value2**Society/**Value@**Stake capabilities are instrumental in that journey, by enabling us to evaluate and quantify the value of business activities of our value chain to our stakeholders. We think that having a better understanding of value will help us strengthen our business's resilience. I look forward to your feedback on this report, and I hope you enjoy this second edition.

Athanasios Thanopoulos

About This Report

Structure & Scope

The report is divided into several sections. Firstly, you will find an overview of Drylog, including its history and operating assets. This is followed by the ESG cockpit, which gives a high-level overview of our 2021 ESG performance in all SASB Maritime Transportation metrics. The report then outlines our approach to ESG, taking into account our stakeholders and materiality.

We then discuss each ESG dimension in detail, reflecting on our performance, understanding of risks and opportunities, and strategic plans to mitigate risks and seize opportunities in the short, medium, and long term. In addition, we present our Value2Society/Value@Stake capabilities, which will enable us to execute our plan and achieve our strategic objectives.

Finally, the report includes an appendix that provides key KPIs, a content index for the IFRS-ISSB SASB and IFRS S1 and S2 Maritime Transportation standards, and targets.

Reporting Guidelines

This report follows the IFRS-ISSB SASB Maritime Transportation framework and the Integrated Reporting framework.

Concordance of the report with the SASB Maritime Transportation and IFRS S1 and S2 frameworks is presented in the appendix.

About Drylog Ltd

Our mission is to efficiently carry dry bulk commodities and serve the demands & needs of our worldwide customers.

Overview

DryLog Ltd. is a dry bulk shipping company established in 2001 as a fully owned subsidiary of Ceres Shipping Ltd. The company now controls a fleet of between 70 and 80 owned and time-chartered bulk carriers and today comprises operational, chartering and trading subsidiaries. Ensuring employee well-being (ship side and shore side), vessel safety, environmental protection, high quality proactive service and a professional and courteous attitude are the core operational attributes that make us effective.

Fleet (owned and long-term time-chartered) [as of December 2021]

The company operates a combination of modern, owned and chartered vessels. The fleet varies between Capesize, Kamsarmax, Post-Panamax, Panamax, Ultramax and Supramax vessels, predominately built in Japan. With a mixed strategy of spot and period charters, vessels are fixed out to major companies, commodity traders and other industry operators, globally. The company is considered a leader in the maritime transportation of dry bulk commodities, which include iron ore, coal, grains and fertilisers.

5 x CAPESIZE (291M)
179 Thousand DWT

1 x POST PANAMAX (230M)
93 Thousand DWT

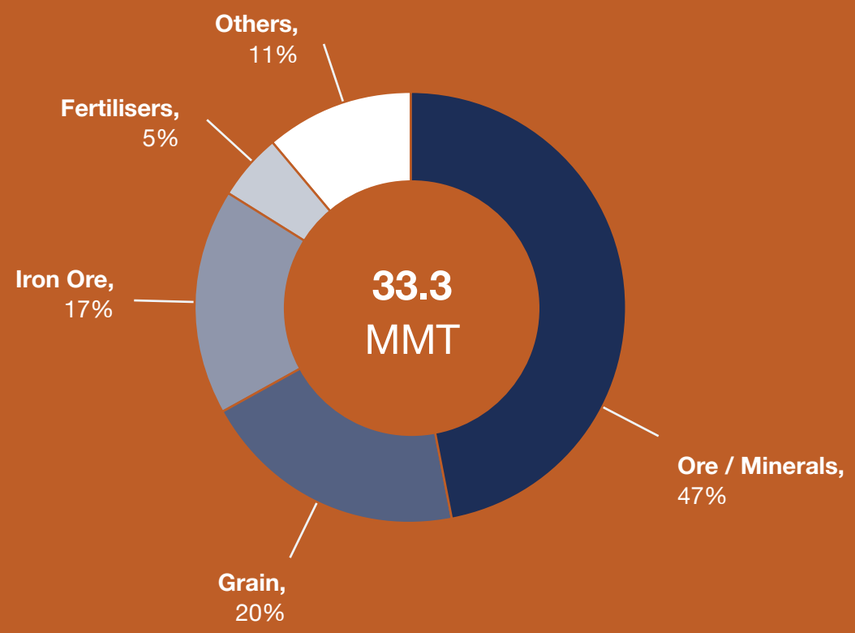
6 x KAMSARMAX (229M)
81 Thousand DWT

2 x PANAMAX (225M)
73 – 76 Thousand DWT

8 x ULTRAMAX (225M)
73 – 76 Thousand DWT

12 x SUPRAMAX (190M)
57 Thousand DWT

Activity Metrics and Cargo (total shipping fleet, incl. time-chartered vessels)



33.3 Million Metric Tons of Bulk Commodities
Transported over 2,980 Thousand Nautical Miles.

2,980,267
Nautical miles travelled

20,197
Operating days

7,075,433
Deadweight tonnage

113
Vessels

1,076
Vessel port calls

Activity Metrics (Drylog-owned and managed fleet)

278
Shipboard employees

364,965
Nautical miles travelled

2,538
Operating days

413,281
Deadweight tonnage

7
Vessels

180
Vessel port calls

Our ESG Cockpit

We strive for an open and transparent approach to ESG performance. For this purpose, we are introducing the ESG Cockpit, which provides an overview of our 2021 ESG performance across all metrics prescribed by the SASB Maritime Transportation Standard. The report also includes the performance of our peers across these metrics for comparison. We plan to use the ESG Cockpit consistently in the next iterations of our annual ESG report, ensuring comprehensive and comparable ESG Reporting.

With that same comparability in mind, we report absolute metrics, such as our Greenhouse Gas Emissions on an average per-vessel basis. As we expect our fleet to evolve over the years, this should prove especially useful for comparing our performance from one year to the next, and therefore tracking progress in our ESG roadmap.

For each KPI, you can also find a benchmark that shows the average performance of a selection of relevant dry bulk companies for further comparison. Drylog's performance is shown in orange and the benchmark is shown in grey.

Due to data limitations for time-chartered vessels, we only focus on the performance metrics of Drylog-owned and managed vessels in this year's edition of our ESG report.

Environment – Efficiency & Emissions

5.52

4.61

Fleet average AER

We achieved an average Annual Efficiency Ratio (AER)[1] of 5.52 across our fleet, surpassing the peer benchmark of 4.61. This also represents a 2.8% increase compared to 2020, driven by our vessels sailing more miles at higher speeds in 2021.

233,015

275,899

Fuel consumption

We increased our energy consumption by 7.9% in 2021 compared to 2020 (233,015 GJ vs 215,976 GJ on average per vessel). This increase is largely due to our vessels operating over longer distances at higher speeds in 2021. Despite this, our energy consumption remains lower than the peer benchmark of 275,899 GJ per vessel.

8.77

7.48

Fleet average EEOI

We had an average EEOI (Energy Efficiency Operational Indicator[2]) of 8.77 across our fleet, exceeding the peer benchmark of 7.48. This is an increase of 21% compared to 2020, primarily due to our vessels covering greater distances at higher speeds.

17,833

21,182

GHG scope 1 emissions

Our Scope 1 Greenhouse Gas Emissions amounted to 17,833 t CO2-e per vessel in 2021, well below the peer benchmark of 21,182 t CO2-e per vessel. However, this marks a 7.8% increase from 2020, mainly because our vessels traveled more miles at higher speeds in 2021.

17%

77%

Heavy fuel oil in total fuel consumption

17% of our total energy consumption was heavy fuel oil, significantly lower than the peer benchmark of 77%. This is an improvement of 25% compared to 2020 (23%). None of our energy consumption was renewables.

1) Ratio of CO2 emissions per tonne mile (deadweight capacity times the distance sailed in nautic miles)

2) annual amount of CO_2 emissions per transport work

This page is meant to give an overview, in all transparency, of our ESG performance, based on SASB disclosure requirements. For an overview of all SASB KPIs, see the appendix

Environment – Ecological Impacts

100%

72%

Percentage of fleet with ballast water treatment

In 2021, we managed to complete the switch to ballast water management systems across our entire fleet. In comparison, 72% of vessels in the peer group have been equipped with ballast water treatment systems.

0

0.2

Oil Spills

We transported 33.3 MMT of commodities with no cases of oil spill across our fleet, compared to an average of 0.2 spills among peers in 2021.

0

2,291

Travel days in marine protected areas

In 2021, our vessels did not operate in marine protected areas or regions with conservation status. By comparison, reporting peers averaged 2,291 travel days in such areas.

0

0.01

Releases of harmful substances[1]

We had no cases of release of harmful substances across our fleet. We also had no violations of ballast water management, sewage, grey waters. Among our peers, only one reported a minor spill incident involving 0.05 m^3 of lubricating oil.

300

507

Air quality - NOx

In 2021, we reduced our NOx emissions by 7.8%, bringing them down to 300.2 tonnes per vessel, significantly lower than the peer benchmark of 507 tonnes per vessel.

49

55

Air quality - SOx

Our SOx emissions increased by 5.4%, rising to 49.1 tonnes per vessel in 2021 compared to 46.6 tonnes in 2020. However, this remains lower than the peer average of 55 tonnes per vessel.

17

94

Air quality – PM10

PM10 emissions declined by 7.8%, dropping to 17.4 tonnes per vessel in 2021 from 18.9 tonnes in 2020. Notably, our emissions are five times lower than the peer average of 94 tonnes per vessel, a figure primarily driven by exceptionally high emissions from one of the reporting peers.

1. as per MARPOL (International Convention for the Prevention of Pollution from Ships), Annex II-VI

Social

99.5%

Onboard retention rate

In 2021, we achieved a retention rate of 99.5% for onboard personnel, a feat we also accomplished in 2020. Additionally, the retention rate for ashore personnel significantly improved from 80% in 2020 to 96% in 2021.

0

0

Severe Injuries

We had no cases of severe injury or fatality, and our peers also reported no such incidents.

0

1.16

LTIR

Our LTIR was 0 per million hours worked in 2021, down from 0.35 in 2020. In comparison, the LTIR reported by the peers averaged 1.16 per million hours worked in 2021.

Governance

0

0.60

Detentions

Our vessels had no cases of Port State Control detention in 2021. 4 deficiencies were identified, down from 11 in 2020. Among our peers, the average number of detentions was 0.6.

0

0

Monetary losses due to corruption issues

In 2021, we had no monetary loss as a result of legal proceedings associated with bribery or corruption. Similarly, none of our peers reported monetary losses from such legal proceedings.

0

81.5

Calls at ports in countries with 20 lowest corruption ranking

Out of a total 209 port calls, 0 were made in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index. In contrast, our peers averaged 81.5 port calls in these countries in 2021.

1

0.21

Conditions of Class or Recommendation[1]

In 2021, we averaged 1 conditions of class or recommendations per vessel (7 in total), a 30% improvement from 2020. Our peers performed better, averaging only 0.21 conditions per vessel.

25

Risks and opportunities

We identified a total of 25 ESG-related risks and opportunities (14 risks and 11 opportunities).

Our ESG Strategy

Our ESG strategy is to maximize our positive impact on society whilst minimizing the associated financial risks. It considers global context, stakeholder perspectives, and ESG-related risks & opportunities. The strategy informs our business model by providing materiality assessments and setting ESG objectives and targets (short, medium, and long term) that make our roadmap.
To ensure the ESG roadmap is successfully implemented, we then review and define the appropriate governance setup and required capabilities, including data management and reporting.

ESG Strategy Development and Review Approach

We tackle our ESG Strategy with a structured approach, which can be broken down into six steps. At each step, we ask ourselves key guiding questions to address the topic comprehensively and thoroughly. This enables us to better understand, plan, and execute on value creation for all our stakeholders.

1. Understand Context

- What is the macro and micro context of our business?
- What are the trends?
- Who are our key Stakeholders?

2 . Assess ESG Materiality and Performance

- What is our financial materiality and impact materiality?
- What are our material ESG topics?
- How do we perform in the Environmental, Social, and Governance dimensions?

3. Identify Risks and Opportunities

- What are our key ESG Risks and Opportunities?
- What is their relevance to Drylog and its key Stakeholders?

4. Determine ESG Objectives

- What are our key ESG objectives, in the Environmental, Social, and Governance Dimensions?

5. Define ESG Targets and Roadmap

- How do we achieve our ESG objectives?
- What are our targets for the short, medium, and long term?

6. Shape Governance, Processes, and Communication

- What capabilities do we need for our ESG roadmap?
- How do we communicate progress effectively to all stakeholders?

Our Stakeholders

We analyze and group our stakeholders based on their shared needs and expectations. This enables us to understand better who is impacted by our ESG risk and opportunities. Equipped with this understanding, we can shape responses that improve value for our stakeholders.

Stakeholder Group	High-level Needs and Expectations
Customers	Delivering top-tier services, closely monitoring vessel performance, and adhering to contractual obligations
Employees	Ensuring stringent safety, quality, and environmental protocols, fostering an equitable workplace, and supporting professional advancement
Suppliers	Maintaining exceptional quality and environmental standards, prioritizing personnel safety, adhering to contractual obligations, and providing prompt notification for required products and services
Sector	Encouraging equitable competition, fostering collaboration, and promoting the exchange of knowledge
Authorities	Adherence to legal regulations, taxation requirements, and other governmental obligations. Ensuring adherence to the regulatory framework concerning safety, health, quality, security, environment, energy, and various other facets of the shipping industry.
Wider Society	Adhering to all relevant requirements from governments, regulators, and authorities, acting ethically, investing in and supporting communities, and incorporating ESG principles into decision-making.

Materiality

As a responsible business that serves society, we want to understand and report risks and opportunities not only based on value for our company, but also for all our stakeholders.

Therefore, we consider an ESG Topic relevant based on its impact on society and how this reflects on our future financial performance.

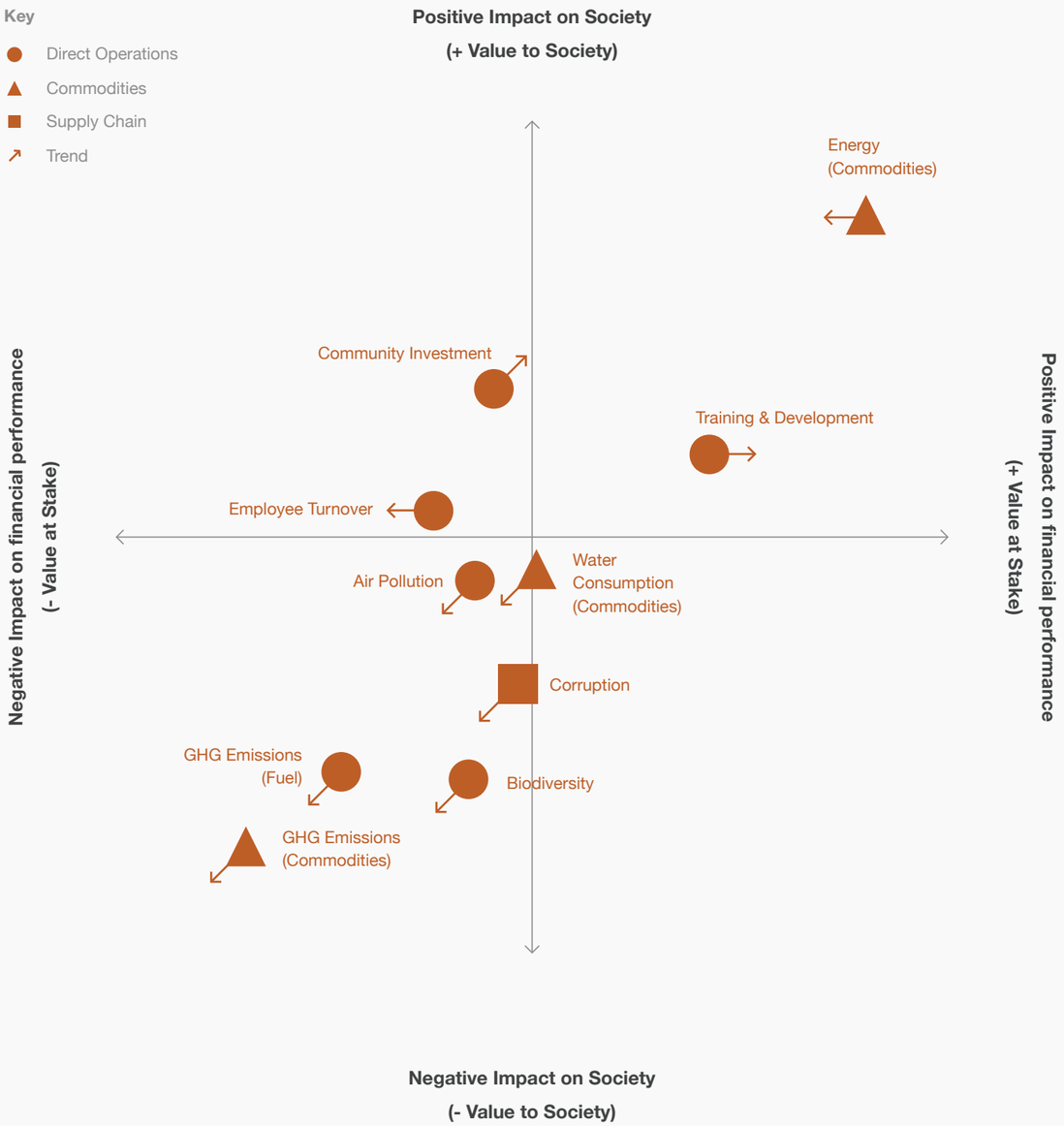
The double-materiality matrix allows us to understand, communicate, and report double materiality effectively by visualizing the importance of topics based on their effect on society, effect on our financial performance, and trend.

Taking as an example training and development of our own workforce and downstream greenhouse gas emissions from the commodities transported by our vessels (e.g., coal):

- Training and development increase the productivity of our workforce, positively affecting our stakeholders and our future financial performance. We therefore position this topic in the top right quadrant of the matrix. We see an improving trend for that topic with the growing adoption of digitization and other tech trends.
- Greenhouse gas emissions affect society negatively, and we can reasonably expect this also to affect our business performance in the long term. This could, for example, occur through transition risks. We expect a worsening trend for that topic. We therefore position this topic in the bottom left quadrant of the matrix.

We consider key criteria to determine materiality of ESG topics

Results in substantial value created or eroded for stakeholders
Is important to our stakeholders
Is mandatory to report on (e.g., CSRD, IFRS S1 and S2, IMO)
Represents a material risk (i.e., impact of >1 M USD) on net income



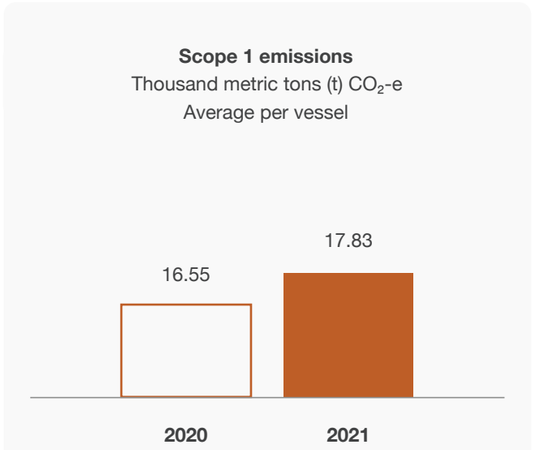
Environment

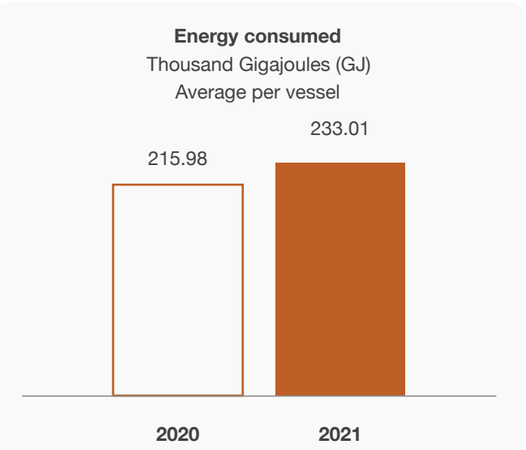
As a maritime shipping company, we are at the front line of the environmental crisis. We are aware of how our business impacts the environment and of our responsibility to address climate change and biodiversity loss. We keep reducing our Greenhouse Gas Emissions and protecting biodiversity with targets that align with the goals of the IMO[1].
We also strive to report our impact on the environment transparently and continuously.

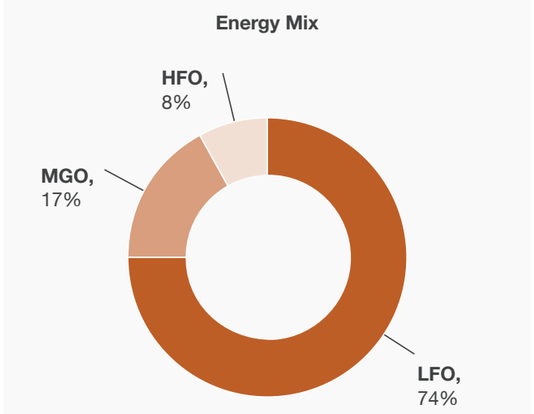
Performance

Greenhouse Gas Emissions

	2020 (average per vessel)	2021 (average per vessel)	Change (from 2020)
Gross global scope 1 emissions Metric tons (t) CO2-e	16,550	17,833	+7.8%
Energy consumed Gigajoules (GJ)	215,976	233,015	+7.9%





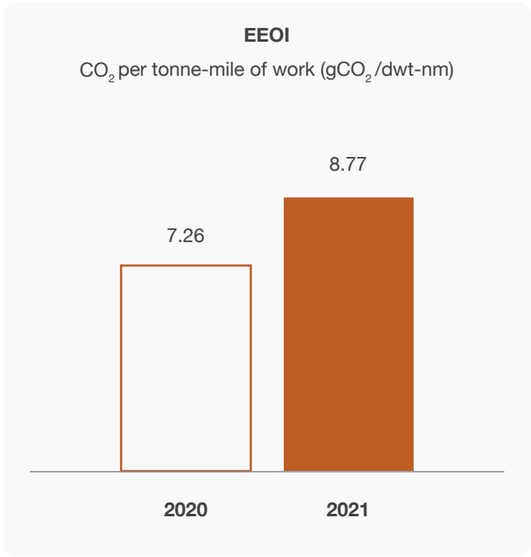


1. 2023 IMO Strategy on Reduction of GHG Emissions from Ships

EEOI
(Energy Efficiency Operational Indicator)

2021	Change from 2020
8.77	+21%

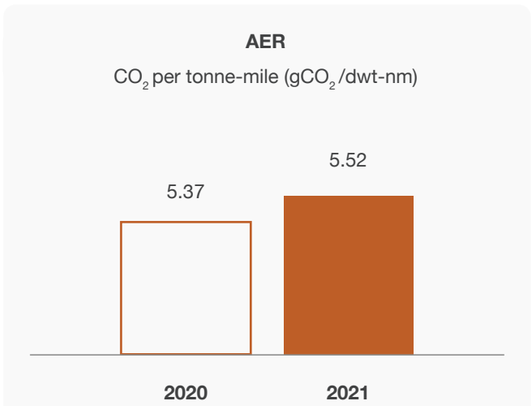
To track the efficiency of our vessels, we use the IMO's Energy Efficiency Operational Indicator (EEOI). This indicator measures the annual amount of CO_2 emissions per transport work. The EEOI of our fleet increased by 21% from an EEOI of 7.26 in 2020 to an EEOI of 8.77 in 2021.



AER
(Annual Efficiency Ratio)

2021	Reduction from 2020
5.52	+2.8%

AER is another carbon intensity metric we use to assess the energy performance of our fleet. This metric is calculated in accordance with the Poseidon Principles[1], which are aligned with the goals of the IMO. In 2021, we increased the AER of our fleet by 2.8% compared to 2020 levels.



Efficiency Measures

We apply different onboard efficiency measures and techniques to reduce fuel consumption and emissions. In addition, we have equipped our managed vessels with retrofits such as energy efficient propellers, engine modifications, low friction hull coating and optimised hull forms.

Our fleet-wide EEDI for new acquired ships was 3.697 in 2021, unchanged from 2020. We are committed to reducing our fleet-wide EEDI. Future acquisitions will consider EEDI as purchase criteria.

1. Poseidon Principles for Financial Institutions – www.poseidonprinciples.org/finance/principles/assessment

Decarbonization

Research and Development

Together with two other Greek shipping companies, GasLog, and Olympic Shipping, with the purpose to perform research and development, and offer advisory services regarding decarbonization.

These include energy efficiency technologies, alternative fuels, power generation and propulsion systems, emissions control and after-treatment, carbon capture, and other solutions pertaining to marine vessels.

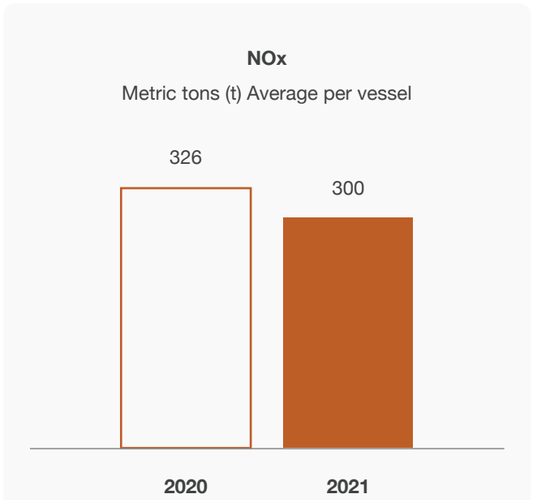
Our objective is to assist the owned and managed fleet of the group to navigate the emerging energy transition landscape, comply with future regulations, and become an industry leader in adopting state-of-the-art technology.

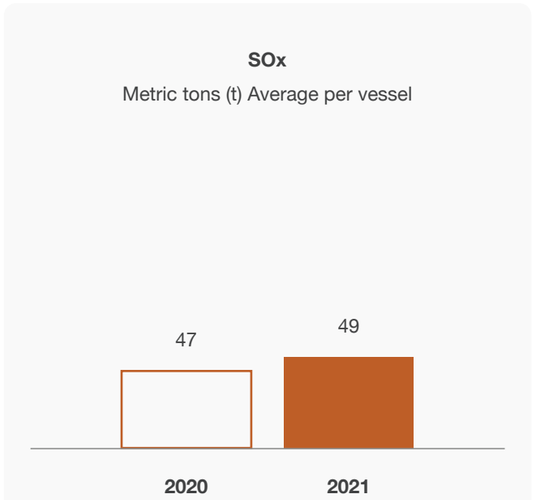
Mission

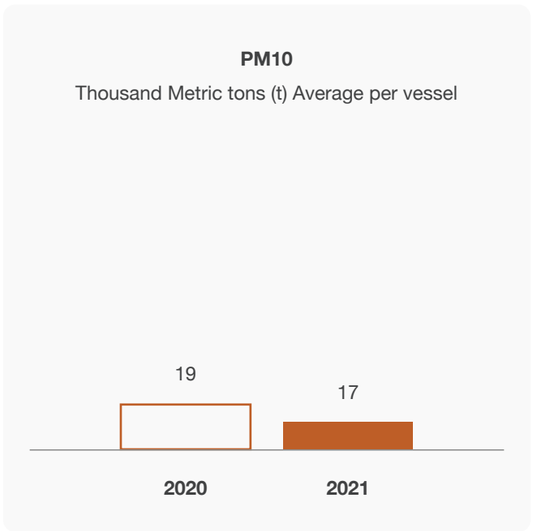
- Research and propose safe, commercially viable and customized technologies, and/or practices towards a Net-Zero Carbon Maritime Industry
- Increase competitiveness, sustainability and resilience of the client companies through innovation
- Promote collaboration and partnerships with key regulators, policymakers, investors, and customers towards defining appropriate best practices, policies and regulations
- Enhance knowledge-base of the client companies through training and skills

Air Quality

	2020 (average per vessel)	2021 (Total)	Change (from 2020)
NOx emissions Metric tons (t) CO2-e	326	300	-7.8%
SOx emissions Metric tons (t) CO2-e	47	49	5.4%
PM10 emissions Metric tons (t) CO2-e	19	17	-7.8%







Biodiversity

	In 2020	In 2021
Ballast Water Treatment Systems (percentage of our fleet covered)	69%	100%
Ballast Water Exchange (percentage of our fleet covered)	31%	0%

We are happy to share that we were able to complete the fitting of our fleet with Ballast Water Treatment Systems in 2021, 3 years ahead of the IMO's deadline of 8 September 2024.

	In 2020	In 2021
Spills and releases to the environment (Number and volume of spills or releases to the environment)	0	0

We take marine environmental protection seriously, and in 2021, we had zero spills or releases to the environment.

Risks and opportunities

Our focus is on the future and we aim to be well-prepared for any challenges that may come our way. To achieve this, we aim to effectively manage risks and capitalizing on opportunities that can impact our financial performance and value to our stakeholders. Below is a summary of the environmental risks and opportunities that we have identified throughout our value chain, categorized by theme.

Climate Change

Risks	Opportunities
Extreme weather events resulting from climate change lead to operational disruptions	Alternative Fuels reduce greenhouse gas emissions
Highly carbonized portfolio bears high financial risks	Onboard efficiency measures decrease fuel consumption and lower emissions
Delay in compliance to climate-change adaptation and mitigation regulations lead to fines	Powering of ships through renewable energy reduces dependence on fossil fuels, decreasing GHG emissions
Slow progress of the maritime shipping industry on ESG agenda lead to public backlash and reputational damage	

Environmental Harm

Risks
Environmental incidents result in biodiversity loss, significant fines, and reputational damage
Ship operations impacts, from ballast water to route selection, lead to biodiversity loss

Business Models

Opportunities
Circular economy practices reduce use of natural resources and greenhouse gas emissions across the value chain
New low carbon business models attract environmental-conscious investors, customers, and employees

Objectives and targets

Our Environment roadmap 3 objectives with respective targets. Detailed target achievement and plan for the upcoming years can be found in the appendix.

Reduce AER

Reducing the Annual Efficiency Ratio of our fleet year-on-year, through the implementation of efficiency and technological improvements.

Reduce Air Pollution

Reducing Air Pollution (NOx, SOx, and PM10) from our vessels, building up on the limits set in the MARPOL Annex IV.

Social

At Drylog, we prioritize the safety, well-being, and individuality of our team members. We recognize their contributions and foster continuous development. Our workforce is central to our success, and investing in their welfare strengthens our business resilience.

Performance

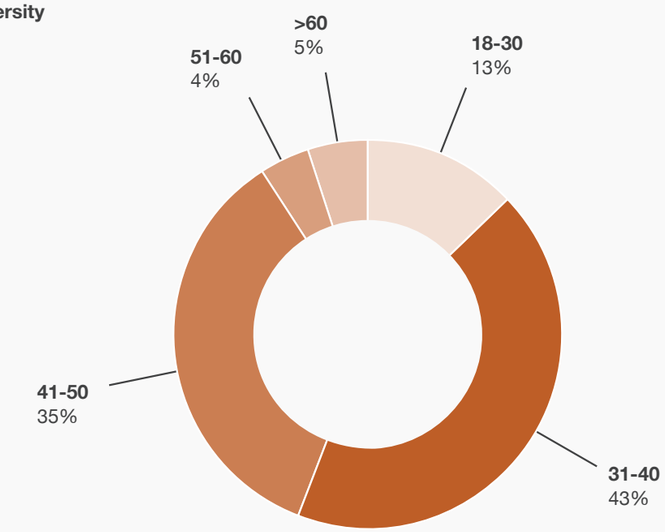
Workforce well-being

At Drylog, we hold the well-being of our employees, whether onboard or ashore, as a fundamental value. Our conception of well-being encompasses career, social, financial, physical, and community aspects. By conducting business with integrity and principled conduct, we foster workforce resilience, leading to strong retention rates in both maritime and onshore roles.

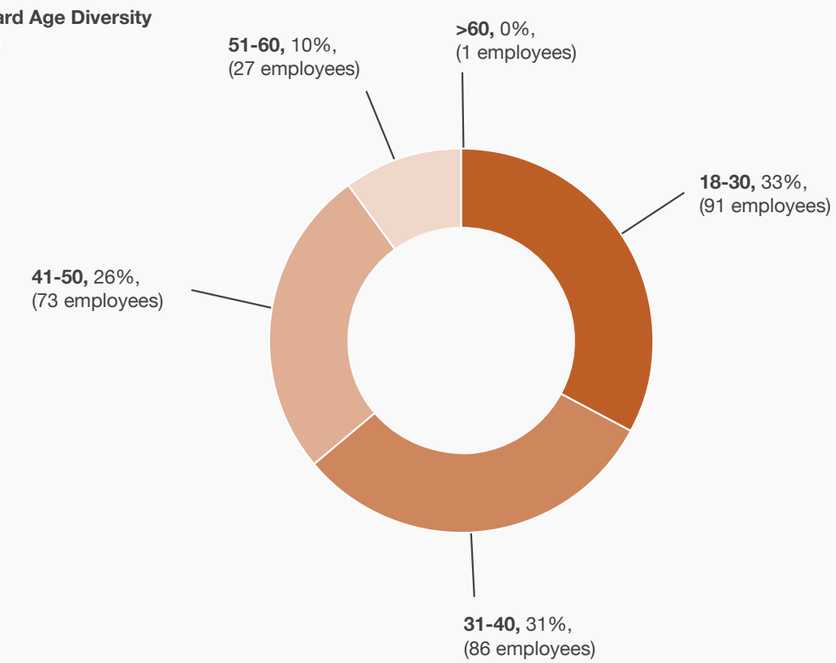
Diversity

At Drylog, we recognize the vital role diversity plays in enhancing business resilience and decision-making. We actively cultivate a diverse workforce, welcoming individuals of all ages and backgrounds to contribute to our collective success.

Ashore Age Diversity
(Years)



Onboard Age Diversity
(Years)



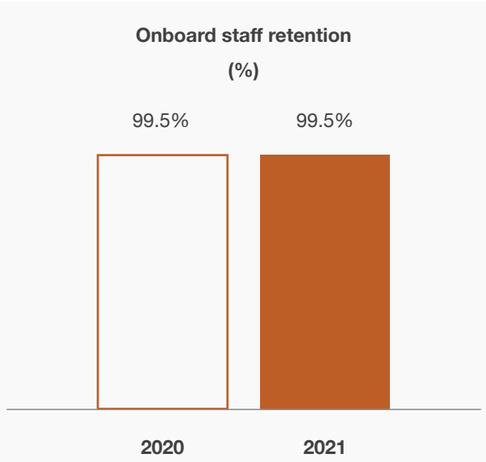
Health & Safety

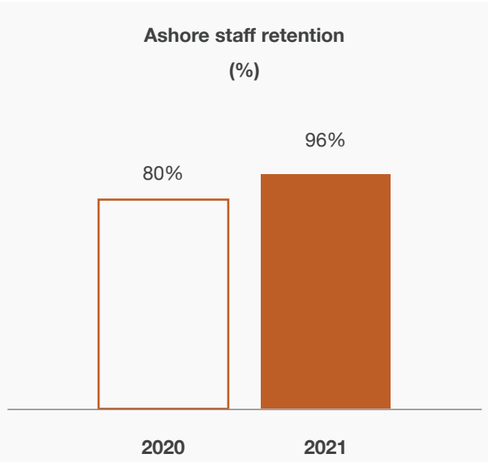
We are committed to the highest safety standards, which is reflected in our LTIR performance in 2021: we had no fatality or severe injury. We reached zero incidents on board, with an LTIR of 0, down from 0.35 in 2020.

We believe this is thanks to the measures we take to foster self-responsibility, training, and employee awareness. We will continuously improve to remain at that level.

Employee Retention

The retention rate for ashore personnel significantly improved from 80% in 2020 to 96% in 2021. Additionally, our onboard personnel retention rate also has remained very high at 99.5% across both years. We believe this results from our continuous investment in our workforce's well-being, working and living conditions, and diversity.





Supplier Management

We prioritize building trust and fostering enduring partnerships with our partners. While we are in the process of establishing a supplier code of conduct, our commitment to ethical practices remains unwavering. Recognizing that the majority of human rights impacts are embedded within our supply chain, we meticulously select our suppliers. To ensure alignment with our values, we employ a robust procurement tool that provides comprehensive insight into the sustainability practices of potential vendors.

Businesses face growing expectations from society and local communities, and we are committed to meeting them by increasing our efforts.

Risks and opportunities

Human Resources

Risks

Lack of skills and qualified workforce leads to bottlenecks for sustainability roadmap implementation and equipment operation

Opportunities

Diversity of experiences and identities in senior leadership and workforce leads to better decision-making and company resilience

Upskilled and regularly trained workforce contribute to resilience of the business and increases workforce engagement

Health & Safety

Risks

Health and well-being issues increase risk of environment and safety related accidents

Deficient health and safety conditions on ships lead to injuries and/or fatalities

Business Ethics and Human Rights

Risks

Business ethics issues and human rights violations from suppliers lead to ethics and human rights issues and reputational damage.

Community Investment

Opportunities

Partnering and engaging with local communities, suppliers, and NGOs enable reputational spillover effects.

Customer and Consumer Preferences

Risks

Customer and consumer preferences and expectations for more sustainable and eco-friendly alternatives result in lost business

Objectives and targets

Our Social roadmap 2 objectives with respective targets. Detailed target achievement and plan for the upcoming years can be found in the appendix

Improve supply chain management

Ensuring transparency and trust with our key suppliers, with a special focus on Human Rights and Corruption issues.

Achieve best-in-class employee and officers' retention

Improving well-being, working, and living conditions, and diversity in our officers to improve retention.

Governance

Corporate governance is a crucial aspect of our company's operations. We view our organization as a corporate citizen with obligations and rights towards society and apply an ethical framework that aligns with societal interests and legal requirements. We take responsibility for our actions and strive to have a positive impact on our stakeholders and the wider society.

Performance

Vessel Port Calls

In 2021, our fleet made a total of 180 port calls. None of those calls were made in countries that rank among the 20 lowest on Transparency International's Corruption Perception Index at the time of writing this report.

Conditions of Class and Recommendations

We comply with all applicable administration requirements and regulations. In 2021, we recorded 1 condition of class and recommendations on average per vessel (7 fleet-wide), up from 0.77 (10 fleet-wide) in 2020.

Port State Controls

At Drylog, we prioritize compliance with regulations set forth by the International Maritime Organization (IMO). In 2021, we had 4 deficiencies per inspection and 0 detentions. This is a significant improvement from last year, in which we had 11 deficiencies for 0 detentions.

Risks and opportunities

Compliance

Risks

Conflicting regulatory frameworks make it difficult to comply, resulting in penalties and reputational damage

Geopolitical tensions and instability lead to sudden changes in regulatory frameworks and tariffs

ESG Performance

Risks

Poor ESG performance and transparency lead to higher cost of capital and reputational damage

Opportunities

Strong ESG performance attracts talents, enables differentiation and access to lower cost of capital

Internal Engagement

Opportunities

Commitment and communication on ESG efforts increases employee's productivity and engagement.

Roles and Responsibilities

As we need to focus to ensure execution of our ESG roadmap and strategic approach, we are bringing more structure into the ESG topic at Drylog.

Responsibilities

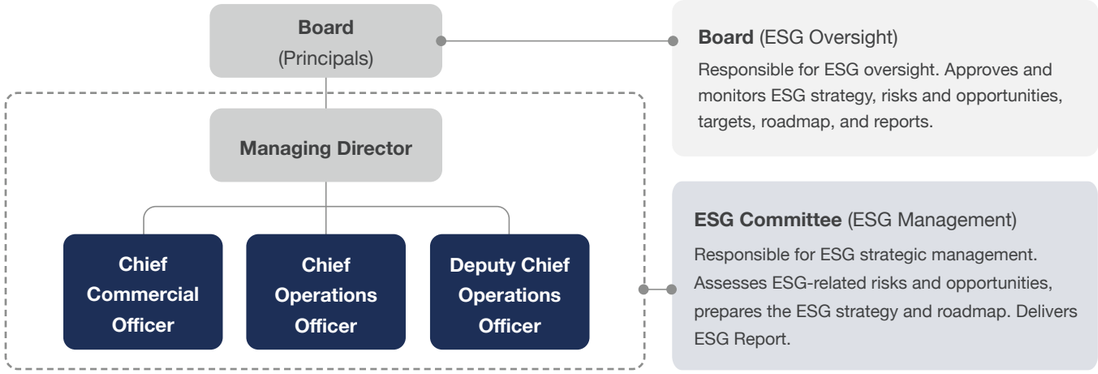
A dedicated body, the **ESG Committee**, manages the ESG topic, while the Board approves. In the next years, we plan to assess, acquire, and develop the skills necessary for our sustainability transition and roadmap

Skills

We currently do not have ESG dedicated personnel. ESG organization and skills build-up, as well as financial requirements, will be considered in the next iterations of the report.

Incentives

While we do not currently link executive remuneration with the achievement of climate or ESG-related targets, we plan to do so in the future.



Objectives and targets

Our Social roadmap comprises 2 targets for 1 objective. Detailed target achievement and plan for the upcoming years can be found in the appendix

Improve navigational safety standard

Achieving a high level of navigational safety by reducing deficiencies and ensuring 0 detentions received from regional port state control (PSC) organisations.

Our ESG Execution Capabilities: Value2Society™ / Value@Stake

Increasing our positive impact on society while reducing financial risks - with sustainability accounting and impact quantification.

Introduction

Global society is running dangerously beyond the limits within which it can safely operate to maintain a safe and resilient planet[1]. The consequences can be felt more than ever. As part of society, businesses account for a substantial part of its negative social and environmental impacts. The World Resources Institute estimates that around 71% of global GHG emissions can be attributed to just 100 companies, highlighting the impact that businesses have on climate change, amongst others.

Despite the focus and attention on ESG, progress is widely seen as slow, an obvious example being the UN SDGs which are largely regarded as off track to be met by 2030. We believe this is partly due to the lack of comprehensive and comparable metrics in the ESG industry, which makes it hard to measure progress and achieve ambitions. We believe that a new, more objective approach, that puts metrics at the center of ESG management to allow businesses to prioritize and execute on their ESG roadmaps, is needed.

“What gets measured gets managed, and what gets managed gets done.” By adopting the Value2Society™ sustainability accounting and metrics system, we are able to measure and incorporate our ESG performance into our business performance. This offers a complementary, more comprehensive measure of our business performance and enables us to make better decisions for our stakeholders, society, and Drylog as a business.

1. Planetary boundaries - Stockholm Resilience Centre – www.stockholmresilience.org/research/planetary-boundaries.html
2. See page 13

The Value2Society™ Accounting and Metrics System is embedded in our ESG Strategic Approach[2] and supports it as follows:

1. Assess ESG Materiality and Performance

Every year, we perform a Value2Society™ assessment, which quantifies and values the direct and indirect (upstream & downstream) external impact of our business activities and combines it with our financial performance. This gives us an accurate and comparable picture of our business performance.

2. Identify Risks and Opportunities

In a second step, Value@Stake™ estimates the probability, over time, of these external impacts translating to real financial costs and revenue opportunities. This translation is typically through physical (e.g. extreme weather) and transitional (tightening environmental regulations) events. e.g. tightening environmental regulations.

3. Define ESG Objectives, Targets and Roadmap

In this third step, we define our ambition for the short-, medium, and long-term. We establish V2S KPIs and milestones to break down our ambitions into smaller, achievable steps, and give focus and direction to the company.

4. Track and Monitor Progress

As we progress on our ESG roadmap, the Value2Society™ framework enables us to track progress, identify deviations early, and take effective corrective actions if necessary. It also allows to communicate our progress clearly and transparently, thereby increasing trust with our stakeholders.

Total Capital Accounting Methodology

The Value2Society™ sustainability accounting approach builds on the accepted structures and rules of financial accounting, by representing the value created and eroded by a business’ use and investment in six types of capital stocks, versus the conventional two of financial and manufactured capital. Therefore, Value2Society™ accounts for cash (1- financial capital); physical assets e.g., Property, Plant and Equipment (2 - manufactured capital); the services of the natural environment (3 - natural capital); the efforts of employees (4 - human capital); the ingenuity of employees (5 - intellectual capital): and the cohesiveness / trust of stakeholders (6 - social capital).

The use and investment in the six types of capital stocks are represented as indicators that measure and quantify the associated external positive impacts and negative impacts of Drylog as a business. The full value chain is considered, encompassing Drylog’s direct operations (incl. owned vessels), ‘upstream’ supply chain (incl. chartered vessels), and ‘downstream’ from commodities transported. This enables us to understand the value Drylog creates and erodes in 53 impact indicators, grouped under the six capitals stocks. Each indicator has a specific methodology with a valuation pathway to calculate the respective external cost or external benefit, by stakeholder.

Human Capital

People and the changes to health and wellbeing.

Natural Capital

The natural environment and changes to the provision of ecosystem services.

Manufactured Capital

Physical assets (e.g. property, plant and equipment) – and changes to functioning.

Intellectual Capital

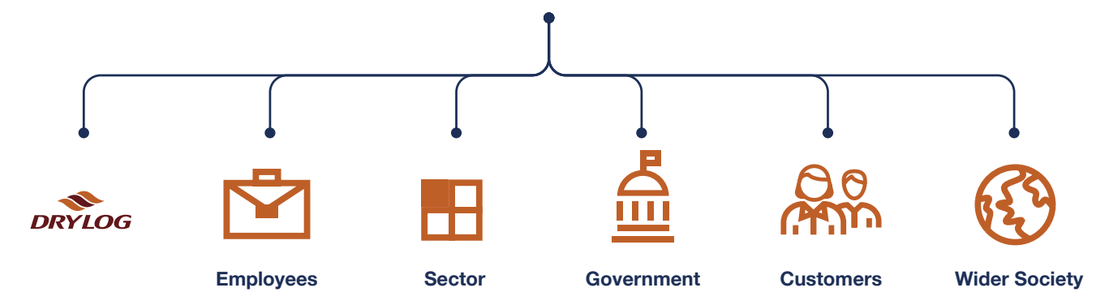
Know-how and the changes to application.

Social Capital

Trust and the changes to relationships.

Financial Capital

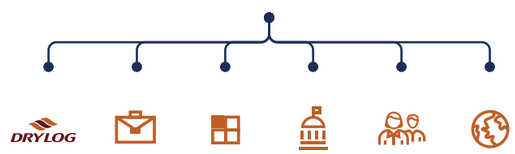
Cash and cash equivalents and the changes to monetary value.



Valuation Example (GHG Emissions)

To illustrate our approach, you can find below the Valuation Pathway for the Greenhouse Gas Emissions indicator, which enables us to understand the value eroded due to the emissions of Greenhouse Gases across our entire value chain, for all stakeholders.

Output	942,961 t CO2-e	The Greenhouse Gas Emissions resulting from activities in our direct operations, 'upstream' supply chain and 'downstream' from commodities transported
Outcome	+2.7° by 2100	Increase of temperature on Earth leading to Climate Change, driven by the increase of Greenhouse Gas Emissions in the Earth's atmosphere, to which Drylog's emissions contribute
Impact	Decrease of wellbeing	The consequences of Climate Change on Society based on the "Social Cost of Carbon"
Time	Worsening effects	Long-term considerations are integrated with a 3.5% annual discount rate to account for the likely increase in Social Cost of Carbon
Value	$172M of eroded value	The non-financial effects of Greenhouse Gas Emissions from activities conducted in Drylog's value chain are valued at $172M total loss for Society



The value created and eroded is then allocated to each of the 6 stakeholder groups, giving a clear picture of who is impacted, and how much

Drylog performed a Value2Society assessment over their full value chain in 2021. This enabled them to understand the materiality of ESG topics and the value they create, erode, and maintain for all their stakeholders over the 5 natural, human, intellectual, financial and social capitals.

Human Capital
$52M

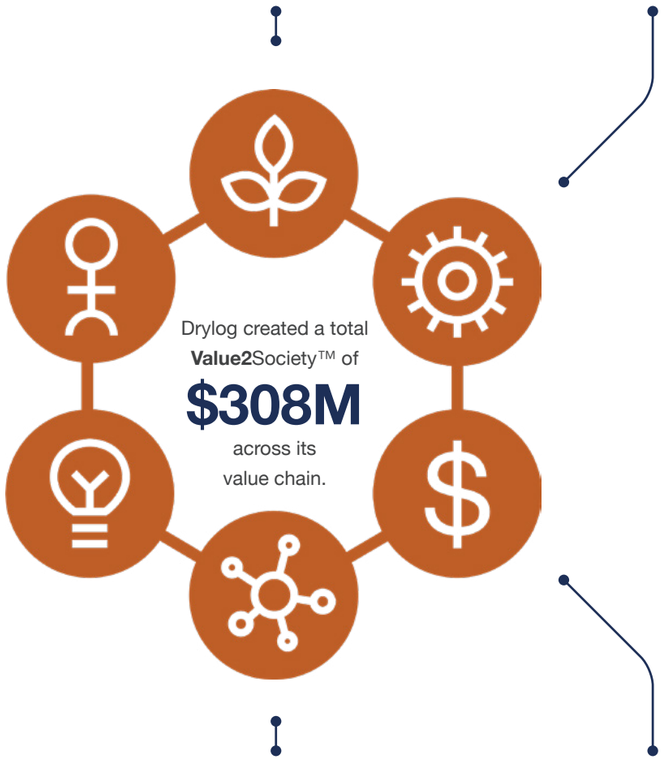
Drylog created $52M of Human Capital value, predominantly thanks to wages distributed to Drylog's employees.

Natural Capital
-$195M

Drylog eroded -$195M of Natural Capital value. This is mainly due to greenhouse gases emitted from the downstream use of transported commodities, especially coal.

Manufactured Capital
N/A

Not covered in V2S assessment.



Intellectual Capital
$1M

Drylog created $1M in Intellectual Capital value mostly due to vocational qualifications provided.

Social Capital
$222M

Drylog created $222M of Social Capital value for the wider society. This is largely due to the energy provided by downstream use of transported coal.

Financial Capital
$227M

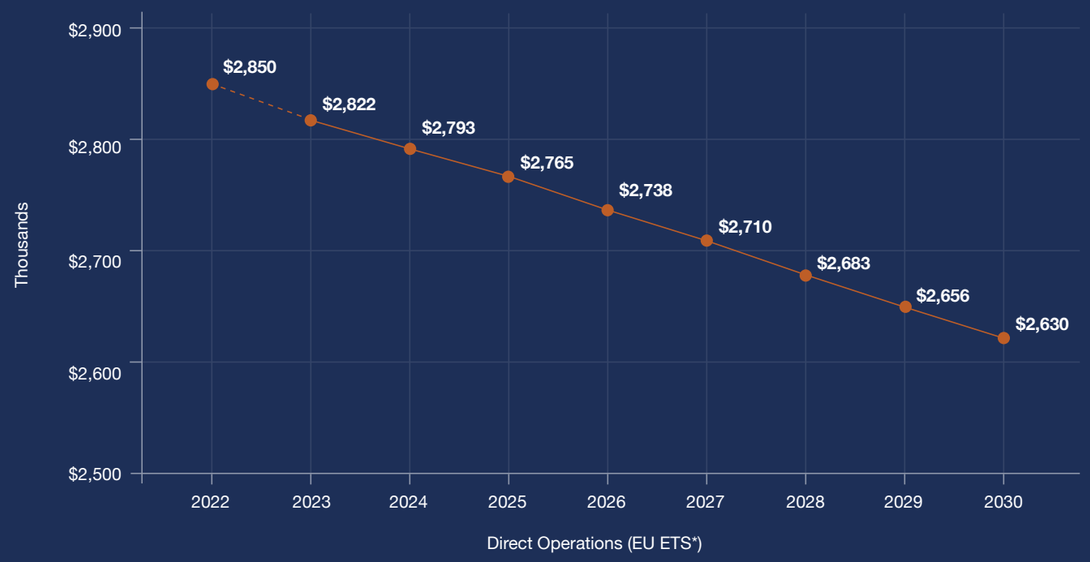
Drylog created $227M of Financial Capital value, largely driven by Drylog's financial profits.

Value@Stake™

Quantification of Climate-related Risks

We quantify the likelihood of external, negative and positive, carbon-related impacts becoming ‘internalised’ and translating to real financial costs and revenues. This internalisation process takes place through both physical (e.g., severe weather events etc.) and transitional events (e.g. strengthening environmental regulations), and this logic forms the basis of Task Force on Climate-Related Financial Disclosures (TCFD) reporting. Therefore for carbon-related issues, quantification of those risks is where the bow meets the waves in terms of the financial consequences of sustainability and associated ESG performance.

The associated chart exemplifies the concept using our direct and upstream-indirect greenhouse gas emissions and the introduction of sectoral (maritime transportation) carbon pricing and the further evolution of national carbon pricing regimes. Our direct emissions over time follow the European Commission’s proposed reduction trajectory and, in this example, the European Commission’s proposal of €80 ($86) / Tonne carbon price is used. Accordingly, our operations are directly exposed to potential carbon costs equal to $19M over the next 7 years. Going forward, we intend to apply the quantification approach to all risks and opportunities.



	2024-2030 Exposure
Direct (EUETS)	$19M

Appendix

Key Performance Indicators (total shipping fleet)

Adhering to IFRS S1 and S2 Sustainability Accounting Standards Board (SASB) Classification (1/4).

Framework	Activity Metric	Unit of Measure	Code	Value	Referenced in Page
SASB / IFRS S2	Number of shipboard employees	Number	TR-MT-000.A	-[1]	8
	Total distance travelled by vessels	Nautical miles (nm)	TR-MT-000.B	2,980,267	8
	Operating days	Days	TR-MT-000.C	20,197	8
	Deadweight tonnage	Thousand deadweight tons	TR-MT-000.D	7,075,433	8
	Number of vessels in total shipping fleet	Number	TR-MT-000.E	13	8
	Number of vessel port calls	Number	TR-MT-000.F	1,076	8
	Twenty-foot equivalent unit (TEU) capacity	TEU	TR-MT-000.G	N/A	N/A

1. Value not be calculated due to lack of time-chartered vessels data

Key Performance Indicators (Drylog-owned and managed fleet)

Adhering to IFRS S1 and S2 and Sustainability Accounting Standards Board (SASB) Classification (2/4).

Framework	Topic	Metric	Unit of Measure	Code	Value	Referenced in Page
SASB / IFRS S2	Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO2-e	TR-MT-110a.1	124,832	12, 23
		Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions targets, and an analysis of performance against those targets	N/A	TR-MT-110a.2	N/A	N/A
		1) Total energy consumed, (2) Percentage heavy fuel oil and (3) percentage renewable	Gigajoules (GJ), Percentage (%)	TR-MT-110a.3	(1), 1,631,102 (2), 17% (3) 0%	12, 23
		Average Energy Efficiency Design Index (EEDI) for new ships	Grammes of CO2 per ton-nautical mile	TR-MT-110a.4	3.697	24

Adhering to IFRS S1 and S2 Sustainability Accounting Standards Board (SASB) Classification (3/4).

Framework	Topic	Metric	Unit of Measure	Code	Value	Referenced in Page
SASB	Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, and (3) particulate matter (PM10)	Metric tons (t)	TR-MT-120a.1	(1) 2101.11 (2) 343.45 (3) 122.00	13, 26
	Ecological Impacts	Shipping duration in marine protected areas or areas of protected conservation status	Number of travel days	TR-MT-160a.1	0	13
		Percentage of fleet implementing ballast water (1) exchange and (2) treatment	Percentage	TR-MT-160a.2	(1) 0 (2) 100	13, 27
		(1) Number and (2) aggregate volume of spills and releases to the environment	Number, Cubic metres (m3)	TR-MT-160a.3	0	13, 27
	Employee Health & Safety	Lost Time Incident Rate (LTIR)	Rate	TR-MT-320a.1	0	14, 27
	Business Ethics	Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number	TR-MT-510a.1	0	15, 38
		Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Presentation currency	TR-MT-510a.2	0	15
	Accident & Safety Management	Number of marine casualties, percentage classified as very serious	Number & percentage	TR-MT-540a.1	(1) 0,(2) 0	14
	Accident & Safety Management	Number of Conditions of Class or Recommendations	Number	TR-MT-540a.2	7	15, 36
	Accident & Safety Management	Number of port state control (1) deficiencies and (2) detentions	Number	TR-MT-540a.3	(1) 4, (2) 0	15, 36

Framework	Activity Metric	Unit of Measure	Code	Value	Referenced in Page
SASB / IFRS S2	Number of shipboard employees	Number	TR-MT-000.A	278	9
	Total distance travelled by vessels	Nautical miles (nm)	TR-MT-000.B	364,965	9
	Operating days	Days	TR-MT-000.C	2,538	9
	Deadweight tonnage	Thousand deadweight tons	TR-MT-000.D	413,281	9
	Number of vessels in total shipping fleet	Number	TR-MT-000.E	7	9
	Number of vessel port calls	Number	TR-MT-000.F	180	9
	Twenty-foot equivalent unit (TEU) capacity	TEU	TR-MT-000.G	N/A	9

Objectives and targets

Environment

Topic		Metric	Short Term (2024)	Mid Term (2026)	Long Term (2028)
Annual Efficiency Ratio (AER)		Year-on-year reduction of Annual Efficiency Ratio, through implementation of: • ship design improvements • ship operation improvements • shorter distance routes • etc…	2%	3%	5%
Ambient Air Pollution (Absolute)	NOx (Tn)	Reduction of NOx emissions YoY	2%	3%	5%
	Sox (Tn)	Maximum sulphur content of fuel, based on IMO and EU guidance	0.5%	0.3%	0.1%
	PM10 (Tn)	Reduction of PM10 emissions YoY	2%	3%	5%

Social

Topic	Metric	Short Term (2024)	Mid Term (2026)	Long Term (2028)
Human Rights	Screening of suppliers: percentage of new suppliers screened	50%	100%	100%
	Supplier Code of Conduct: percentage of suppliers that signed Code of Conduct	10%	30%	60%
	Supplier surprise audits: percentage of suppliers audited yearly	10%	20%	30%
Employee Turnover (Officers)	Wage raises: year-on-year wage raises	On par with inflation	3%	4%
	HR benefits and policies: year-on-year increase of investment	On par with inflation	5%	10%
Supply Chain Corruption	Screening of suppliers: percentage of new suppliers screened	50%	100%	100%
	Supplier Code of Conduct: percentage of suppliers that signed Code of Conduct	10%	30%	60%
	Supplier surprise audits: percentage of suppliers audited yearly	10%	20%	30%

Governance

Topic / Indicator	Target Description and Metric	Reference	Short Term (2024)	Mid Term (2026)	Long Term (2028)
Port State Controls	Average number deficiencies per PSC inspection	SASB / IFRS S2 TR-MT-540a.3	<0.5	<0.45	<0.4
	Number of detentions	SASB / IFRS S2 TR-MT-540a.3	0	0	0

List of Abbreviations

Abbreviation	Definition
ESG	Environmental, Social and Governance
CSRD	EU Corporate Sustainability Reporting Directive
IFRS	International Financial Reporting Standards
IMO	International Maritime Organization
ISSB	International Sustainability Standards Board
KPI	Key Performance Indicator
SASB	Sustainability Accounting Standards Board
V2S	Value2Society
V@S	Value@Stake


Route2
Drylog Ltd