



**m
sc**

23

MSDU 25

MSDU 2318460

2021
SUSTAINABILITY
REPORT



TABLE OF CONTENTS

A WORD FROM OUR GROUP PRESIDENT	04
CEO STATEMENT	06
MSC CARGO DIVISION	08

SUSTAINABILITY AT THE HEART OF OUR BUSINESS	12
ENABLING LOGISTICS DECARBONISATION	32
PROTECTING OUR BLUE PLANET	52

FOSTERING INCLUSIVE TRADE	62
ADDRESSING SOCIAL CHALLENGES	74
OUR PERFORMANCE	90
METHODOLOGY NOTE	92
CONTACTS	94

A WORD FROM OUR GROUP PRESIDENT

Diego Aponte

MSC Group President



2021 proved to be another year of unprecedented challenges. The extended period of uncertainty brought an additional layer of complexity that has profoundly impacted our societies and economies, and we have adapted and discovered a new way to live, work and interact with one another. Looking ahead to a post-pandemic world, we can be cautiously optimistic that this difficult period has made us stronger than ever before as we navigate the new normal.

Unpredictable situations present great opportunities to learn, innovate and improve as we respond to change. The shipping and logistics sector continued to be affected by regional and global supply chain disruptions throughout 2021, with new threats emerging for the entire business community. As we shift from crisis to recovery mode, the role of business has become instrumental as the world looks to us to draw on our agility to overcome challenges and be prepared to meet a wider array of responsibilities. At MSC our efforts remain focused on delivering on these responsibilities, working with partners to advance the global agenda for sustainable development and

reflecting our ongoing support for the United Nations Global Compact's Ten Principles.

In 2021 we were reminded of the extraordinary resilience of humanity reflected by the human power that fuels MSC's business. The expertise and incredible dedication of the global MSC family ensured the world remained connected throughout the pandemic – even at the most difficult of times. MSC people brought our Company's purpose to life, contributing to the economic stability of communities by enabling inclusive trade and ensuring the continuity of global supply chains.

During these transformative times MSC sustained steady growth, and 51 years after commencing our journey we have proudly become the world's largest container shipping line. Building on this organic growth and momentum, with our solid long-term view, we are preparing for further expansion of our business across multiple geographies. This will enhance our global presence, strengthening supply chains and connecting local communities to a global marketplace.

At the heart of any transformation are people and societies.



Our post-pandemic recovery relies on a global trade system that recognises that we are all interconnected and interdependent. At MSC we believe our role implies a responsibility to accelerate action, enabling the positive social impact of trade and building resilience. We seek to leverage our strong position to improve trade sustainability at the global level by securing inclusive and equitable economic growth.

Climate change and inequality are inextricably linked. The social dimensions and impact of decarbonising the world cannot be overestimated and our sector has a crucial role to play in ensuring a just energy transition. At MSC we are fully committed to lead in the transition to a net zero world. The decarbonisation of the global economy will require unprecedented investments and at the same time presents enormous opportunities for innovation and transformative solutions as we design our future.

As a global Company, we are uniquely placed to catalyse change with a direct impact on people and societies in all corners of the world. But we cannot do this alone. True, impactful and enduring change will only come through

multi-stakeholder collaboration and partnerships that inspire and foster a sense of community.

The geopolitical developments of early 2022 have further exacerbated and extended the period of uncertainty initiated by the pandemic, with the fluid dynamics resulting in multi-faceted impacts felt around the world. We see the effects of global events on local communities and economic activity with emerging risks in turn impacting the lives of people and workers. The ongoing crisis reinforces the need for a systems approach, accelerating convergence and mutual trust among public and private sector players and acting together.

Building the world we want requires a renewed understanding of what is meaningful today, and clarity of the potential and priorities for business to deliver positive change. Our global recovery relies on tackling the root causes of the social and economic inequalities of today. In these challenging times, we remain true to our Company's purpose, embedding sustainable development in all that we do and adapting to this new world around us.

CEO STATEMENT

Soren Toft

MSC Chief Executive Officer



December 2021 marked the anniversary of my first year at MSC. While familiarising myself with our Company I have witnessed first-hand the MSC family's unique DNA that proved a source of strength during turbulent times. This strength continues to be fundamental to our ability to anticipate the impacts of the events in Ukraine as well as continued COVID-19-related lockdowns and restrictions. After two years with the pandemic, we live in a changed world. The global community faces a new set of challenges, and once again we are reminded that there is only one way to address these over the coming decades: together. MSC has an increasingly central role to play and we bring a pragmatic approach to the table, fostering innovation and taking concrete action with partners for our collective future. Our commitment to connecting the world is reflected by our roadmap that will guide us in the long-term in addressing sustainable development topics in this period of transition. In today's fluctuating and unpredictable world nothing can be taken for granted. Nor is our stability a given; the ongoing pandemic and events of early 2022 are a reminder that our ecosystems are fragile and vulnerable to risks with

potentially massive global consequences. Designing future pathways will require the integration of environmental and social factors at all levels as we create connections, focusing on our three priorities: enabling logistics decarbonisation, fostering inclusive trade and addressing social challenges. Shipping is a force for good, and we are a key contributor to delivering sustainable solutions. Reliable and responsible shipping and logistics services are of critical importance when it comes to managing contingency, overcoming supply chain disruptions as well as acting and adapting to our changing climate. With MSC's industry leading position comes a commitment to ensure that no one is left behind, making a positive economic and social impact by enabling trade and tackling the growing inequalities. The pandemic continues to shape our systems and decision-making related to global supply chains – with significant implications for trade and economic growth.

The ever-changing restrictions imposed by COVID-19, the blockage of the Suez Canal and temporary terminal closures are some examples of the difficulties our sector faced in 2021, resulting in port congestion, equipment shortages

and constrained capacity. To keep trade flowing, ease congestion and ensure continuity in response to the high demand for our services, we strengthened our network while maintaining a strong focus on mitigating our impact wherever possible. The ultra-large new generation vessels added to the MSC fleet in 2021 offer more energy efficient transport to reduce the CO2 emissions for each container we carry. The extraordinary circumstances resulted in a temporary 2.6% increase in an otherwise downward trend for our carbon intensity.

Decarbonising shipping is key to decarbonising the world and at COP26, our industry stood united in our call for climate action. MSC's ambition is to achieve carbon neutrality across the entire Cargo Division by latest 2050, and we continue to improve our fleet's efficiency using digital tools and new technologies, as well as engaging with energy providers to explore solutions and scale up the production of low- and zero-carbon fuels. In 2021 we launched our carbon insetting programme, offering our customers the opportunity to reduce their supply chain emissions through sustainable biofuel. We see this as a key milestone of our

collective journey to accelerate the energy transition, and with this momentum our ambitions continue to rise towards the net-zero system transformations we need.

At MSC, we believe that decarbonisation goes beyond fuels and technologies and that we need a people-centred energy transition that harnesses the opportunities to discover and develop the talent and expertise our industry will be needing. It is clear that success can only be achieved in partnership with others, and for this reason we are actively engaging in new joint initiatives such as the Maritime Just Transition Task Force, strengthening our collaboration with the United Nations Global Compact, International Chamber of Shipping and the International Transport Workers' Federation, among other industry players.

Looking ahead as we prepare for further growth in the coming months and years, we remain close to our family culture and the foundation of our Company: MSC people. Protecting their health and safety on land and at sea is a top priority. Despite the tough operating environment and the emerging pressures ahead of us, our diverse and dedicated MSC family can overcome anything and deliver.

MSC CARGO DIVISION

Headquartered in Geneva, Switzerland, and part of the privately owned MSC Group, the MSC Cargo Division is a leading shipping and logistics conglomerate.

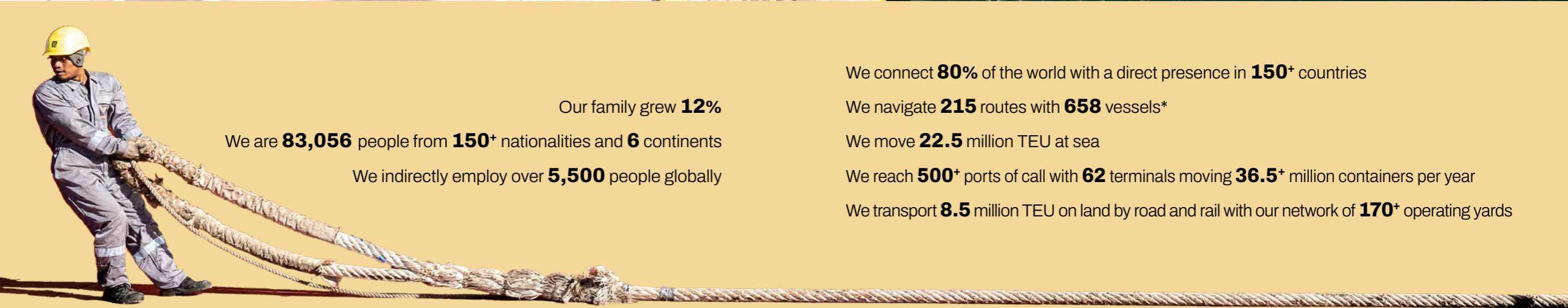
Guided by an innovative, flexible and unique approach to shipping, MSC's visionary leadership transformed a single vessel operation in 1970 into a successful global business with exponential and organic growth. Fifty-one years after the start of our great human story, we became the industry leader. Over time, we have played an essential role in shaping the world as we know it, driven by strong values embedded in the nature of MSC: a family company. We overcame geographic boundaries and connected the world by sea, road and rail, with an inclusive approach towards our people and our communities. Our journey led us to become a crucial enabling actor contributing to global economic growth by driving international trade and fostering the potential of emerging countries. It is our responsibility and purpose to lead the way to a future that we are proud of. Now, more than ever, we commit to doing our very best to navigate the path to sustainable development and tackle the global challenges connecting us all.

OUR PURPOSE

WE CONNECT THE WORLD,
FOSTERING INCLUSIVE SOCIAL PROSPERITY AND ECONOMIC GROWTH,
WHILST RESPECTING AND NURTURING THE HOME WE ALL SHARE,
OUR BLUE PLANET.



CARGO DIVISION



Our family grew **12%**
 We are **83,056** people from **150+** nationalities and **6** continents
 We indirectly employ over **5,500** people globally

We connect **80%** of the world with a direct presence in **150+** countries
 We navigate **215** routes with **658** vessels*
 We move **22.5** million TEU at sea
 We reach **500+** ports of call with **62** terminals moving **36.5+** million containers per year
 We transport **8.5** million TEU on land by road and rail with our network of **170+** operating yards





MSC

MSC

MSC

MSC

SUSTAINABILITY

**AT THE HEART
OF OUR BUSINESS**



BUILDING MOMENTUM, RISING AMBITIONS

While some predicted that the global pandemic would push business action on environmental and social challenges down the priority list, what has occurred is in fact the opposite¹. COVID-19 has resulted in companies ramping up their sustainability pathways as they apply lessons from the pandemic, ensuring they are better prepared to respond to and proactively address existing and emerging global challenges through enhanced action and collaboration. At MSC, sustainability is a top business priority. We recognise the pivotal role we play in connecting the world and take this responsibility seriously. We have a clear **Purpose** for

how our business contributes to a prosperous and thriving global community, and a deep commitment to our blue planet that reflects our passion for the sea.

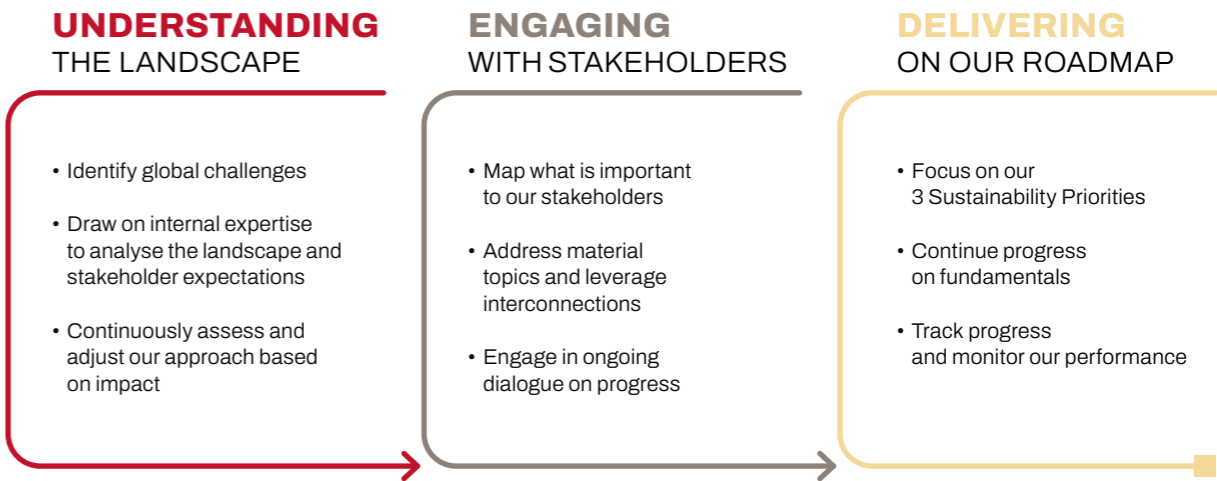
As the pandemic moved into its second year, we were inspired by the rising sustainability ambitions that we see around us, and excited by the growing momentum that is driving positive change across and beyond our industry. Sustainability topics have been elevated to new heights among our stakeholders, and the opportunities for collaboration are only increasing as we continue our efforts to build more sustainable and resilient supply chains.

CONTINUING LEADERSHIP BY ACCELERATING PROGRESS

MSC has a structured and systematic approach to sustainable development, reflected by a clear and comprehensive **Sustainability Roadmap**. We consider what is happening in the world, engaging with our stakeholders to understand our impacts and what is important to them. By reflecting and drawing on these insights as well as our internal

expertise, we obtain a deeper understanding of the critical global challenges the world currently faces as well as the key trends that will shape our future. This informs our ongoing efforts to further embed sustainability across the full activities of MSC.

OUR APPROACH



[1] www.theconsumergoodsforum.com/blog/corporate-attitudes-towards-sustainability-a-growing-priority-as-a-result-of-covid-19



AN EVOLVING LANDSCAPE

As an industry leader with operations in more than 150 countries, MSC's business activities do not exist in isolation. We are part of a bigger picture that goes beyond a single industry or geography, and this landscape is both dynamic and complex. We seek a deep and nuanced understanding of the interconnections between the global challenges of today and the emerging trends that will impact our business, for us to address in the years and decades to come.

2021 was a year of new global challenges, evolving trends

and change, but also a year of hope and resilience. People demonstrated their individual and collective strength at a time of crisis, and as a result we are seeing communities thriving and businesses growing as the world pushes ahead in its recovery. There is much we have learned, and continue to learn, over this ongoing transitional period. Throughout 2021 we have continued our progress in shaping and addressing our priorities, while exploring the opportunities to further accelerate sustainable solutions.

CLIMATE ACTION

Climate action is the defining topic of our era. In August 2021, the United Nations body for assessing the science related to climate change (Intergovernmental Panel on Climate Change – IPCC) published its sixth assessment report² that made clear the increasing pace and intensity of change in our climate, expressing concern regarding humanity's ability to adapt in the face of rising global temperatures. The changing climate is no longer a future concern: in 2021 we saw its impacts in the form of extreme heat, flooding, storms and drought. Socioeconomic systems across the world are expected to be impacted in the coming decades, placing at risk our world's liveability and workability, food systems, physical assets, infrastructure services and natural capital – with broad-ranging implications for companies, governments, financial institutions and individuals³.

With business leading the transition to a low-carbon economy, transport and logistics are increasingly in the spotlight for our enabling role in decarbonisation and the global energy transition. Rising sea levels and more extreme weather events also have major implications for our industry, including the way we manage risk as well as our investments in climate adaptation activities and resilient coastal and inland infrastructure.

Climate change is closely linked and carries implications for other major challenges we currently face in terms of its social impact. While recognising technology as one of the drivers of decarbonisation, the move to a net zero world will require a well-managed, people-centred and just transition for workers, businesses and communities.

[2] www.ipcc.ch/report/sixth-assessment-report-working-group-i

[3] www.mckinsey.com/business-functions/sustainability/our-insights/climate-risk-and-response-physical-hazards-and-socioeconomic-impacts

TACKLING INEQUALITY

Tackling inequality is one of the most pressing topics on the global agenda today. The unbalanced distribution of income, wealth, opportunity, voice as well as access to resources and justice have resulted in social and economic gaps that are wider than ever before. There has been an uneven response and recovery to the COVID-19 pandemic, with the economic fallout affecting countries and communities in different ways. According to the World Economic Forum, 51 million more people are projected to live in extreme poverty compared to the pre-pandemic trend, potentially contributing to polarisation and the erosion of social cohesion⁴.

GLOBAL PANDEMIC AND SUPPLY CHAIN DISRUPTIONS

The global pandemic and subsequent supply chain disruptions have drawn the world's attention to how shipping facilitates global trade. Like many sectors, the rebound in trade flows enabled a relatively swift recovery. However, this recovery has been complicated by bottlenecks and shortages in containers. Congested ports with queuing ships waiting to dock, insufficient storage space at ports and a shortage of truck drivers has also led to delayed deliveries around the world.

Business has the responsibility in addressing these socio-economic gaps, creating shared value and contributing to more inclusive and equitable growth that can be enjoyed by all. Companies have the opportunity to partner with public sector institutions and incorporate innovative and systemic practices into their business models that deliver positive long-term impacts on top of financial returns.

Business action can serve as a catalyst for both social prosperity and inclusive economic growth, generating value through employability, capacity building and infrastructural investments.

To meet the extraordinary demand, maritime actors have taken steps such as introducing alternative ports, extending port terminals' operating hours, expanding container fleets and introducing new routes. While these issues are expected to eventually be resolved, the world has learned important lessons regarding the significance of building more resilient supply chains.

The COVID-19 pandemic has directly impacted the lives of our people, those that have worked tirelessly to keep

global trade moving. Our seafarers have faced – and continue to face – extraordinary difficulties during the ongoing pandemic. While the situation has improved since the peak of the humanitarian crisis at sea in late 2020, challenges remain in returning them home to their families, ensuring crew rotations and vaccination

programmes. According to the Neptune Declaration Crew Change Indicator⁵, 72.8% of the world's 1.89 million seafarers⁶ were vaccinated as of March 2022; however, issues with international travel vaccine recognition and approval are still to be addressed.

A NEW WORLD OF WORK

The massive challenges facing seafarers since the beginning of the global pandemic have consequences for our future maritime workforce, as a career at sea may no longer be attractive. In many cases seafarers have indicated their intention to complete their current contract and not return⁷. Research conducted by industry trade associations predicts a seafarer shortage from 2026, with approximately 90,000 more officers needed to operate merchant vessels⁸.

The pandemic has also triggered an acceleration towards a new and dynamic way of working, benefiting from recent advances in digital technologies. The future of work arrived ahead of schedule, with millions of people worldwide transitioning to remote working – and of which more than 20 percent expect to continue working outside of the office.

Worker expectations have shifted as the pandemic also prompted a reassessment of their relationship to work, the need to thrive and find meaning at work and prioritise balance. Workers expect their employers to ensure diversity, equity and inclusion in the workforce, to be driven by a purpose beyond profits and to demonstrate their commitment to sustainable development.

Companies are adapting their people strategies and responding with new ways to attract and retain talent, including offers of greater flexibility and improved employee experience to future leaders who may otherwise be considering changing roles.

[4] www.weforum.org/reports/global-risks-report-2022 [5] www.globalmaritimeforum.org/neptune-declaration/
[6] www.ics-shipping.org/publication/seafarer-workforce-report-2021-edition/ [7] www.happyatsea.org
[8] www.bimco.org/news/priority-news/20210728---bimco-ics-seafarer-workforce-report



OUR SUSTAINABILITY PRIORITIES



AIMING FOR **CARBON NEUTRALITY**

SUPPORTING **LOGISTICS TRANSITION SOLUTIONS**

MAINTAINING A FOCUS ON **ENERGY EFFICIENCY**



Climate action is a global imperative, requiring collective action as we navigate the energy transition. As a leading company, MSC has a crucial role to play in decarbonising logistics. Collaboration across the supply and value chain is key to enable the investments needed to decarbonise as well as accelerate solutions at scale.

CONTRIBUTING TO **ECONOMIC GROWTH**

BUILDING **RESILIENCE ACROSS THE GLOBAL VALUE CHAIN**

DEVELOPING **LOCAL CAPACITY AND KNOW-HOW**



The global economy relies on transport and logistics to enable trade, generating growth and social prosperity. MSC is in a unique position to create value by connecting local communities, facilitating access to a global market and supporting customers through resilient and disruption-free supply chains.

ADVANCING **HUMAN RIGHTS**

PROMOTING **DIVERSITY, EQUITY AND INCLUSION**

ENGAGING OUR **SUPPLY CHAIN**



We live in an interconnected world where the business of global companies connects and brings prosperity to people and societies. Advancing human rights and ensuring a just transition to a zero-carbon economy are at the heart of MSC business. Our social impact extends beyond our diverse workforce and includes our business partners with whom we work to build a sustainable supply network.

PROGRESSING ON OUR AGENDA

As a family company, we have built strong relationships with our stakeholders and business partners, with whom we are in constant dialogue. These relationships have been central to our business since the Company was founded more than 50 years ago. We listen closely to understand what is important to them, drawing on the insights they share to ensure our defined priorities continue to remain relevant. Our stakeholders' perspectives also help us as we look ahead to what is on the horizon, including our customers' expectations, upcoming regulations, civil society concerns, lessons from other sectors and forthcoming research. At MSC we see sustainability as a collective journey and we continuously explore new opportunities to work with public and private stakeholders across different industries. As we have learned from the pandemic, addressing complex global issues requires concerted action and in today's world, partnerships are more important than ever, and we consider these a key element of MSC's sustainability approach. We are proactive in our engagement with – and at times,

challenging – our business partners. We have closely followed how the pandemic has impacted our customers and pay attention to ensure we continue our enabling role, working together to achieve our shared sustainability ambitions.

ENGAGING WITH STAKEHOLDERS FOR COLLECTIVE ACTION

Contributing to the long-term sustainability of the transport and logistics industry requires joint efforts among members of the ecosystem in which we operate. No single actor can address the challenges the world faces alone. MSC's approach emphasises the need for enhanced collaboration with our stakeholders, leveraging our mutual interests through constructive and strategic alliances. Throughout this ongoing period of uncertainty we have continued to interact closely and deepened the relationships with our partners, which has in turn resulted in greater impact.

We engage with a diverse range of public and private stakeholders, industry associations, governments, non-governmental organisations and other relevant business partners in order to deliver on our sustainability commitments. In 2021, we were particularly active at the international level on various elements of the decarbonisation agenda, interacting with regulators, industry associations and civil society at key meetings of the International Maritime Organisation's Marine Environment Protection Committee. During the UN Climate Change Conference (COP26) in Glasgow, the maritime community united at an unprecedented event that brought together leaders in shipping, energy, politics and finance to discuss efforts to decarbonise our industry. MSC has also contributed technical expertise through bilateral partnerships as well as participating in cross-industry initiatives to advance research and promote the production of low- and zero-carbon marine fuels. Over the past year we have continued to collaborate with our customers to identify new opportunities to address our

respective sustainability ambitions, including supporting the decarbonisation of their supply chain. These partnerships, in addition to the multi-stakeholder platforms in which MSC participates, have demonstrated the value of collaborating with our customers to explore and deliver transition solutions to decarbonise end-to-end logistics. The ongoing engagement with non-governmental organisations and experts on topics related to marine conversation and protection reflects our commitment to restoring ocean health, and we continue our efforts to promote as well as take concrete actions to protect biodiversity and endangered species. Our close relationships with local institutions, companies and communities have been key to our ability to ensure the continued flow of trade throughout the global pandemic. We continue to foster responsible business conduct and advancing the global Business and Human Rights agenda through multi-stakeholder initiatives, both at the international level and with our business partners.

OUR PARTNERSHIPS⁹



[9] Data updated as of 31 March 2022



ACTING ON MATERIAL TOPICS

For MSC’s business to thrive, we need to understand the sustainability issues that are shaping our world today, and those that will shape our world of tomorrow. While MSC’s overall approach to materiality remains unchanged, the ongoing transition has required a continuous review of our material topics to ensure that we remain in line with our **Purpose** as well as reflect the evolving landscape and what we hear from our stakeholders. We also draw on our internal expertise to enhance our understanding of the different markets where we operate across our value chain.

As this period of transition continues, we see the material topics that we identified at the beginning of this decade more relevant than ever. In some cases – such as those related to business resilience – they have been further accelerated as a result of the global pandemic. We consider materiality from both a financial and impact perspective, recognising its dynamic nature and maintaining a forward-looking approach to address the sustainable development topics of relevance today, as well as anticipating those that could become material tomorrow.

MSC’s **Sustainability Roadmap** and **Priorities** are our response to the challenges we face and the topics that are material to our business, and our contribution to addressing the United Nations Sustainable Development Goals (SDGs).

	MATERIAL TOPIC	REPORT CHAPTER
ENVIRONMENTAL CHALLENGES	CLIMATE CHANGE	Enabling logistics decarbonisation
	DECARBONISING LOGISTICS	
	OCEAN HEALTH AND BIODIVERSITY	Protecting our blue planet
	CIRCULAR ECONOMY	
SOCIAL CHALLENGES	HUMAN RIGHTS	Addressing social challenges
	INCLUSIVE GLOBAL TRADE	Fostering inclusive trade
	CLIMATE CHANGE ADAPTATION AND A JUST TRANSITION	Addressing social challenges
	CAPACITY BUILDING	Fostering inclusive trade Addressing social challenges
BUSINESS RESILIENCE	ECONOMIC GROWTH	Fostering inclusive trade
	CONNECTIVITY AND DISRUPTION-FREE SUPPLY CHAINS	
	PROTECTION OF VULNERABLE AREAS	Addressing social challenges
	HEALTHY AND SAFE, DIVERSE AND INCLUSIVE WORKPLACE	

STEERING SUSTAINABILITY ACROSS MSC

We are committed to conducting our business responsibly and to advancing all seventeen SDGs. Through the consistent delivery of our Roadmap, we aim to make a transformative impact on thirteen of them.

We believe in an integrated approach to addressing the sustainable development topics of relevance to our business and see these as strongly interconnected to all three of our Sustainability Priorities. Our approach is guided by the **Ten Principles of the UN Global Compact** and the **UN Guiding Principles on Business and Human Rights**, and we incorporate these along with the SDGs into our business strategies and across our operations, promoting respect for human rights at all levels of our business.

At MSC, we see sustainability as an integral part of our business. We have a clear purpose that we bring to life through the delivery of our sustainability strategy: Our **Sustainability Roadmap**. It sets out the three **Priorities** that underpin our approach to end-to-end logistics, keeping us focused on the areas where we can make greatest impact, addressing and contributing to the delivery of the

global agenda. Recognising the evolving landscape and its implications for our targets, we have designed a set of pillars for each Priority to ensure consistent performance monitoring and reporting as we make progress on each pillar. The Roadmap builds on our fundamentals – those essential activities that we consider an integral part of our daily work, relating to business ethics and compliance, protecting our environment and ensuring a safe place to work – that are key to facilitate our progress and on which many strategic actions and projects depend.

Our **Sustainability Plan** takes into account business-specific topics and reflects our cross-functional and granular approach to sustainability, drawing on the diverse perspectives and collaboration across a range of business units at MSC's Cargo Division. In 2021 we further progressed in mapping, prioritising and integrating a series of more than 80 strategic actions and projects to address specific thematic areas under each Priority, accompanied by a set of targets and Key Performance Indicators (KPIs) to track our progress and maximise our impact.

OUR GOVERNANCE FRAMEWORK

Sustainability is a core component of MSC's business model and corporate strategy. Our approach is long term – reflecting our long-term commitment – and we steer sustainability through our decision-making processes and across our global operations.

Led by the MSC Group President and MSC CEO, the **MSC Cargo Division Executive Sustainability Steering Committee** meets twice annually and is the highest decision-making authority for our sustainability activities. Comprising the Leadership team and senior executives representing a diverse range of business units and MSC entities, it reflects our top management's commitment to fostering a strong division-wide sustainability culture. Setting the strategic direction of our sustainability agenda, the Steering Committee approves the strategic actions and projects of the Sustainability Plan, ensuring alignment and consistent progress to address critical topics at all levels of the organisation.

In 2021 we expanded our governance structure, creating

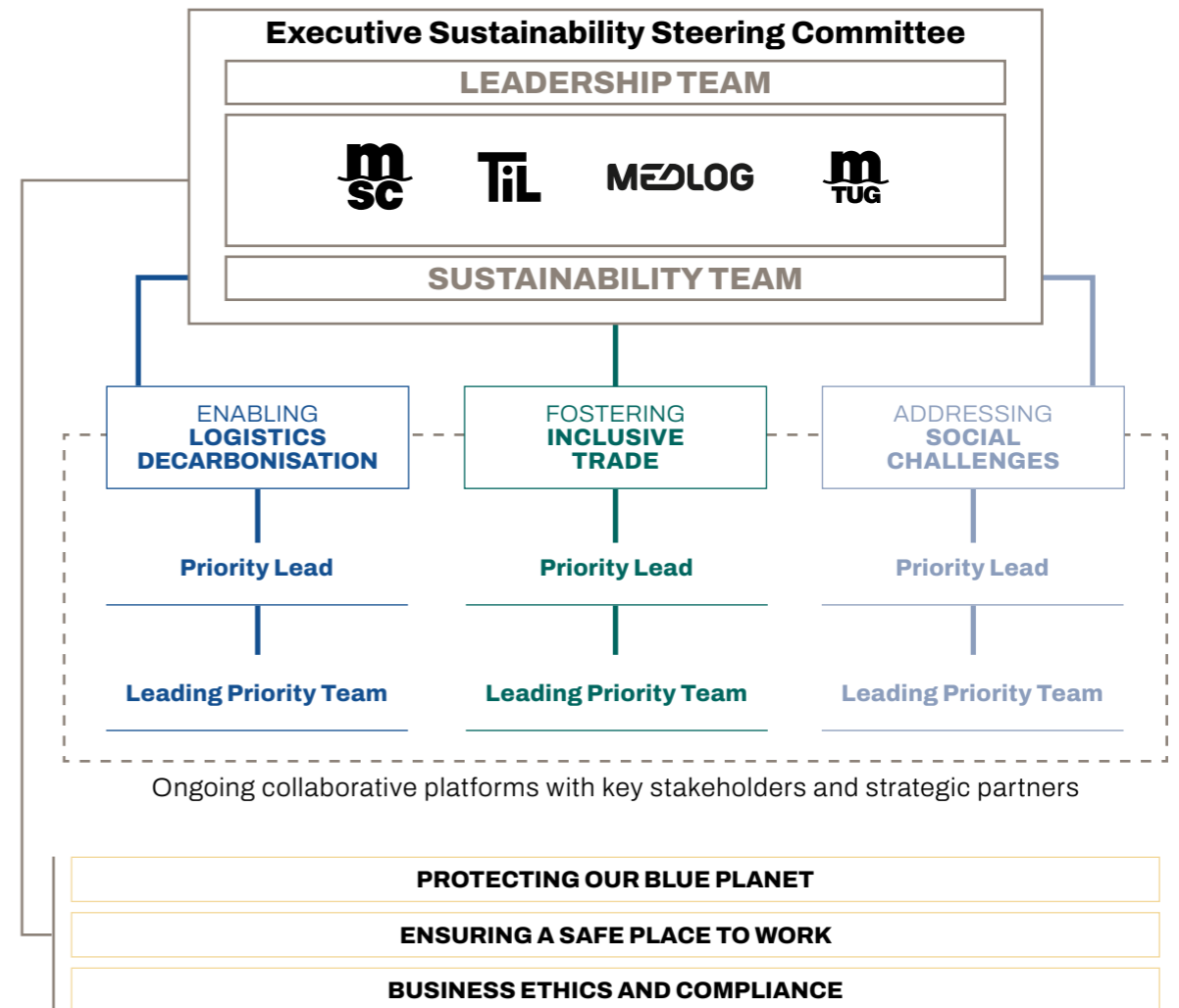
Leading Priority Teams for each Sustainability Priority to accelerate momentum, further sharpen our focus as well as enhance coordination across MSC's Cargo Division. Each Team includes representatives of all key corporate functions, ensuring a balanced mix of competencies and expertise to address specific topics of relevance to the three Sustainability Priorities. Topics related to the fundamentals of our Roadmap continue to be addressed through a central governance structure responsible for business ethics, compliance and safety.

MSC's governance framework also draws on a network of functional representatives that ensure the further integration of sustainability in our business plans and activities. In 2021, functional representatives were key in updating the design and ongoing implementation of the Plan, maintaining dedicated resources to develop and execute strategic actions and projects in coordination with the Sustainability Team.

The **Sustainability Team** acts as an enabler to embed sustainability into day-to-day operations, overseeing the implementation of the Sustainability Plan as well as supporting cross-functional collaboration and cascading sustainable development topics throughout the business. The Team draws on diverse expertise, engaging the Steering Committee and working closely with colleagues and external experts and partners to advance and monitor

progress on our sustainability projects and programmes. Our sustainability data management system tracks progress on the Plan, providing valuable insights and evidence for communicating our performance to our stakeholders and mainly to our customers and business partners, who are showing a growing interest in supply chain data as part of their respective sustainability strategies.

MSC CARGO DIVISION GOVERNANCE





CONDUCTING OUR BUSINESS RESPONSIBLY

At MSC we seek to be known and trusted for conducting our business responsibly and with integrity. Our work reflects MSC core values and it is guided by the **MSC Code of Business Conduct**. We hold ourselves accountable to the highest ethical standards through the implementation of this Code, which addresses compliance with applicable national legislations and international principles and standards, including sector-specific standards and regulations. Following an update of the MSC Code of Business Conduct in 2020, we continued our internal advocacy and training programmes to facilitate global implementation of our Code, conducting 86 training sessions in 2021. A network of approximately 160 local implementers also supports in monitoring compliance with the Code in accordance with local requirements. All employees are encouraged to report any violation of the Code or misconduct via the **MSC Speak-Up Line**, and all cases are investigated in a fair and timely manner.

MANAGING EMERGING AND EVOLVING RISKS

During the first year of the global pandemic we were reminded of how high-impact, low-likelihood events can quickly become material. We learned to adapt and address new and emerging risks, and in 2021 took steps to further strengthen our management of risks to respond to the evolving situation. Risk management is embedded in all decision-making processes at MSC. Our approach follows a systematic **Enterprise Risk Management (ERM)** framework that takes into consideration our material topics and includes an annual review to identify, assess and prioritise, mitigate, monitor and report risks. A key component of our approach is analysing the impact of these risks on sustainable development-related topics, and the results of this analysis are reflected in our Sustainability Roadmap. Among the top sustainability-related risks identified in 2021 are two climate change-related risks including the achievement of decarbonisation targets, as well as the mitigation of physical risks to which MSC's business is exposed and the potential impact on our people and operations, such as weather-related disruptions and related damage costs. The remaining risks emphasise the social impacts of our business, addressing the social and economic impacts of MSC's global operations including the promotion of human rights.

Our changing climate exposes MSC to a range of physical risks due to much of our infrastructure and operations being located in areas that are susceptible to extreme weather events, such as floods, droughts and hurricanes as well as in conflict-affected regions. These risks are expected to grow in the coming years and decades, with consequences for five socioeconomic systems^[10], all with relevance for MSC business: liveability and workability, food systems, physical assets, infrastructure services, and natural capital. Our Sustainability Plan incorporates mitigation actions in response to these risks that can potentially impact our ocean and port operations as well as our inland logistics business, accelerating our decarbonisation efforts and capitalising on adaptation opportunities.

[10] www.mckinsey.com/business-functions/sustainability/our-insights/climate-risk-and-response-physical-hazards-and-socioeconomic-impacts

NAVIGATING A COMPLEX OPERATING ENVIRONMENT

MSC's global operations span different contexts, geographies and jurisdictions, including dynamic and complex environments facing evolving threats to international peace and security and those related to cyber security. We have a robust sanctions compliance programme in place comprising internal controls to reduce the risk of engaging with sanctioned entities or individuals. At the time of writing, the escalation of the conflict in Ukraine in 2022 has created additional social challenges at the national, regional and global level as well as further disruptions in international trade. Since the beginning of the hostilities, MSC has been ensuring that our shipping and inland services operate in full compliance with the international sanctions regime. The MSC Code of Business Conduct strictly prohibits all corruption, passive and active bribery and facilitation payments. Our anti-bribery and anti-corruption programme draw on a range of internal and external initiatives. MSC's anti-bribery and conflict of interest policies are applied and enforced across all MSC operations worldwide, and these are complemented by internal anti-bribery trainings that in 2021 were completed by 6,977 employees. Engaging with external partners is key to driving change and addressing issues relating to anti-bribery and corruption, and we work with both Trace International and the **Maritime Anti-Corruption Network (MACN)** on these topics. We are engaging with over 160 companies through the MACN – spanning Flag States, port agents, shipping companies, cargo owners and ship management – with whom we collaborate on raising awareness and promote

public-private actions to tackle the root causes of corruption. In 2021 MSC joined the Nigerian ports initiative and has been using MACN's Help Desk as support. MSC also maintained throughout 2021 its support to the ongoing campaign in India. Currently, MSC is in contact with MACN's secretariat concerning future campaigns in Bangladesh and Pakistan.

Tackling illicit trade continues to be a challenge for our industry, and core to MSC's anti-illicit trade strategy is a focus on technology and digitalisation – including enhancing security and the use of smart containers as part of our anti-smuggling procedures – as well as cross-sector collaboration and information sharing. We engage our industry peers, our customers as well as public stakeholders such as law enforcement and customs officials in the fight against illicit trade. In 2021 we received a supplier recognition award recognising our efforts to help our customers to detect and stop criminal activity related to transporting fake, contraband or dangerous goods.

The safety of our people at sea is of paramount importance to MSC. The piracy attack on the MSC Lucia in the Gulf of Guinea on 25 October 2021 underscored the ongoing threat our industry faces, and the need for continued cooperation and coordination at the international, regional and national levels as we fight maritime piracy together. We thank those who successfully resolved the incident and ensured the safety of our colleagues including MDAT-GoG, IMB Piracy centres as well as the naval forces operating in the relevant areas for their remarkable efforts that led to their rescue.





ENABLING
**LOGISTICS
DECARBONISATION**



BUSINESS TAKING ACTION FOR OUR CLIMATE

Our changing climate is impacting countries, communities, and businesses with increasing severity, and the world must act. As a leading company whose business both impacts and is impacted by the climate, MSC has a key role to play in accelerating the energy transition as we decarbonise our operations. Climate action – including adaptation to evolving adverse weather patterns – is therefore a strategic imperative for MSC.

MSC is in a unique position to contribute to the decarbonisation of global supply chains. With the scale and breadth of our operations comes a responsibility to show leadership, by pioneering innovative, sustainable and scalable solutions. Thanks to an end-to-end perspective, we aim to reduce emissions across our shipping and port operations as well as addressing those of our inland logistics activities. We both recognise and embrace our enabling role: as we reduce our own CO₂ emissions, we are also helping our customers abate their carbon footprint. We see their growing expectations^[1] as an opportunity for collaboration and greater success.

Dramatic, unprecedented port congestion during the pandemic has demonstrated the fragility of interconnections

between ocean shipping and inland logistics, with ports and terminals acting as key interfaces whilst proving to be subject to great strain under the conditions they faced. Improving such connections – including building further throughput capacity at ports – may lead to increased system efficiency. Viewing the shipping value chain as a continuum through an end-to-end perspective, these efficiency gains have potential to reduce carbon emissions. Further, avoiding modal shifts toward less carbon efficient conveyances offers potential for even more energy and carbon savings.

MSC's ocean operations generate the majority of our emissions, and in 2021 we further ramped up our efforts to contribute to the decarbonisation of the most impactful segment of our business. While the private sector has made clear its commitment and readiness to step up, decarbonisation can only become reality as quickly as required if governments and international regulators establish policy frameworks to incentivise decarbonised shipping and the production of low- and zero-carbon marine fuels, paving the way for a level playing field in the marine fuel space.

2021 saw the introduction of regional regulation on maritime and road transport, with the European Union's 'Fit for 55' package of proposals aiming to reduce the EU's total emissions by 55% by 2030 towards full decarbonisation by 2050, measured against a 1990 baseline. The package is of relevance to MSC's entire Cargo Division, with specific implications for our ocean operations including the revision of the EU Emissions Trading System as well as the introduction of the FuelEU Maritime Regulation, among others. EU regulation will also have implications for our port operations in terms of shore power supply and bunkering of alternative fuels, while new CO₂ emissions performance standards and regulation on road transport are expected to affect our inland logistics.

The **26th UN Climate Change Conference of the Parties (COP26)** held in November 2021 in Glasgow saw unprecedented participation by members of the maritime community, calling for climate regulation to reduce shipping's carbon footprint and incentivise a fourth propulsion revolution. MSC played an active and visible role in this event, and the preparations leading up to it. More than twenty countries signed the '**Clydebank Declaration**',

committing to create six green shipping corridors by 2025 as a means of accelerating the zero-carbon fuels and technologies, infrastructure and regulatory frameworks for the decarbonisation transition.

At COP26 as well as at the International Maritime Organization's (IMO) Marine Environment Protection Committee, we support the establishment of an international research and development fund for decarbonisation, a net zero target for 2050, and a global market-based mechanism – incorporating carbon pricing – to accelerate shipping's decarbonisation.

In 2021 we leveraged our collective efforts to promote and steer the decarbonisation agenda, joining with others – through associations such as the **International Chamber of Shipping**, BIMCO and the **World Shipping Council**, as well as through multi-stakeholder platforms such as the **IMO's Global Industry Alliance to Support Low-Carbon Shipping, Clean Cargo** and the **Getting to Zero Coalition** – to advocate for increased support to first movers leading the way towards net-zero targets.

As a member of the **Getting to Zero (GTZ) Coalition**, we are inspired by our peers across the maritime ecosystem

[1] A group of large cargo owners are uniting with one voice through ambitious initiatives aimed at reducing their Scope 3 emissions with the target of decarbonising their own ocean freight by 2040, as well as committing to directly collaborating with their supply chain partners to support zero-carbon shipping solutions. www.cozev.org

– representing shipping, cargo, energy, finance, ports and infrastructure – with whom we are collaborating and share similar decarbonisation ambitions including getting commercially viable zero GHG emission vessels powered by net zero GHG emission fuels into operation by 2030. We united with more than 230 actors to deliver a joint message to governments by way of the GTZ Coalition **‘Call to Action for Shipping Decarbonization’**¹², calling for national action and policy measures to make ‘zero emission shipping’ the default choice by 2030 and as part of MSC’s support to this initiative, we committed to launching our first net-zero capable vessel by no later than 2030.

Taking leadership to drive the decarbonisation of shipping demands concrete action to promote the wider adoption of low- and zero-carbon fuels. We collaborate with other key stakeholders, capitalising on the interdependencies between our shipping and other sectors providing fuels, distribution systems and infrastructure.

Our ongoing investments in research, trials and pilots are often conducted in partnership with others to support the production and scaling of low- and zero-carbon fuels and technologies. MSC actively supports cross-sector collaboration by engaging with targeted bodies, and in 2021 we joined the **Methanol Institute** to share knowledge and engage with others exploring the use of methanol as one of the long-term fuel solutions available. For the same reason we are also members of the **Hydrogen Council Alliance** as well as participate in the **European Clean Hydrogen Alliance** as part of the European Union’s efforts to support the large-scale deployment of clean hydrogen technologies by 2030. We joined the **Roundtable on Sustainable Biomaterials** and the Sustainable Biomethane Alliance in 2021, and we also fill a leadership role in the **Society for Gas as a Marine Fuel**.

In 2021 we started engaging in partnerships exploring the development and deployment of low and zero-carbon fuels, energy conversion and efficiency technologies, as well as advancing work on a zero-carbon flexible-fuel concept vessel. One such partnership is the strategic alliance we initiated with Shell as a major energy provider, focused on the development of a range of safe, sustainable and competitive technologies and fuel solutions as part of the energy transition of shipping.

MSC also signed a Memorandum of Understanding with the **China Waterborne Transport Research Institute**,

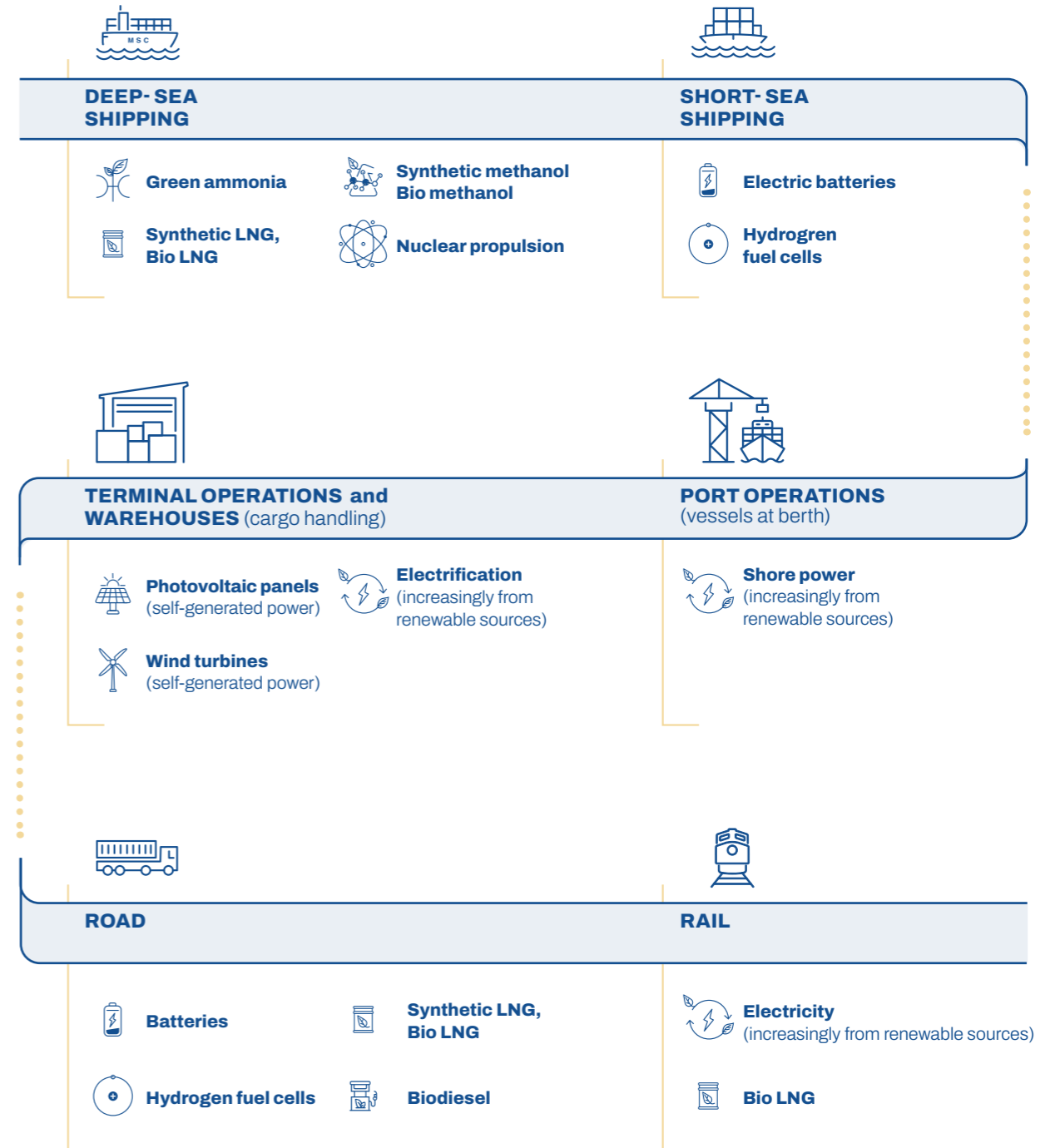
an agency under China’s Ministry of Transport with whom we will explore innovative ways to jointly cooperate on technical research and development, knowledge sharing and activities to accelerate innovation.

As our industry transitions to different energy sources we are seeing a complex and interconnected set of social impacts emerge. The pathway towards decarbonisation will catalyse efforts to accelerate new technologies and innovation with a direct impact on the creation of opportunities, the evolution of supply chains as well as the need for new jobs and skills. These social aspects of logistics decarbonisation are inherently linked to our other Sustainability Priorities, and by supporting a just transition we are also addressing topics related to the creation of new markets and evolving industries at the local level.

Our efforts to decarbonise end-to-end logistics closely tie in with our risk management approach. Of MSC’s top five sustainability-related risks, two are directly related to climate change: fulfilling decarbonisation requirements and targets, contributing to reduce climate change; and mitigating the related physical impacts on MSC’s business, people and operations, such as weather-related disruptions and related damage costs.

MSC’s pathway to logistics decarbonisation focuses on working towards carbon neutrality; supporting logistics transition solutions; and continuing energy efficiency programmes across the whole Cargo Division. More specifically, MSC is engaging in a massive overhaul of its assets as well as a major shift towards new fuels and technologies. New more carbon-efficient vessels, inland vehicles, and onshore equipment are gradually being phased in, while some others will be retrofitted with energy-saving technologies, systems and fuels. Enhanced intermodal solutions can promote a shift from road to rail and last-mile optimisation through an end-to-end perspective. In parallel, partnerships with relevant stakeholders aim to address the obstacles preventing at-scale deployment of the propulsion technologies of the future. MSC advocates for lower-carbon fuels, including biofuels and green hydrogen-derived alternatives, in replacement of conventional fuels. In 2022, MSC will see its first LNG-capable vessels in operation, while ammonia-ready vessels will be added to the fleet as of 2025. MSC has committed to have its first net-zero fuel capable vessel in service by 2030.

FUELS AND TECHNOLOGIES FOR THE FUTURE (CARGO DIVISION)



[12] www.globalmaritimeforum.org/content/2021/09/Call-to-Action-for-Shipping-Decarbonization.pdf

JOURNEY TO NET ZERO SHIPPING

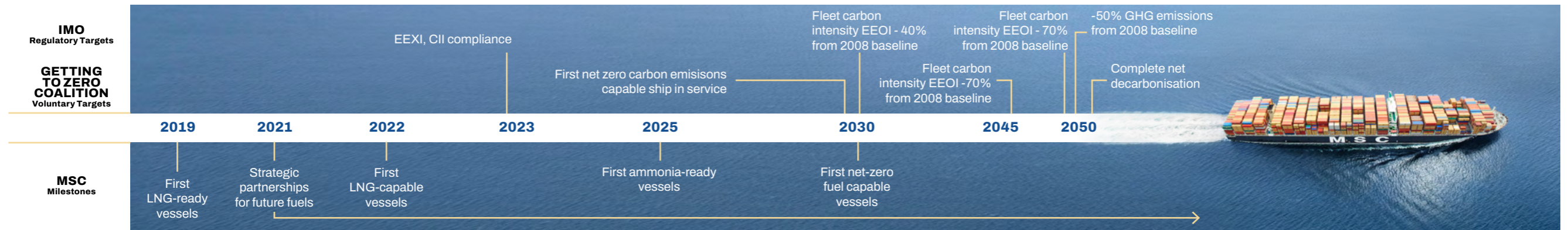
The climate crisis calls for bold ambitions and to reshape our future towards a carbon-free maritime industry. MSC's decarbonisation approach goes far beyond the current levels of ambition¹³ agreed by IMO, raising the bar by adopting the target of achieving net zero decarbonisation

by 2050 – without relying on any external carbon offsetting. Although we recognise a broader need to standardise decarbonisation terminology and its usage, this is what 'net zero' means in practical terms for us.

The disruptions of 2021 saw a dramatic surge in demand on the part of our customers, who rely on us to maintain our services and ensure their cargo is delivered safely and on time. To address this demand and while awaiting the delivery of newbuild vessels, we took immediate steps to increase our TEU capacity and added a significant number of second-hand vessels to our fleet, chartering

trade lanes remains nearly inadequate today, posing challenges for their widespread deployment across our fleet. In 2021 we intensified our efforts towards our net-zero target by capitalising on opportunities to accelerate the transition and make tangible progress today – such as using low-carbon fuels – while continuing research and development on the net zero-carbon energy sources that

OUR DECARBONISATION PATHWAY TO NET ZERO



As we work towards our net-zero target, we have set goals to progressively reduce our carbon intensity (using the IMO's Energy Efficiency Operational Indicator, EEOI) over the course of the coming decades and are continuously reviewing these goals and exploring ways to reduce this further. Since 2008¹⁴ we have seen a progressive

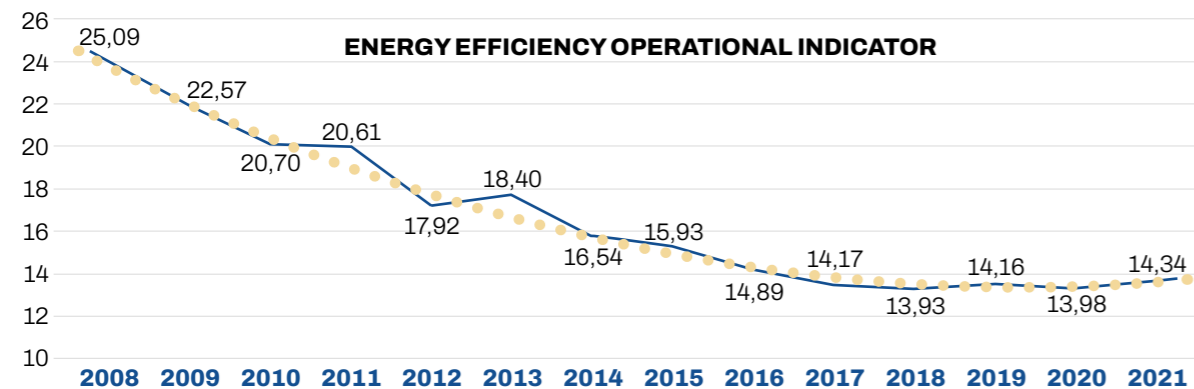
decrease in the carbon intensity of our fleet; however, the pandemic-related supply chain disruptions meant that in 2021 our EEOI temporarily increased to 14.34. This increase of 2.6% can be attributed to the significant additional tonnage¹⁵ that was deployed to meet both demand as well as offset massive port congestion.

vessels as well as adding extra services and routes to our global network. In addition to the 8 newbuilds and 72 second-hand vessels added to our fleet in 2021, we also chartered 20 and retrofit 48 vessels. In coming years the MSC fleet will further expand, with the delivery of 10 energy efficient newbuild vessels in 2022, 42 in 2023 and 42 in 2024. While our 2021 expansion resulted in our EEOI increasing slightly, we expect that the delivery of new and efficient vessels and the completion of the current retrofit programme over the coming years will see MSC's EEOI continuing the downward trend in line with our decarbonisation goals.

will fuel our vessels tomorrow. Rather than using offsetting to fund carbon reduction projects, we are adopting an insetting approach, offering our customers low-carbon fuels such as sustainable biofuel to reduce their emissions within our own value chain. With our investments focused on decarbonising our assets, we currently offer carbon insets and bunker biofuel on-demand to customers engaging in carbon reduction.

Achieving net-zero shipping requires bold leadership and massive investments which carries implications for the coming decades, and we seek to balance our ambitions with reality. While we are encouraged by technological advances and recent innovations that have further improved efficiencies, there remain significant challenges in scaling solutions to decarbonise our industry. The availability of low- and zero-carbon fuels across bunkering ports and

MSC envisages a future that will see shipping draw on a combination of net zero-carbon, long-term fuels. We believe **green ammonia** and **green methanol** will likely become the dominant fuel choices for larger ocean-going vessels, while **green hydrogen** may possibly be used for a number of smaller vessels with shorter refuelling cycles in addition to being a critical feedstock for other fuel options. **Batteries** and **fuel cells** are expected to mostly be used for short-sea shipping, smaller vessels and to supplement existing power storage and generation. **Nuclear power** has been used in a variety of navy ships for many decades, with advantages ranging from greater



[13] The IMO initial strategy on the reduction of GHG emissions from ships (2018) set out a target of reducing the total annual GHG emissions by at least 50% by 2050 compared to 2008, while, at the same time, pursuing efforts towards phasing them out entirely. www.imo.org/en/MediaCentre/HotTopics/Pages/Reducing-greenhouse-gas-emissions-from-ships.aspx

[14] 2008 is the baseline year against which IMO has set carbon intensity and GHG reduction targets [15] The EEOI increase can be also linked to more MSC vessels using Exhaust Gas Cleaning System (EGCS) installations that – while reducing air pollution – decrease vessels' energy efficiency.

efficiency, extremely high power density, and much longer intervals between fuelling (in some cases the entire lifespan of fuel may be onboard at delivery). The latest generation of atomic power reactors might have some long-term potential for container vessels.

In addition to the safety and technical issues that need to be addressed, these zero-carbon fuels also carry implications for the design of vessels they will power in the future. The lower energy density of most future fuels such as methanol, LNG, and ammonia would imply greater onboard (and onshore) tankage – thereby leaving less space for containers and consequently decreasing the energy efficiency per unit of shipped cargo.

In addition to fuels, MSC has been investing in a range

of technologies as part of the energy transition towards achieving our decarbonisation goals. MSC is engaging with partners on retrofitting projects for existing vessels – including the development of onboard carbon capture and storage systems – as well as cooperating with others in designing the ships of the future.

The decarbonisation of shipping requires a holistic and consistent approach that takes into consideration the actions that can be taken today, tomorrow and in the future. While we continue to make progress on zero-emission options for the longer-term, we recognise the importance of working in parallel on transition solutions for the short- to medium-term in addition to adopting additional measures to further improve the efficiency of our fleet.

EXPLORING AND DEPLOYING TRANSITION SOLUTIONS

As part of our decarbonisation pathway, MSC is pursuing transition solutions, including adopting low-carbon marine fuels. In 2021 we continued working with key stakeholders to further explore and evaluate all fuel types for their potential eligibility as transition solutions that can be deployed in this decade. Among the criteria for selection included the sustainability of the fuel (including full lifecycle, or well-to-wake, emissions); its current availability and scalability. Furthermore, as zero-carbon fuels become more widely available, our fuel choices are also influenced by their potential to catalyse an acceleration of our industry's decarbonisation.

Among the fuels we believe will be available in the shorter term, MSC is deploying **bio-diesel (biofuel)** through our carbon insetting programme launched in late 2021, and which we used extensively during 2020. We are also developing future supply chains with energy providers for **biomethane and bio-methanol** as well as **bio- and synthetic LNG**, with these fuels still posing challenges in terms of infrastructure availability at the port level, and the need for significant scaling up of global production. There remain regulatory gaps at the IMO level governing the measurement of the carbon intensity for all three fuels; however, upcoming MEPC meetings are expected to start addressing this over the course of 2022 by recognising well-to-wake (WTW) emission factors for all non-conventional fuels.

Decarbonisation presents an opportunity to collaborate with like-minded companies across the value chain who share similar ambitions. We welcome the opportunity to reduce emissions as we navigate the energy transition, through joint initiatives with our business partners.

In 2021 MSC became a member of the **Roundtable on**

Sustainable Biomaterials (RSB) to share knowledge and learn from other actors in the bioeconomy, as well as contributing our experience in carbon insetting and large-scale biofuel usage towards establishing a robust system for the transfer of carbon insets to third parties, ensuring full traceability of the transactions, as well as avoiding any double counting of CO₂ savings. We also joined with a range of companies and associations to support scaling up of sustainable biomethane in Europe by signing the **Biomethane Declaration** that was presented to the European Commissioner for Energy. As a low-carbon fuel available today, **Liquified Natural Gas (LNG)** offers opportunities to transition to sustainable energy sources by building new vessels with flexible fuel burning capability, and possibly retrofitting some selected existing vessels with this capability. While there remain some issues to be resolved related to the use of LNG fuel, in particular that of methane slip in the engines as well as distribution chains, we continue to work with partners on technologies to address such issues. Our use of LNG throughout the energy transition will evolve, moving from fossil-based LNG to potentially biomass-based LNG as well as synthetic LNG in the future. Among the technologies MSC has been exploring with partners to accelerate the energy transition are the design and development of multiple fuel-capable vessels, including solutions to ensure the readiness of our existing fleet to use alternative fuels including ammonia, methanol and LNG. In 2021 a series of successful trials were conducted of an innovative engine combustion technology platform to enable the retrofit conversion of two-stroke main engines to operate on low- and zero-carbon fuels and fuel blends as they become commercially available.

JOURNEY TO NET ZERO

ENABLING SUSTAINABLE SUPPLY CHAINS

#JourneyToNetZero

CARBON INSETTING USING SUSTAINABLE BIOFUEL

MSC's **biofuel-based carbon insetting programme** is an example of how we are partnering with our customers to reduce their carbon footprint, through an externally verified process that delivers carbon savings regardless of their cargo's ports of origin or destination. The programme generates savings by bunkering biofuel in lieu of conventional marine fuel (resulting in a fuel blend of up to 50% biofuel component), regardless of the bunkering port and the route of the concerned service.

MSC has used second-generation, certified sustainable biofuel (Used Cooking Oil Methyl Ester, or UCOME) as a low-carbon transitional fuel since 2020. Biofuel has similar energy density to conventional marine fuel, does not require any significant adjustments to vessel engines nor compromise their performance and can therefore be used today. While there remain issues related its availability at the scale required for shipping, biofuel is available for bunkering at selected world ports.

While bunkering biofuel is not currently available along all trade lanes, it is possible to deliver CO₂ savings to our customers by way of our carbon insetting programme. Recognising that the environmental benefit of using low-carbon biofuel for our global climate is not dependent on where cargo has been transported, we offer the possibility of transferring CO₂ savings to our customers through an externally verified 'chain of custody' model that ensures the savings are not double-counted. We have developed a transparent and robust accounting system for our carbon insetting programme, providing our customers with independently sourced documentation on the sustainability of the biofuel bunkered as well as assuring the accuracy and integrity of the insetting process.

In view of the immediate viability of biofuel, sustainability of the feedstock, potential magnitude of the associated carbon reduction as well as the clearly defined and transparent process, we anticipate significant and growing demand from our customers. We believe the biofuel-based carbon insetting programme will also serve as a framework for the development of similar offerings incorporating a range of future low- and zero-carbon fuels.

STEPPING UP ENERGY EFFICIENCY PROGRAMMES

Improving our energy efficiency has been a key element of MSC's decarbonisation efforts and we expect this to continue being instrumental in advancing along our decarbonisation pathway. In addition to the efficiency gains generated for those vessels using conventional fuels today, these measures are also valuable in terms of their contribution to improving both the cost and volume profiles of low- and zero-carbon fuels, further accelerating the energy transition.

In 2021 MSC continued implementing our fleet renewal plan comprising both newbuilds and retrofits. We have been working with key partners to develop the design and maintenance of our newbuild vessels to extend their lifespan using 'smart components' and the installation of sensors. MSC's fleet has also benefitted from retrofits to further improve efficiency, including the installation of enhanced bulbous bows and boss cap fin propellers as well as the optimisation of hull anti-fouling coatings and cleaning. For our newbuild pipeline, we deployed an innovative air lubrication technology to further improve the efficiency of our fleet, which is expected to reduce carbon emissions by 1.6 million tonnes over the vessels' lifecycle. In addition to helping us achieve energy and emissions savings, the

system will also help minimise noise, vibration and fouling by way of a 'blanket' of air bubbles across the surface of the vessel's hull, reducing resistance created by the hull as it glides through the sea.

A core component in the implementation of MSC's efficiency programmes is raising awareness and promoting climate action at all levels and across the entire Cargo Division. We continue to train our crew members on specific actions and operational procedures to improve the efficiency of our operations by way of dedicated e-learning programmes and other measures.

MSC has been implementing an advanced data-driven system intended to result in maximum energy-efficiency for our fleet as well as our long-term chartered vessels. The system combines real-time weather data with high-frequency capture of data related to the operating conditions of energy-saving devices installed on the main and auxiliary engines, allowing detailed analysis and adjustment of these devices for optimal fuel consumption. The system allows our voyage planners to determine the optimum route and speed for our vessels. MSC's evolving vessel management will also increasingly rely on the use of Artificial Intelligence (AI) and machine learning.



DECARBONISING OUR INLAND LOGISTICS

Accelerating freight decarbonisation across our inland logistics operations – including road, rail, waterways and our assets in more than 80 countries – is critical for our contribution to reach carbon neutrality from an end-to-end perspective. With the regulatory landscape evolving at a rapid pace, our ambitions continue to rise towards setting concrete decarbonisation targets in our inland logistics business. Our integrated network is key to accelerate our optimisation efforts towards an even more efficient and resilient supply chain.

MSC is a critical part of our customers' and business partners' sustainability journeys, and we are committed to create interconnections and develop shared solutions to reduce our respective carbon footprints. Our inland logistics operations represent a growing part of MSC Cargo Division's business and is expected to further increase in

significance over the coming years. We are committed to reducing our environmental impact while preparing for the steady organic growth of our inland network, currently accounting for approximately 5% of total emissions.

Achieving carbon neutrality in our inland logistics operations requires specific expertise and consideration of a complex range of factors to set targets, optimise the mix as well as design end-to-end multimodal solutions to transport cargo by truck, train and barge. Each mode of transport comes with its own set of skills, regulations, local partners and assets – which in several cases are operated by third parties. Improving the efficiency and developing scalable solutions for our inland network will require the development of robust infrastructure and drawing on our know-how at the local level.

IMPROVING EFFICIENCY THROUGHOUT OUR NETWORK

In 2021 we increased cooperation with partners to identify innovative solutions for our customers – including developing ad-hoc and new business models – to make further progress on our integrated plan, focusing on efficient intermodal connections and shifting to more environmentally friendly modes of transport. We have defined our inland decarbonisation pathway towards our ambition to contribute to progressively reduce our carbon intensity, embracing different modes of transport and operations. As our industry advances towards decarbonisation, we will further engage with our supply chain and investigate the related Scope 3 emissions to inform the design of dedicated programmes, as well as setting specific KPIs and targets.

We continued our investments in more efficient and alternative modes of transport throughout the reporting year, redesigning networks and developing intermodal solutions to connect congested or remote areas while generating less emissions per ton of cargo moved. MEDLOG's network of more than 170 operating yards and inland terminals are strategically located to minimise the distance covered by trucks and maximising the use of rail or inland waterways where viable. We continue to contribute to the development of the new logistics hub in Cortenuova (Italy). Its location in the heart of Europe and proximity to Italy's main industrial

area offers our customers the opportunity to concentrate volumes and connect to Northern Europe's intermodal system. The future main logistics platform is also expected to directly impact the efficiency of all intermodal services, maintenance and empty mileage.

2021 saw an expansion in the MEDLOG and MEDWAY rail network throughout Europe, including in Belgium, Germany, Netherlands and Austria, in addition to our presence in Portugal, Italy and Spain. We continued developing our MEDWAY rail operations and connections between port and inland terminals – many of which are managed by MEDLOG – in partnership with public sector actors, developing long-term agreements with state-owned railways. In 2021, our fleet of locomotives and wagons grew by more than 10% with the addition of new assets, and we expect our increasingly modern fleet to further reduce our energy consumption.

We connect a growing number of river terminals with barges and feeders in Thailand, Turkey and Nigeria. In China, Thailand and Vietnam our waterway solutions have proved critical for intermodal transportation, comprising barge operations of 2 million TEU.

Adopting a similar approach for our road operations, our vehicle fleet¹⁶ grew by 10% in 2021. We have maintained

our focus on fleet renewal through investments in new generation trucks and more efficient shunting tractors to further reduce our emissions.

Digitalisation has driven progress on route optimisation and last mile delivery, enhancing efficiencies as well as facilitating monitoring and improvements in our environmental performance. Our planning efforts have also benefited from digitalisation, increasing triangulations and stock efficiency to reduce empty mileage throughout our road and rail network as well as improving import and export balances.

Efficiency programmes are also directly linked to order management, effective on-time interaction with shippers,

forwarders, carriers and other logistics partners. For example, **MSC Lithuania** used more efficient channels to connect with its trucking partners using a logistics digital platform, encouraging the use of intermodal win-win solutions and creating synergies across the whole logistics chain. This led to better planning and booking faster transportation via carriers, identifying the exact locations of containers, communicating with cargo owners, custom brokers and more. Joint planning and a shared commitment to decarbonisation goals resulted in a marked improvement in truck utilisation and empty run reduction and an abatement of 1,190 tCO₂ emissions.

PROMOTING SUSTAINABLE TRANSPORT THROUGH ART

In 2021 MEDWAY presented its first decorated locomotive, with an installation by Portuguese visual artist and illustrator Kruella D'Enfer. Promoting the use of train as a more sustainable means of transport, this initiative is part of the **European Year of Rail Transport** and in line with the European Union's 'Fit for 55 Package' aiming to achieve climate neutrality by 2050. Rail transport reduces around 70% of emissions compared to road cargo transportation.



[16] Vehicles mainly composed of Euro 6 according to European vehicle emission standards.

EXPLORING DECARBONISATION SOLUTIONS FOR OUR FACILITIES AND FREIGHT

The energy transition is expected to profoundly impact the business of inland logistics, requiring the widespread adoption of decarbonisation solutions in the coming years. At MSC, we continued promoting the scaling up and adoption of alternative fuels and technologies across our vehicle fleet as well as supporting the use of renewable energy for rail operations procured directly from sustainable sources wherever possible. We have also been exploring opportunities of low- and zero-carbon fuels and technologies as they further mature and are scaled up to support the decarbonisation of road freight, including hybrid-electric and all-electric vehicles, fuel cells, LNG, bio-LNG and renewable natural gas (RNG), as well as biofuel. In addition to reducing the emissions of heavy-duty freight trucks, we are also considering those fuels with the potential to address issues related to air quality.

MEDLOG Germany has been testing different technologies such as LNG, hydrogen and electric heavy-duty trucks. As of 2021, LNG trucks represent approximately 7% of its fleet, with this figure expected to grow as we evaluate emerging technologies and related infrastructure needs. In parallel, substantial efficiency measures have been registered in first and last mile delivery. MEDLOG Germany

estimates a 20% reuse ratio whereby import transports are immediately turned into export avoiding time in depot and reducing empty mileage. MEDLOG Germany has also evaluated partnership opportunities with the Bundesamt für Güterverkehr (BAG – associated with the German Department of Transportation), potentially securing access to fleet renewal operations for more sustainable road haulage. Subsidies include safety training for truck drivers as well as the insertion of truck accessories to ensure safety at fleet level and reduce our vehicles' environmental impacts. At our inland facilities comprising depots, inland terminals and warehouses we continue our efforts in improving the efficiency of our buildings. We operate nearly 830 pieces of lifting equipment – mainly empty handlers, reach stackers and forklifts – and have been testing solutions such as battery power to lower our direct emissions. In addition to complying with environmental regulation at the local level, these solutions must also meet our Company standards for noise and air pollution, wastewater effluent and fuel management. Concerning reefers and our cold chain overall, we are committed to ensuring and reporting compliance with applicable regulations, including the Kigali Amendment of the Montreal Protocol on ozone-depleting substances.

MEDREPAIR SOLAR PROJECT

Energy efficiency improvements and the promotion of renewable energy use is also conveyed by our facilities worldwide, representing significant potential CO₂ abatement in our supply chain decarbonisation opportunities. Brick by brick, this could be primarily achieved as we move towards current buildings retrofitting, new buildings specifications and the inclusion of green energy sources such as on-site wind turbine or solar panels. **MEDREPAIR Antwerp** has invested in solar modules covering the entire facility, installing 6200m² of the latest generation monocrystalline solar panels that provide up to a quarter of locally used electricity (1 out of 4 GW a year). Having been specifically developed for rooftop projects, the solar panels have a very high efficiency and are expected to boost demand for solar energy through similar rooftop projects in Western Europe where available land is becoming increasingly scarce. MEDREPAIR is taking major steps into locally produced green energy towards increasing its energy autonomy whilst lowering its carbon footprint.



AT THE GATEWAY BETWEEN LAND AND SEA

In addition to their critical role for shipping and global trade, ports can play a pivotal role in decarbonisation. They have the potential to accelerate the energy transition by facilitating the uptake of low- and zero-carbon fuels and technologies and by providing access to shore power for ships at berth and railway connections for inland logistics. They also provide an opportunity for generating and using renewable energy to power terminals' operations. Ports can also facilitate 'green shipping corridors' – zero-emission maritime routes between two or more ports – as highlighted by the Clydebank Declaration¹⁷ signed at COP26. Cities and communities near ports also stand to benefit from access to renewable energy sources as well as employment, investment and innovation opportunities presented by the energy transition, which in turn can promote growth in local economies and help tackle inequalities. MSC's port and terminal operations are a key part of our business. Our container terminals are at the gateway between land and sea logistics networks. With terminals in 30 countries, Terminal Investment Limited's (TiL) decarbonisation goals reflect our multi-dimensional and integrated approach towards achieving carbon neutrality across MSC's entire Cargo Division. In 2021, TiL continued making progress on defined strategic priorities to reduce CO₂ emissions: (i) adopting innovative and proven technologies to continually improve efficiency and productivity; (ii) collaborating with industry partners

SHIFTING TO ELECTRIFICATION AND RENEWABLE ENERGY SOURCES

TiL has moved to adopting cleaner equipment on its terminal container yards, whilst at the same time continuing to improve efficiency and productivity. A number of our terminals have already replaced diesel-powered rubber tired gantry cranes ('RTGs') with an electrified version ('e-RTG'), thereby reducing direct emissions. Our terminals at the ports of **Navegantes** and **Rio de Janeiro** (Brazil) have all migrated to e-RTGs and the Rio de Janeiro terminal has also halved its diesel-powered reach stacker fleet. Similarly, **MSC Terminal Valencia** (Spain) has installed 6 km of conductor rails to migrate towards e-RTGs. From 2018 to June 2021 this resulted in avoiding more than 5.7 M

to move away from carbon-based energy sources; and (iii) creating new opportunities for smarter systems and more advanced infrastructure.

In 2021, TiL further advanced along MSC's division-wide decarbonisation pathway and we are developing specific KPIs and targets to reduce the emissions of our terminal equipment, buildings and operations. Equipment on TiL's terminal yards has been progressively moving towards electrification and we are working with partners to improve energy efficiency, adopt transition fuels and use renewable electricity to power our buildings and equipment.

At TiL we are continually reviewing our long-term investment plans to ensure they consider our emissions reduction ambitions, balancing this against an assessment of technology, availability of low-carbon fuels and electricity, and impact on enterprise value. In the short- to medium-term, TiL is considering full electrification of its terminals where appropriate, and sourcing low-carbon electricity where available. Other terminal infrastructure investment plans include the installation of onshore power supply at more terminals.

TiL has continued to step up efforts in response to the supply chain disruptions, including the deployment of smarter systems (for example, vehicle booking systems) and processes (extending opening times at gates) to ensure more robust and seamless supply chain interconnections.

Kg CO₂ and regenerating almost 215,000 kWh to the grid. As part of its emissions reduction strategy, and in parallel with the ongoing electrification process, our terminals are also embracing low carbon energy sources, both by switching to green electricity contracts where available and promoting electricity generation from renewable sources on-site. Our **Port Newark Container Terminal** (New Jersey, USA), for instance, has contracted a solar energy supplier to design, procure, construct, operate and maintain 7.4 MWh solar energy arrays capable of generating 45-50% of PNCT's electrical demand from photovoltaics. In **Asyaport Terminal** (Turkey), photovoltaic panels installed

on the roof of facilities power the terminal's buildings and there are plans to install additional solar panels off-site. Our terminal in **Antwerp** (Belgium), alongside large-scale electrification, has looked to source a greater proportion of its electricity needs from green energy sources to mitigate

the potential resultant increase in Scope 2 emissions. Since 2017, terminal electricity needs have been met with a 100% renewable energy supply from wind turbines off the Belgian coast. Since 2019, 50 charging stations were installed on the terminal for employees' electric bikes.

SAVING FUEL AND IMPROVING EFFICIENCY

Our terminals have also been upgrading lighting with more efficient technology to reduce electricity consumption. At **Basrah Multipurpose Terminal - Umm Qasr** (Iraq), the installation of 550 new LED lights in 2021 resulted in 25% less illumination consumption (representing about 2.1 MWh of yearly electricity savings). At **Long Beach - TTI Terminal** (California, USA), 70% of the halogen lights

on our ship to shore cranes have been replaced by LED lights. LED flood lights not only consume less power to deliver the same LUX strength as halogen lights, but their life expectancy is also much higher.

There has also been a switch to hybrid straddle carriers in a number of terminals, resulting in emissions reductions and savings on fuel cost. **Khalifa Port - Abu Dhabi Terminal**



[17] www.gov.uk/government/publications/cop-26-clydebank-declaration-for-green-shipping-corridors/cop-26-clydebank-declaration-for-green-shipping-corridors

(United Arab Emirates) has introduced 35 electric-diesel hybrid straddle carriers and reduced their hourly fuel consumption by around 36%. **Gioia Tauro - Medcenter Container Terminal** (Italy), Italy's largest container terminal by total moves, is also planning to introduce hybrid straddle carriers to achieve similar reductions. To address the high stopping frequency of terminal tractors, and their associated emissions, the **Montréal - Termont Terminal** (Canada) retrofitted terminal tractor engines with a hybrid starter generator. Termont has since upgraded

TRIALLING LOW-CARBON ENERGY SOURCES

In collaboration with industry partners, our terminals are exploring ways to move away from carbon-based energy sources. **MSC Terminal Valencia** (Spain) is conducting trials of hydrogen-powered equipment – including a hydrogen-powered reach stacker and a hydrogen refueling station – as part of a joint European Union and Hydrogen Europe programme to boost low- and zero-carbon port operations which are expected to result in a reduction of 128,000 kg of CO₂ per year per reach stacker.

SHORE POWER

Shore power has been installed at four TiL terminals already, including **TTI Long Beach Terminal** (California, USA), **Port of Seattle - Terminal 5** (Washington, USA), **Port of Ashdod - Hadarom Container Terminal** (Israel), and **Ningbo Port - Ningbo Gangji Terminal** (China). Encouraged by our experience at TTI, where vessels calling at the terminal have reduced their emissions by 80-90% and the terminal has benefitted from selling carbon credits generated by the shore power service, TiL is currently planning to install onshore power at eight more terminals worldwide.

With TiL's technical expertise combined with its terminal network in strategic locations, we are well-placed to act as an innovation hub for low- and zero-carbon solutions.

its entire fleet of 62 tractors, resulting in fuel and engine hour savings as well as reducing the terminal's emissions. Emissions of nitrogen oxide and particulate matter were also significantly reduced.

In its newest quay cranes, **Antwerp Terminal** (Belgium) is also using a sophisticated energy recovery technology. When releasing and braking, the energy emitted is collected by the generator and, as a result, the cranes consume 60% less energy.

Partnerships with the public sector to trial low carbon energy sources are key, in Europe and beyond. Our **Houston Terminal** (USA, Texas) also participates in the Texas Emissions Reduction Plan (**TERP**) every year. TERP encourages the use of alternative fuels for transportation in Texas and provides financial incentives to upgrade older heavy-duty vehicles, non-road equipment, locomotives, marine vessels and stationary equipment.

We participate in a number of collaborative initiatives with both global and local partners who share our vision and are constantly seeking new opportunities to join with others to decarbonise our industry.

MSC continues to actively engage in the **Digital Container Shipping Association** (DCSA), which we currently chair. Among the group's 2021 achievements was the publication of standards to enable Just-in-Time (JIT) port calls¹⁸, allowing carriers, ports, terminals and other service providers involved in a port call to exchange event data as well as enabling automated data exchange. By reducing the amount of time a vessel is idle, we can optimise its fuel consumption and the vessel speed, minimising inefficiencies upon arrival or in port which in turn reduces our emissions.

[18] dcsa.org/resource/dcsa-publishes-complete-framework-of-just-in-time-standards-for-main-port-call-activities





PROTECTING
OUR BLUE PLANET

CONTRIBUTING TO SUSTAINABLE OCEANS AND LAND-BASED ECOSYSTEMS

As maritime citizens of the ocean, we are committed to ensuring the ongoing health of our ocean home. Covering almost three quarters of our planet, our oceans produce half of the world's oxygen and regulate our climate. The blue economy has an estimated value of USD 3 trillion per year and presents major economic opportunities, with marine and coastal biodiversity providing livelihoods for over three billion people¹⁹.

Our changing climate is impacting the way we live and the way we do business, both on land and at sea. Extreme weather events and temperatures, increased precipitation and rising sea levels are leading to a loss of biodiversity and rendering coastal communities more vulnerable. Our oceans are key to reducing our global carbon footprint, absorbing 30% of carbon dioxide produced by humans.

The **UN Decade of Ocean Science**²⁰ (2021-2030) has served as a reminder of the importance of the maritime industry's role in understanding the marine environment in which we operate. MSC has been increasingly active in collaborating with diverse range of ocean-related stakeholders, recently entering new partnerships, including the **UN Global Compact's Ocean Stewardship Coalition**²¹, the **Ocean 100 Dialogues**²² and the **World Ocean Council**²³. In 2021 we continued our collaboration with the **North American Marine Environment Protection Association (NAMEPA)**, promoting sustainable marine industry best practices and educating seafarers, students and the public about the need to protect global ocean, lake and river resources.

[19] www.un.org/sustainabledevelopment/oceans [20] www.oceandecade.org [21] www.unglobalcompact.org/take-action/ocean [22] www.weforum.org/ocean-100-dialogues [23] www.oceancouncil.org

PROTECTING BIODIVERSITY AND ECOSYSTEMS

As MSC's business expands across our ocean-going, inland and port operations, we acknowledge that with growth comes a need to continuously monitor our impact on the environments in which we operate. Our approach aims for consistency in the way we address the complexities of our operations in terms of their potential impacts. We engage in dialogue with experts and research to inform our operational decision-making, prioritising the protection of biodiversity, ocean health restoration and the safeguarding of our marine and land habitats. While essential for safe shipping, ballast water may pose risks to local communities and ecosystems due to invasive species carried in ships' ballast water. At MSC, we recognise our responsibility to preserve the integrity of marine ecosystems by **reducing the risk of invasive species** in compliance with the International Convention for the Control and Management of Ships' Ballast Water and Sediments²⁴ (Ballast Water Management Convention, BWMC).

In 2021, we continued upgrading our ballast water systems to ensure their BWMC compliance, conducting frequent water sampling and monitoring. In 2021 we made progress

on the installation of an additional 19 ballast water treatment systems on MSC vessels. To date, more than 60% of our ships have ballast water treatment systems installed and we are on track towards installing these systems across our entire fleet by 2024 in line with the BWMC. MSC crew members receive training to support the successful implementation of BWTS, while live data capturing and monitoring systems ensure BWMC compliance at all times and are reviewed on an annual basis.

We continued our active engagement to avoid disrupting sensitive and protected marine environments and wildlife, including **reducing underwater noise** from MSC vessels as much as possible. In addition to changing our routes to avoid whale habitats, MSC has incorporated underwater noise considerations in our ship design, building and retrofits, installing propeller boss cap fins to improve propeller efficiency and cavitation and lowering noise levels on our entire fleet. The IMO's 'Guidelines for the reduction of underwater noise from commercial shipping to address adverse impacts on marine life'²⁵ were reviewed in 2021 and we are committed to ensure its implementation across MSC operations.

[24] www.imo.org/en/OurWork/Environment/Pages/BallastWaterManagement.aspx [25] www.imo.org/en/MediaCentre/HotTopics/Pages/Noise.aspx

STANDING FIRM ON OUR COMMITMENT TO AVOID HARMING THE FRAGILE ARCTIC ENVIRONMENT

MSC continues to take a strong stance on avoiding routes along vulnerable and specific areas. Since 2019, we have been clear in our resolution to avoid the Northern Sea Route, and we advocate for our industry peers to join MSC in our position that we have held since 2019. We commit to put the preservation of the Arctic environment ahead of profits and will not seek to cut through the melting ice to open a new trade route, regardless of the current market challenges nor as shortcut for the decarbonisation of shipping. In addition to threatening fragile marine ecosystems, traffic may also affect the way of life and livelihoods of local communities along the Arctic route.

An expansion of Arctic shipping could increase the impact of black carbon emissions – physical particles of unburned carbon – as well as compromising air quality and accelerating the shrinkage of Arctic sea ice. When black carbon settles on snow or ice it turns it darker and reduces its ability to reflect the sun's rays. This affects the Earth's albedo (reflectivity and radiation of light) accelerating the pace of global warming, leading to more heat being absorbed into the ocean and land.

Risks such as navigation incidents, fuel spills, air quality and altering the ecological balance and biodiversity of the marine habitat beneath the surface of the sea also outweigh any commercial opportunities to make a short cut between North America or Europe and Eastern Russia or Asia.





©Pelagos Cetacean Research Institute

CHANGING ROUTES TO PROTECT THE GIANTS OF THE SEA

MSC is the first major shipping line to re-route our ships on the west coast of Greece to **reduce the risk of collision with endangered sperm whales** in the Mediterranean. After discussions with four major environmental NGOs, we took swift action to re-route our ships in this area to safeguard the critical habitat and protect the remaining 200 to 300 individuals that live in this area. More than half of the sperm whales found stranded on the Greek coast in this region show evidence of vessel strikes – notably more than any other whale population globally.

IFAW, OceanCare and **WWF Greece** are working in collaboration with the **Pelagos Cetacean Research Institute**²⁶, which has been studying the eastern Mediterranean sperm whale population since 1998. These studies have identified the Hellenic Trench, to the west and south of the Peloponnese and southwest of Crete, as critical habitat for these whales. The area of most concern is currently a major container shipping route, making this re-routing a substantial contribution to the survival of these at-risk whales.

We continue to follow the ongoing discussion related to the Conference of Parties to the Agreement on the Conservation of Cetaceans of the Black Sea, Mediterranean Sea and contiguous Atlantic area on joint measures to protect cetaceans in the North Western Mediterranean region.

“By making small re-routing changes, MSC is making a significant difference for these endangered whales...Now we need other shipping companies to show similar leadership – if all ship traffic using this area made these minor adjustments, the ship strike risk to sperm whales would be reduced by almost 75 percent.”

- NGO Coalition comprising International Fund for Animal Welfare (IFAW), OceanCare and WWF Greece

[26] www.oceancare.org/en/major-shipping-company-helps-save-endangered-sperm-whales-in-the-mediterranean

Every year, 11 million metric tons of plastic waste flow into our oceans²⁷, affecting coastal communities, and more than 800 marine and coastal species through ingestion, entanglement and other dangers. MSC is encouraged by the building momentum on plastic waste, including the recent move at the UN Environment Assembly (UNEA) to forge by 2024 an international legally binding agreement to end plastic pollution.

TIL's terminals in Freeport, Bahamas and Sines, Portugal have comprehensive programmes to remove debris and trash from coastal spaces as well as raising awareness on waste and water pollution. Between 2013 and 2021 more than 5.4 tons of garbage were collected from beaches in the vicinity of our Freeport terminal. Our Freeport terminal is also engaged in a green spaces initiative, whereby a variety of trees, flowering plants and bushes have been planted at the terminal by employees volunteering their free time.

Forests are crucial elements of our ecosystem and powerful mitigators of greenhouse gas emissions, and as part of our biodiversity-related activities we engage in ongoing

reforestation programmes around the world. Our reforestation project in the region of Valparaiso in Chile has made progress with 200 endemic trees already planted by MSC and MEDLOG volunteers in 2021. Following forest fires in Turkey, MSC and MEDLOG Turkey and Asyaport Terminal donated 25,000 trees to TEMA, the Turkish Foundation for Combating Soil Erosion's reforestation programme.

The global pandemic has impacted the operations of **illegal wildlife trafficking** networks and while there has been a drop in cases detected via passenger channels, there is evidence²⁸ that traffickers have adapted their practices and have been using cargo shipments instead. MSC has a robust in-house system to identify high-risk cargo, which we are continually refining to monitor risks and detect illegal wildlife trade. The topic is also incorporated in our internal trainings to raise awareness among MSC people of our critical role in reporting and disrupting trafficking activities. MSC is a signatory of the **Buckingham Palace Declaration to Fight Illegal Wildlife Trafficking**, working with others through the United for Wildlife Transport Taskforce.

[27] www.unep.org/news-and-stories/press-release/historic-day-campaign-beat-plastic-pollution-nations-commit-develop



ENGAGING YOUNG PEOPLE AND TAKING ACTION TO PROTECT MARINE LIFE

In 2021, **MSC** and **MEDLOG Costa Rica** together with the **MSC Foundation** and in collaboration with non-profit Ecology Project International launched **Together for the Turtles**, a conservation project based in the Limón province on the Costa Rican coast. Comprising almost 2,000 acres of tropical forest and six kilometres of coastline, the Pacuare Reserve is home to the fifth most important nesting site for endangered leatherback sea turtles.

Together for the Turtles aims to provide young people with the tools to play an active role in developing innovative solutions to environmental problems in their local marine ecosystems. Sixty employees from MSC and MEDLOG offices in Bolivia, Costa Rica and Chile as well as MSC offices in Colombia, Ecuador, Peru and Venezuela will work with staff from the centre to engage 120 young people (14-18 years) in a virtual sea turtle monitoring programme at the Pacuare Reserve.

TiL's **Lomé Container Terminal** (Togo) has been engaged in protecting endangered marine turtles since 2012, convening a team of experts to facilitate activities including monitoring and data collection, recovery and release of captured individuals, transplantation of nests into incubation enclosures and the protection and release of newborns into the sea. The programme has also resulted in recording a fifth species of local marine turtle (*Caretta caretta*), in addition to the four species already frequenting the Togolese coasts.

MAKING A POSITIVE CONTRIBUTION AND LIMITING OUR IMPACTS

At MSC, we seek to make a positive contribution to our oceans and land-based ecosystems while limiting any negative impacts. We take responsibility for the footprint of our Cargo Division's operations, and our efforts remain focused on continually learning and improving our processes, procedures and performance in the areas of air quality, noise, waste and resource management.

REDUCING AIR POLLUTION

Sulphur emissions from shipping impact air quality in coastal zones and contribute to the acidification of our oceans, affecting the overall marine ecosystem. MSC's efforts continue to focus on lowering and limiting SOx emissions in compliance with IMO 2020 and NOx emissions, including: (i) establishing the supply chain for low sulphur fuels; (ii) ensuring IMO implementation on board; and (iii) hybrid Exhaust Gas Cleaning System (EGCS) installations that

We strive to go beyond compliance and operational risk management across all our activities on land and at sea. MSC's ocean-based and terminal activities are ISO 14001 certified, helping us better manage environmental performance by further reducing our impacts and through more efficient use of our resources.

can operate in both open and closed loop. To date, 30% of MSC vessels have been retrofitted with hybrid systems. On the inland side, we continue our focus on fleet renewal to minimise the impact of heavy-duty vehicles in terms of air pollutants such as NOx, carbon monoxide (CO), non-methane volatile organic compounds (NMVOCs) as well as particulate matter (PM) emissions.

[28] undp-biodiversity.exposure.co/turning-the-tide [29] www.marin.nl/en/jips/toptier

MINIMISING WASTE

In 2021 we generated 351,704 tonnes of waste across MSC's Cargo Division. It includes both hazardous & non-hazardous waste. We are fully compliant with the applicable legislative requirements for waste management in every country in which we operate and we comply with all requirements of MARPOL. MSC's management protocols fleetwide are designed to prevent any waste from reaching the sea, and we have installed accommodation units onboard the great majority of our MSC vessels that generate the necessary cleaning material, reducing the need for single use plastic bottles on board.

In 2021, there were four hydrocarbon spills of residues, fuel, oil and scrubber water in the USA, Ghana, Belgium and Turkey. In all cases the spill was immediately cleaned, followed by an investigation in cooperation with the local authorities to identify and rectify the cause. To prevent future spills, we conduct regular trainings and drills on MSC procedures for our crew members to minimise any negative impacts related to our operations.

No MSC containers were lost at sea from MSC operated

vessels during the reporting year, reflecting our experience and learning from past incidents and the strict safety protocols implemented by MSC immediately afterwards. We regret the loss of 546 MSC containers that were lost overboard from our partners' vessels. We are committed to ensuring the safe transportation of containers and in 2021 joined the **TopTier Project**²⁹ to collaborate with our peers and stakeholders to avoid their loss.

To address the issue of organic waste, **Port of Santos – Brasil Terminal Portuario** (Brazil) has developed a partnership to compost waste generated during gardening and food consumption. In return for sending waste to the composting plant, the terminal receives fertilized soil in return. Around 23.8 tonnes of organic waste have been sent for composting since the project started in late 2021. As a circular economy initiative, our terminal in **Iskenderun** (Turkey) has set up a waste supply centre for employees to exchange unused clothes, bread, battery, toys, books and vegetable oil.

MANAGING OUR WATER RESOURCES

MSC is committed to manage our water resources responsibly on our ships (see paragraph on MARPOL) as well as at our terminal and our inland logistics operations. At our **Rio de Janeiro Terminal** (Brazil), automation of water consumption has been in place since 2020 and has reduced water consumption by 39%. Our **Navegantes - Portonave Terminal** (Brazil) is piloting a rainwater collection and treatment system for its container washing pit project and is planning to minimise its reliance on the public potable water system. At our **Antwerp Terminal** (Belgium), rainwater is collected onsite in collection tanks and is used for sanitary facilities and cleaning machines. At the **Port of Las Palmas - OPCS Terminal** (Spain), a wastewater treatment system was installed to ensure that the run-off from rainfall or machinery-cleaning entering the port sewerage system is hydrocarbon-free, securing an ISO 14001 certification and resulted in a bonus being awarded to the terminal from the local port authority. Our

Bettolo Terminal (Italy) is equipped with a stormwater treatment system integrated with a spill management system to prevent the pollution of receiving water bodies, with software to distinguish dry from wet weather conditions based on historical data collected by the monitoring system. To minimise wastewater discharge into the sea and minimise road transportation of waste, **Trieste Terminal** (Italy) has connected its sewer to the Port of Trieste's purification plants, which are equipped with a liquid-solid separator. In MSC's container repair facilities, we adopt cleaning methods that avoid polluting local waterways with toxins, using biodegradable additive and natural solvents where possible. In Latin America, **MEDLOG Chile** ensures its wastewater is treated using 'activated sludge' where microorganisms and stabilizing chemicals enable its reuse, while **MEDLOG Bolivia** uses water decantation wells to separate solid waste and oil from water during container cleaning.

OUR RESPONSIBILITY EXTENDS THROUGHOUT THE LIFECYCLE OF A SHIP

At MSC, we have a strong commitment to ensure the safe, sustainable and responsible recycling of our ships at the end of their operational life. We recognise our industry's end-of-life challenges and are committed to promoting the respect for human rights including labour rights and supporting the welfare of our supply chain partners, including those working at the yards where MSC ships are recycled. We take recycling into consideration throughout all stages of a ship's lifecycle – from newbuildings to operations to dismantling – and incorporate circular economy principles wherever possible. While steel from the ship's hull is the primary material for recycling (75-85% of a ship³⁰), there are also valuable opportunities for recycling furniture and fixtures. The reuse and repair of machinery and other components extends their life, reducing their environmental impact and the need for raw materials and related production processes. When an MSC-owned ship reaches the end of its operational life, we seek to make a positive contribution by supporting

the local ship recycling industry. In addition to enabling the livelihoods of people working at shipyards, ship recycling-related activities generate local economic growth, with surrounding communities benefiting from local business activity related to the sale of recycled materials. We are also engaging with other stakeholders to improve conditions at shipyards to promote a safe and responsible ship recycling industry, including participation in European Union delegation visits to Alang, India.

We monitor our ships throughout their operational life to inform decision-making as our ships approach end-of-life. We also conduct on-site audits and vetting of approved recycling yards to check compliance with applicable regulations and requirements, including on social and environmental matters. During the dismantling process, MSC receives regular reports from the shipyards to ensure the respect of working conditions and practices, as well as proper waste management and handling of hazardous

materials. In 2021, a dedicated Safety Inspector has been appointed to further enhance our auditing processes in the ship recycling facilities at Alang. Due to COVID-19 related restrictions, we were not allowed to conduct on-site audits, therefore we have continued to monitor compliance in collaboration with the shipyard as per current practices. MSC receives regular reports from the shipyard to ensure safe working conditions and practices, as well as proper waste management and handling of all hazardous materials.

In 2021 no MSC owned ships were sent for recycling. When we recycle, the process is conducted in accordance with the MSC Ship Recycling Policy, which stipulates the selection of shipyards that are certified compliant with the technical provisions of the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships (HKC)³¹. In cases where an MSC vessel is sold for further trading, we require that the buyer undertakes safe and

environmentally sound recycling practices according to the standards of the Hong Kong Convention.

We welcome the remarkable evolution and improvements we have observed in Indian ship recycling facilities which extend to providing accommodation and medical facilities for shipyard workers. More than 90 out of more than 150 yards are HKC compliant and meeting the requirements of the India Recycling Act 2019 which aims to double the country's recycling capacity by 2024.

At Alang shipyards, we have seen significant advances in spill prevention, response and contingency planning as well as waste handling and drainage facilities, with ground water and soil periodically analysed to monitor and prevent contamination. We are also encouraged by the increased emphasis on the safety and health of shipyard workers, with training programmes developed in collaboration with the local government.

[30] www.sustainableshipping.org/resources/shippings-transition-to-a-circular-industry

[31] While adopted in 2009, the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships is not yet in force due to the requirement of three criteria to be met.





FOSTERING
**INCLUSIVE
TRADE**

GENERATING SOCIAL PROSPERITY BY CONNECTING THE WORLD

The second year of the COVID-19 pandemic has made clear the close connection between trade, social prosperity, poverty reduction and economic growth. The pandemic's impact on our lives, communities and economies has been profound, exacerbating existing structural and systemic inequalities due to our interconnectedness and interdependence. Unequal vaccine access, rising debt levels and an increase in learning poverty due to prolonged school closures are contributing to inequality. Collectively, these factors are reversing gains in development and threatening to give rise to political unrest and instability in the future. The uneven response and recovery to the pandemic has affected developing and developed countries differently, with the growing gaps pushing vulnerable groups back into poverty. The inequalities of today are resulting in wasted human and financial resources while others are consuming in excess. The world must unite to address our joint responsibility to foster an inclusive post-pandemic recovery, with business stepping up its role in building a more resilient society and

rebalancing the creation and distribution of value. With our expansive global reach and operations in more than half of the world's least developed countries – which are particularly dependent on trade for economic growth due to their limited social protection to spur recovery – MSC is uniquely placed to contribute. We believe our role implies a responsibility that goes beyond transporting cargo. By creating connections, we help secure fragile economies around the world by enabling access to trade, reducing inequality through inclusive and sustainable trade and growth that can be enjoyed by all. Governments are key to supporting and complementing business action to tackle inequality, and their support for affected communities during this transition period is key to achieving equitable growth. To ensure the gains from trade are shared and for societies to prosper, comprehensive and long-term policies are needed, taking into consideration the contribution of transport and logistics in fostering inclusive trade.

CONTRIBUTING TO ECONOMIC GROWTH

Trade is an engine for global recovery, and during the pandemic, economic recovery has been associated with trade recovery³². While global trade initially contracted at the outset of the pandemic, the subsequent rebound in 2021 demonstrated how keeping goods flowing across borders is crucial to the resilience and recovery of local economies. This unprecedented global event has seen an emergence of protectionist measures impacting international trade, in some cases affecting its contribution to sustainable development. At MSC, we believe that building resilience requires convergence on enabling free trade to maximise its impact on communities. As a leading end-to-end logistics company, we have a responsibility to support progress in consolidating and securing more inclusive trade in the coming decade, by creating value along our entire value chain to connect the world. Trade promotes sustainable development through its direct positive effects on local job creation, expertise and

infrastructure, presenting opportunities for production, cooperation and innovation. As MSC's ocean and inland network continues to grow we will be instrumental in generating value through employment creation (both direct and indirect), as well as through our infrastructural investments in communities challenged by disparities. In addition to facilitating economic growth, our activities have the potential to contribute to creating social stability and improving people's lives. MSC's unique long-term perspective is reflected by our decades-long history of investing in countries where connectivity is particularly vital for national GDP growth. The expansion of our inland logistics network – including new and upgraded network infrastructure – continues to ensure a consistent flow of inbound and outbound trade in support of local business, in turn stimulating growth and stabilising local economies.

[32] www.worldbank.org/en/news/feature/2021/12/20/year-2021-in-review-the-inequality-pandemic





ENABLING THE COCOA TRADE IN WEST AFRICA

Ghana is widely recognised as producing some of the best cocoa beans globally, with cocoa being the country's biggest commodity export, offering livelihoods to 800,000 farmers³³ and making up 20-25% of total export receipts³⁴. MSC began loading cocoa out of Ghana in June 2007, transporting around 13,000 TEUs of cocoa beans and 4,500 TEUs of other cocoa products from Tema and Takoradi ports each year.

In 2021 MSC was the first container carrier to win the **Ghana Cocoa Board's Shipping Line of the Year Award**³⁵, recognising our role in connecting cocoa farmers to markets around the world and ensuring their business continuity during a period of disruption. During a period of supply chain disruptions MSC maintained reliable vessel schedules and a supply of empty and clean food-grade containers to export Ghanaian cocoa-related goods, contributing to local economic growth and reaping the export benefits of the highest cocoa production levels in ten years.

With operations in some of the major cocoa producing countries – including Ghana, Ivory Coast, Cameroon, Nigeria and Uganda – MSC's extensive network enables intra-African trade as well as connection to trade centres all around the world. We connect the West Africa region to key cocoa export destinations in Europe, East Asia, and the US via frequent maritime connections, including direct departures to the main importing countries. The port of San Pedro in the Ivory Coast is the main harbour for cocoa exports, and by operating a terminal within the port, MSC is contributing to economic growth across the region.

[33] openknowledge.worldbank.org/handle/10986/16516

[34] www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_673136.pdf

[35] ghanacocoaawards.com/blog/2021-award-recipients

EXPANDING OUR INTEGRATED NETWORK

Throughout 2021 MSC continued the implementation of our investment plan, with our integrated network steadily expanding and our capacity increasing. Like others in our industry, we were confronted by congestion in ports, extended turnaround times for containers (both inside and outside terminals) as well as a shortage of containers and workers at terminals. Despite the supply chain disruptions, our network helped address some of the challenges to secure local economies in the countries and regions where we operate. We will continue our efforts to expand and redesign networks to ensure we meet demand, taking care to avoid penalising vulnerable or remote communities. During the recent period of supply chain disruptions, our growing ocean network saw the introduction of five new commercial services and ten new feeder services and the addition of 25 second hand vessels (<5,000 TEUs) to our

fleet to enhance traffic to and from remote regions. We increased the number of containers to address shortages, expanding our inland network by 7% as well as adding five new ports of call to our network.

Rail transport has demonstrated its advantages, particularly in routes from Asia to Europe that experienced high customer demand while facing a severe container shortage in 2021. We therefore progressively shifted ocean freight to rail freight, providing our customers with reduced transit time. Some Central Asian economies suffered the consequences of pandemic-related lockdowns in addition to their isolation, presenting the challenge of matching export and import volumes. MSC facilitated the export of raw materials from Turkmenistan through Uzbekistan and Azerbaijan, enabling access to affordable import rates via rail and feeder services instead of conventional road freight.



CO-INVESTING TO EXPAND THE LOGISTICS LANDSCAPE IN EMERGING MARKETS

The **International Finance Corporation (IFC)** works in more than 100 countries to advance economic development by encouraging the growth of the private sector in developing countries. A member of the World Bank Group, in 2021 IFC committed USD 31.5 billion in own-account investments and mobilisation from third parties to private companies and financial institutions in developing countries.

In the reporting year, IFC and MEDLOG entered into a USD 75 million corporate loan agreement aiming to finance the expansion of MEDLOG's inland transportation and inland logistics through investments in hard assets, such as additional trucks, rail, warehouses, depots and equipment. The eight-year corporate loan is dedicated to projects in developing countries to increase integration and efficiency of logistics networks, reduce logistics costs and accelerate the adoption of new technologies in the logistics sector, significantly supporting regional economic development while contributing to building and enhancing local capacity.

BUILDING RESILIENCE ACROSS THE GLOBAL VALUE CHAIN

2021 was an exceptional year that brought an extended period of uncertainty with longstanding impacts. During this period MSC maintained our focus on long-term resilience-building, adopting an inclusive approach to local crises as they emerged while continually redefining priorities and adapting to the evolving global landscape. We leveraged our agile operating model to address congestions and supply chain disruptions, drawing on our expansive strategic asset ownership and efficient decision-making to act quickly and overcome unexpected operational challenges.

Reliability and accountability became increasingly relevant for our business partners. We continually reassessed our internal processes to further increase our flexibility, adjusting existing and opening new temporary routes (following the blockage of the Suez Canal in March 2021) as well as adjusting transit times to ensure business continuity. MSC's efforts remain concentrated on addressing the ongoing port congestions which have resulted in increases in average waiting times, and we are working with our customers to improve and develop new modular solutions.

SUPPORTING RECOVERY AND ACCESS TO TRADE

During the second year of the global pandemic we witnessed the emergence of new global trade trends and development patterns, indicating a transformation on the horizon as the world progresses in our post-pandemic recovery. MSC has been closely following the evolving dynamics behind this transformation – including exponential growth of e-commerce – and we expect significant changes that will impact our business.

Attitudes towards the location of production and sourcing centres are evolving, and there is increasing interest in improving crisis preparedness and response as well as contingency planning to build resilience to future shocks. We are continuously assessing how we can introduce new and tailored services, adapt our logistics network to anticipate new market trends and meet our customers' changing expectations throughout the recovery phase. Keeping supply chains moving requires strong links, and overcoming the disruptions of 2021 called for close collaboration with our global customers to maximise our collective impact and ensure the continuity of trade. In parallel, we continued to support inclusive and equitable economic recovery by boosting access to global trade for small- and medium-sized enterprises, helping them grow in domestic markets and strengthening their resilience through diversified export markets.

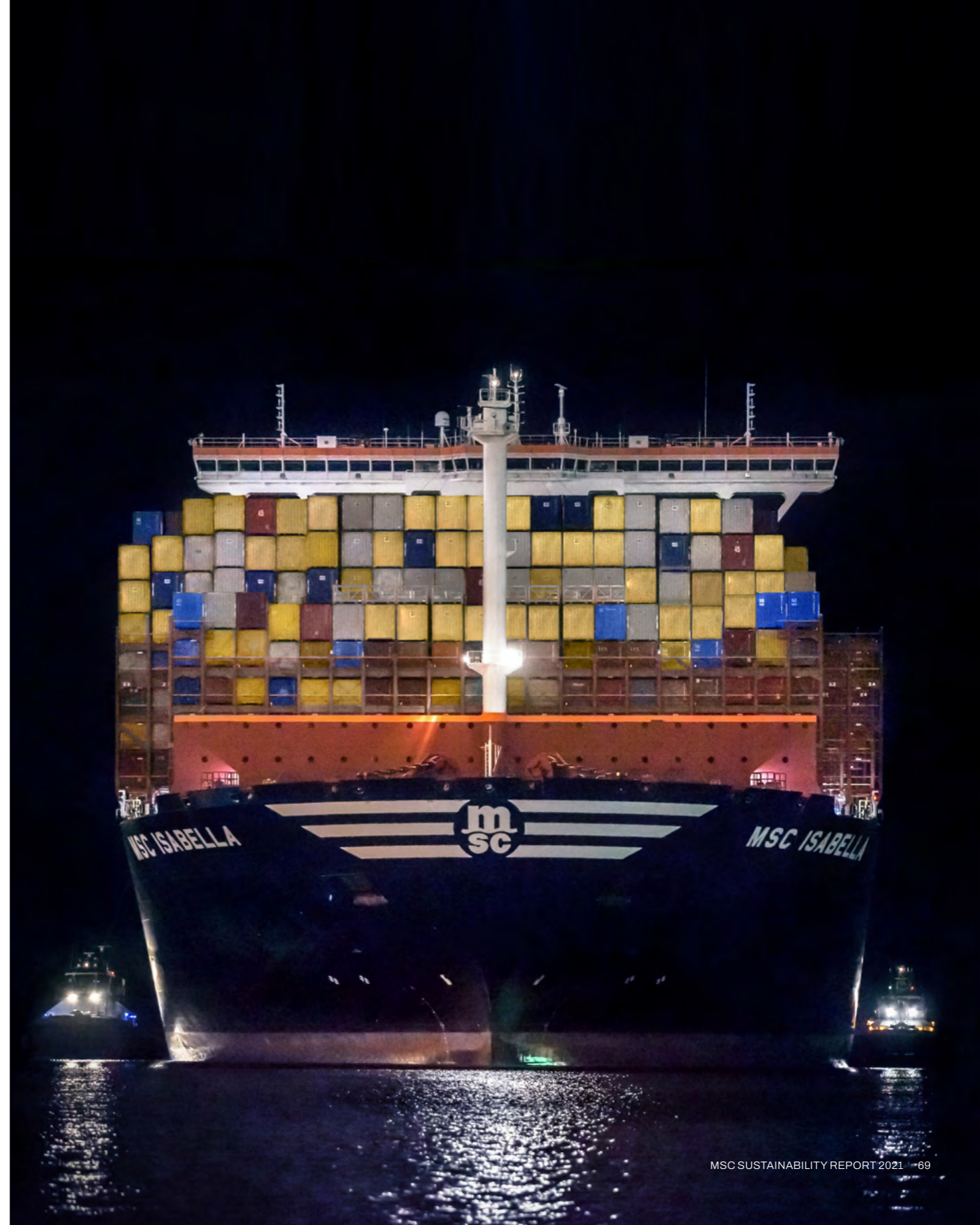
In addition to exposing the limitations of physical documentation and manual processes, COVID-19 has also accelerated our industry's digital transformation. In 2021 digitalisation rose to the top of business agendas as part of our efforts to adapt, adopt and improve the resiliency of supply chains. The complex processes and a lack of data

interoperability creates difficulties regarding visibility of the status of cargo, while paper documents are vulnerable to fraud and human error. These challenges can potentially slow down trade, hampering economic growth and innovation as well as exacerbating supply chain bottlenecks.

At the outset of the pandemic, cargo was often delayed, with paper-based documentation being in the wrong place due to airfreight delays caused by grounded planes. MSC's digital solutions such as the electronic Bill of Lading (eBL) and our smart containers have played an important role in improving access and facilitating trade flows around the world. In 2021 MSC launched our eBL solution as part of our wider efforts to standardise and digitise end-to-end documentation, resulting in more accessible, secure and cost-efficient logistics. Offered in 77 countries via the WAVE BL blockchain platform and compliant with DCSA standards, MSC's eBL enables customers to send and review Bills of Lading digitally, providing greater transparency and reliability of our logistics network that connects them to the global marketplace.

MSC's smart containers provide detailed tracking data on container door opening and closing as well as temperature and humidity levels, helping to protect our crew and communities, support customers in their traceability efforts, prevent illicit trafficking as well as ensure the safe and quality delivery of cargo.

As a **founding member of the Digital Container Shipping Association (DCSA)**, MSC has been collaborating with others in our industry to advocate for the standardisation and digitalisation of international trade and widespread acceptance this interoperable technology framework by governments, banks and insurers.



DEVELOPING LOCAL CAPACITY AND KNOW-HOW

As MSC's global logistics network expands, our business grows. This generates economic and social benefits throughout supply and value chains, impacting local communities. Our investments have a direct impact at global level, reflecting locally across over 150 countries where we operate.

MSC generates value for communities through direct and indirect employment opportunities, enabling the transfer of industry knowledge and technical expertise as well as building local capacity. Our business also stimulates GDP growth, helping to reduce inequalities by creating demand for new skills and competencies required for international trade today – including those related to decarbonisation and digitalisation.

As we move towards a zero-carbon world, the energy transition will affect local economies, businesses, workers and communities. Ensuring a just transition is a key element of decarbonising logistics, and MSC is in the position to add value to our human capital through education and training of our current and future workforce. Similarly, digitalisation will create a positive impact through learning and development opportunities across and beyond our industry as we progressively adopt more digital solutions. MSC supports local capacity development through our maritime and logistics infrastructure, port terminals, including indirect impact on yards and drydock activities, as well as the depots and warehouses forming part of our inland logistics operations. We conduct training and contribute educational programmes at maritime academies and educational institutions, providing insights and know-how to young people who represent our industry's future workforce. In 2021 **MSC Brazil** continued its partnership with CAMPS (Centro de Aprendizagem e Mobilização Profissional e Social) supporting an apprenticeship programme training approximately 1,000 young adults each year, equipping them with new skills and insights on maritime operations. MSC and MEDLOG have hired 181 apprentices for our

operations and at MEDLOG depots across Brazil.

MSC Bolivia and **MSC Chile** are planning similar training-related initiatives with young people in the coming years. Also focusing on underprivileged young people, MSC Bahamas and the MSC Foundation supported the American Caribbean Maritime Foundation in their activities aimed at creating maritime educational opportunities across the Bahamas and Caribbean. Funding for the CMU Laptop Project supported maritime students at the LJM Maritime Academy, Caribbean Maritime University and University of Trinidad and Tobago.

Through the **'Adopt a Ship'** programme, MSC Shipmanagement focuses on a younger age group, working in partnership with schools in Cyprus, India, Greece, the Philippines, Poland and the US. Initiated in 2006 by the Cyprus Shipping Chamber and the Cyprus Maritime Environmental Protection Association, the programme connects elementary school students with MSC crew members with the aim of increasing awareness of life onboard a container ship, cargo carried by ships, trading patterns and geography. The exchange promotes maritime careers as well as raises the profile of shipping and its important contribution to global trade. In 2021, 21 MSC ships and 74 schools participated in the Cyprus programme.

The **MSC Technology Centre** in Turin, Italy was created in 2020 as a technology hub to strengthen our in-house expertise in critical areas to our business: digitalisation, cybersecurity and logistics process automation. During the reporting period 125 people joined the Centre, and we continue to grow through the recruitment of talented professionals, and also with a focus on recent graduates. We developed two new academy tracks – on cybersecurity and systems development – and continue our collaboration with the **University of Turin Politecnico, ITS of Turin** and **ITIS of Piedmont**. We also cooperated with secondary schools in Turin to host interns as part of school/work programmes.



SUPPORTING LOCAL COMMUNITIES AND DEVELOPING CAPACITY IN SOUTH AFRICA

MSC South Africa supported employees of our key rail network partner who were unable to source basic food supplies due to civil unrest originating from COVID-19 restrictions. Fourteen truckloads of almost 6,000 food parcels comprising (rice, oil, vegetables among other supplies) were distributed across Port Elizabeth to Richards Bay. Since 2019 MSC South Africa has offered an on-the-job training programme to support disadvantaged young people, with graduates receiving a qualification in international trade, clearing and freight forwarding/handling and shipping. To date, 216 people have been trained increasing their employability in shipping and logistics and offering some graduates the possibility of permanent employment at MSC. Operating with an 'owner driver' scheme, the agency aims to engage disadvantaged groups as part of the local logistics value chain, collaborating with 102 owner drivers operating 246 trucks. MSC South Africa also donated funds as part of an enterprise development initiative to a female-owned company to support costs related to mandatory certification in line with the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers to qualify to work at sea.



SUPPORTING HUMANITARIAN EMERGENCIES

In 2021 MSC continued our support to the humanitarian response to the global pandemic, leading 17 emergency relief initiatives in 14 countries and helping to mitigate delays due to supply chain disruptions and prioritising the inclusive and equitable distribution of COVID-19 vaccines and related supplies in line with the Charter³⁶ that we signed in December 2020. **The MSC Foundation**, in cooperation with MSC's Cargo Division, provided free transport of six containers including medical supplies for COVID-19 vaccinations to the port of Beirut in Lebanon. The medical equipment (isolation gowns, gloves, masks) was distributed by **UNICEF** to healthcare staff, vaccination sites and hospitals and served more than 80,000 people in health centres to support the **UN's COVAX campaign**. Throughout the second year of the pandemic support to specific countries included: delivery of vital personal protective equipment (PPE) to support the Ministries of Health in Cameroon, Democratic Republic of the Congo, Guinea and Senegal, and funding to purchase PPE and COVID treatment to a local hospital in Ho Chi Minh City (Vietnam); donation of containers to store medical items (Brazil) and medical records (Montenegro) related to the pandemic. The MSC Foundation and Cargo Division also collaborated delivering relief items and free transportation following volcanic eruptions in St Vincent and the Grenadines and La Palma, Spain and an earthquake in Haiti. During the reporting year, MSC offices engaged in a number of humanitarian activities in support of our local communities. MSC and MEDLOG Chile have been working with the SOS Cardenal Silva Henríquez children's village supporting

children and youth at risk since 2019. In 2021 MSC delivered support by providing with remote schooling materials, also working with architects and landscape designers and the local community to create a common area for the children's use. In 2022, **MSC** and **MEDLOG** will explore the possibility of developing a career support programme for youth as they approach the conclusion of their time at the village. In addition to contributing to the Prime Minister's National Relief Fund, MSC Group supported the pandemic response by setting up a temporary hospital at Navi Mumbai in May 2021 and also provided equipment to health centres across the country. 2021 marked the tenth anniversary of **MSCUSA's** support to **Operation Smile**, a global surgical non-profit that improves the health and dignity of patients living with cleft lip and cleft palate in low- and middle-income countries. MSC USA raised more than USD 250,000 at a virtual benefit event in December, translating into more than 1,000 life-changing surgeries for children in need. At the time of writing, the MSC Foundation is partnering with the **UN Refugee Agency** (UNHCR) to mobilise resources to provide vital relief items for refugees of all ages from Ukraine. The money raised will be doubled by our fund-matching programme and will be used to buy 50,000 folding camp beds, 100,000 sleeping bags and 100,000 high thermal blankets, with logistics and shipping provided by MSC. The MSC Foundation also provided 20 containers and worked with MSC Spain to join Renfe, DB Schenker and DB Cargo in support of a Transfesa Logistics initiative to set up a humanitarian rail corridor to Ukraine.

[36] World Economic Forum Supply Chain & Transport Industry Charter in support of UNICEF and COVAX Vaccine Distribution: www.weforum.org/communities/supply-chain-and-transportation

PARTNERING WITH MERCY SHIPS FOR HEALING AND HOPE

The **MSC Foundation** and **Mercy Ships** celebrated ten years of partnership³⁷ in 2021. During this period Mercy Ships has been able to perform 19,740 surgeries and 218,100 dental procedures, while providing medical training for 15,150 participants and support for 5,449 volunteers.

The MSC Foundation provided a range of support to Mercy Ships throughout the year, from container shipping to logistics (including in-kind transport of more than 500 containers), fundraising and maritime expertise, enabling Mercy Ships to concentrate its resources on delivering vital healthcare and medical training in sub-Saharan Africa. Our broad reaching network across Africa also supported Mercy's hospital ship to conduct its services in every port on the continent, building a 'wall' of empty containers around the docked ship to create a safe hospital compound. Mercy Ships Founder Don Stephens said: *"MSC Foundation is our lifeline, literally. They bring all our consumables. That means everything we use – for the galley, housekeeping, but especially the medical – is shipped to us by MSC. That's MSC Foundation and Mercy Ships partnering together to go far. We're in this for a long-term partnership that will bring sustainable, transformational development to the people of Africa."*

mscfoundation.org

[37] mscfoundation.org/news/mercy-ships-partnership-anniversary www.weforum.org/communities/supply-chain-and-transportation





ADDRESSING
**SOCIAL
CHALLENGES**

CONTINUING LEADERSHIP FOR THE NEW NORMAL

The global pandemic brought about massive changes that transformed the way we see the world. Triggering a moment of reflection, we have been reminded of what really matters in our daily lives, the importance of the communities that surround us and how we want to organise our societies in the future. Businesses are restructuring their relationships with their customers, suppliers and employees, adopting a more people-centred approach. Employees expectations have undergone a radical shift in terms of working conditions and routines, as well as their employer's position – and engagement – on sustainable development topics.

As a global company with close links to others as part of a complex supply chain, MSC works with its customers, supply chain partners and private and public sector stakeholders to foster responsible business practices and enhance human rights-based due diligence processes,

going beyond compliance. These social issues are relevant to all three of MSC's Sustainability Priorities and we continue engaging at the local, regional and international levels – both as an individual company and through multi-stakeholder initiatives – to maximise our social impact in a post-pandemic world.

Our global workforce is key to our impact on economic growth, contributing to long-term development and supporting local communities. Our people bring their diverse backgrounds, competencies and skills to improve our understanding of operational contexts and markets, building local capacity and enhancing our positive impact. In the new world of work MSC's approach to managing and developing talent continues to evolve, celebrating our diversity and recognising the value of the people working with us today – and those who will join the MSC family tomorrow.

ADVANCING HUMAN RIGHTS ALONG THE VALUE CHAIN

In today's interconnected world where societies rely on different but interrelated systems, the decisions or actions taken in one part of the world may have long-term consequences elsewhere. Global challenges are no longer isolated social or environmental issues to address and the impact we have on one element of our system may affect another, with significant implications for local economies and communities.

Global companies are recognising this interdependence, with corporate due diligence processes broadening their focus on expanded value chains and their interconnected and evolving environmental and social risks, resulting in enhanced cross-sectoral collaboration and new partnerships. Emerging geopolitical threats, supply chain disruptions and increased human rights risks have highlighted the critical role of the private sector, together with policymakers and the international community in addressing systemic issues

affecting society at large.

At MSC, advancing the international Business and Human Rights agenda and tackling the social challenges impacting our operations remain a priority. We continue our efforts to integrate these considerations as well as further align our policies and internal processes across the Cargo Division. Throughout 2021 we convened a series of internal working sessions with representatives of the relevant departments and entities to raise awareness of human rights cross-cutting topics, track progress and map priority areas for improvement. We continue our efforts to integrate country- and sector-specific topics and trends as well as emerging risks in our framework. To complement our ongoing internal assessment and adjustment of internal processes, a specific virtual audit focussed on emerging topics has been undertaken across our offices, in cooperation with MSC's Internal Audit Department.



ENGAGING WITH OUR BUSINESS PARTNERS AND THE INTERNATIONAL COMMUNITY

In 2021 MSC continued engaging with all relevant stakeholders on human rights due diligence, advocating for the adoption of a broader approach incorporating macro structural changes in our sector's regulatory frameworks and exploring potential pilot projects to collectively deliver on our human rights commitments.

Through the **Responsible Shipping Dialogue**³⁸ we have been collaborating with major cargo owners, non-governmental organisations and industry experts on the protection of seafarers' human rights, contributing to sectoral guidance³⁹ and exploring collective solutions to address the ongoing humanitarian crisis at sea. MSC has been particularly proactive within the Responsible Shipping Dialogue in sharing information with cargo owners around enhanced human rights due diligence processes and model clauses for contracts, as well as awareness-raising on the crew change crisis. Looking ahead, we see further opportunities for collaboration on the human rights of other workers in our value chain. As a supply chain partner for our customers, MSC is in a unique position to engage with our business partners to raise awareness and advocate for the inclusion of seafarers' rights in contractual processes in accordance with the standards set forth in the MSC Code of Business Conduct and with the International Labour Organization Maritime Labour

Convention, 2006 (MLC), as amended. Noting that most human rights and Modern Slavery contract clauses and due diligence documentation from our business partners do not explicitly address the MLC, we engaged in direct dialogue and conducted briefings with our customers to address key topics and find solutions, including the use of alternative contractual requirements.

Throughout 2021 MSC developed specific model clauses for connecting carriers' agreements, logistics service providers and terminals with a specific focus on different rights holders, formulating related compliance expectations for each category of workers and addressing – whenever relevant – applicable developments in international frameworks and/or gaps in law enforcement in national legislations. We are committed to further embedding environmental and social issues in our procurement practices, and in 2021 continued our cross-functional efforts to ensure that critical and emerging risk areas related to sustainable development are integrated in our supplier management system. Relevant Modern Slavery considerations are fully addressed in MSC's Vendor Homologation Questionnaire (a pre-tender requirement for new and existing business partners and suppliers) to ensure their practices are in compliance with MSC's minimum requirements and as well as relevant regulations and international standards.



PROTECTING OUR PEOPLE AT SEA

Protecting our seafarers' health, safety and wellbeing has always been a top priority for us. The COVID-19 pandemic brought its new challenges in this area. We have been steadfastly focussed on ensuring that our seafarers received the support and assistance required in the circumstances, and that we could find a way to overcome operational challenges in performing crew changes resulting from coronavirus-related travel and border restrictions. In 2021 MSC Shipmanagement continued the deployment of our COVID-19 Outbreak Management Plan under the supervision of its Prevention and Control Task Force, in accordance with relevant IMO, ILO and WHO guidance, such as the IMO's 'Framework of Protocols for ensuring safe ship crew changes and travel during coronavirus'⁴⁰ as well as World Health Organization's 'Guidance for the management of COVID-19 on board cargo ships and fishing vessels'⁴¹. To address the challenges related to crew changes and repatriation as well as manage seafarer vaccinations, quarantine and positive COVID cases, MSC Shipmanagement drew on all the resources at our disposal, including chartering flights, deviating vessels and adjusting vessel schedules to enable crew changes.

In connection with those efforts, we continued to enhance our global advocacy work through engagement with various industry associations, including contributing our expertise to the various special working groups and taskforces established by the International Chamber of Shipping (ICS). We have also continued to work with industry partners and stakeholders on key initiatives such as the **Neptune Declaration on Seafarer Wellbeing and Crew Change**⁴².

Whilst the COVID-19 pandemic continues to pose difficulties, it has shown the vital importance of maritime transport and multi-stakeholder collaboration. We welcomed the ILO resolutions⁴³ and calls of action⁴⁴ issued by the broader international community recognising the critical role of shipping in keeping trade flowing during the global pandemic, and are committed to continue engaging with governments and all other relevant stakeholders "to protect seafarers' human rights and advance the objectives of Sustainable Development Goal 8 on decent work and economic growth, for sustainable development", as stressed by the United Nations Conference on Trade and Development (UNCTAD) in its policy brief No 91 issued in December 2021⁴⁵.

In response to the situation in Ukraine, MSC Shipmanagement set up an emergency relief fund to cover hotel accommodation for hundreds of our Ukrainian seafarers and provide temporary medical insurance to several thousand families of our people at sea, with generous contributions from MSC people in addition to those provided by the Company.

[38] The Responsible Shipping Dialogue is co-convened by the Institute for Business and Human Rights and the Consumer Goods Forum and comprises www.ihrb.org

[39] The Responsible Shipping Dialogue has contributed to the following guidance and tools: Maritime Transport and the COVID-19 Crew Change Crisis: A tool to support Human Rights Due Diligence (developed in partnership with IMO, ILO and the UN Global Compact) unglobalcompact.org/library/5886; Delivering on seafarers' rights (developed in partnership with the Sustainable Shipping Initiative) www.sustainableshipping.org/seafarers; Due Diligence Guidance for Cargo Owners, based on the Code of Conduct

[40] www.imo.org/en/MediaCentre/HotTopics/Pages/Coronavirus.aspx

[41] www.who.int/publications/i/item/WHO-2019-nCoV-Non-passenger_ships-2021-1

[42] www.globalmaritimeforum.org/neptune-declaration

[43] ILO resolutions adopted in April 2021 during the Special Tripartite Committee of the MLC, 2006 www.ilo.org/global/standards/maritime-labour-convention/events/WCMS_679152/lang-en/index.htm; Resolution concerning COVID-19 vaccination for seafarers www.ilo.org/global/standards/maritime-labour-convention/special-tripartite-committee/WCMS_782880/lang-en/index.htm

[44] Joint statement issued by the ILO, IMO, UNCTAD and WHO "urging continued collaboration to address the crew changes crisis, safeguard seafarer health and safety, and avoid supply chain disruptions during the ongoing COVID-19 pandemic, 28 February 2022

[45] "Strengthening international response and cooperation to address the seafarer crisis and keep global supply chains open during the ongoing COVID-19 pandemic" unctad.org/webflyer/strengthening-international-response-and-cooperation-address-seafarer-crisis-and-keep

OUR HUMAN POWER AT SEA AND ONSHORE

MSC is a family company, and our family is composed of people who share a passion to connect the world. We believe that MSC's people represent a force for good, reflected by our inclusive approach where our employees are central to our business. Bringing to life our core value 'We Care for People', we nurture MSC's company culture by investing in individuals and developing authentic relationships built on ethics, respect and team spirit. Our evolving landscape will bring new challenges for which MSC needs to be prepared. We are progressively consolidating our end-to-end logistics offering, deepening our engagement with our supply chain partners, integrating new and different competencies and

MSC PEOPLE: OUR ESSENCE

MSC's employees reflect who we are as a company and are the source of our strength. MSC is known for its entrepreneurial spirit that has proved to be a valuable asset especially in times of crisis, and in 2021 our people demonstrated their resilience and resourcefulness as they succeeded in finding solutions even in the most challenging of circumstances. In 2021 the Cargo Division grew by 12%, employing 83,056 people in more than 150 countries. We believe in providing a working environment where our people are engaged and energised about their work, while feeling connected to our colleagues and the wider MSC family. Our goal is to build a workplace where all MSC people have the opportunity to thrive, and in 2021 we were proud to be recognised as a finalist in

strengthening our position to address the future demands of our business.

The energy transition is expected to create a demand for new skills, career opportunities and markets over the coming years and decades. As part of our decarbonisation efforts, we have been ramping up our engagement to secure a just transition for MSC people, our industry and the communities where we operate – both onshore and offshore. MSC has embraced the opportunities presented by digitalisation that have further improved the way we work and collaborate, promoting a more inclusive working environment and helping us support and protect MSC people, including their safety and health.

Forbes' Worlds' Best Employer⁴⁶ list.

In 2021 our people management approach evolved in line with our new way of working and to meet the needs of MSC's current and future employees, drawing on lessons learned over the past two years to ensure that we continue valuing the unique contributions of our diverse workforce, capitalising on our talents and promoting a long-term relationship with our company. More than 89% of our employees took part in the **MSC Employee Engagement Survey** (conducted for the first time in 2021), with 69% of those surveyed stating their satisfaction. In 2022 we will use the results to further improve our way of working as well as reinforce the strengths that make us unique as a company.

[46] www.forbes.com/lists/worlds-best-employers/



INVESTING IN OUR PEOPLE

In 2021 MSC Shipmanagement Cyprus underwent the comprehensive **Investors in People⁴⁷ (IIP)** accreditation process and was awarded Gold in recognition of our people management practices. Recognised in 66 countries around the world, IIP is an international people management standard whose ‘We invest in people’ gold accreditation has been achieved by only 17% of the 50,000 organisations assessed to date.

The assessment was based on an independent data collection process conducted by IIP – including interviews with employees from all departments – and focused on MSC Shipmanagement’s leadership, and the extent to which we inspire, empower and involve our people; our support for our people, and the way we manage, reward and recognise performance; as well as our continuous improvement, building our people’s capabilities and ensuring their sustainable success.

Commending MSC Shipmanagement’s achievement, the IIP assessment team noted:

“Your [MSC Shipmanagement’s] culture has a great deal of impact on people’s wellbeing. Having a focus on culture, ethics and behaviour and directing those towards a family company. That you all care for each other as set out in your values is not only a top priority currently but extends into the future. You have established a great environment where people trust and respect each other leading to sustainability and longevity.”

INVESTORS IN PEOPLE
We invest in people Gold

[47] www.investorsinpeople.com

BUILDING OUR COMPETENCIES FOR FUTURE SUCCESS

MSC’s focus on learning and development is part of our people strategy as we prepare for the future needs of our business and to differentiate our company as we compete for talent. To continue our success and steady growth, we must invest in our people today to secure the skills and competencies we need for tomorrow. Prioritising professional and personal development is an integral part of our tailored programmes for valuing and empowering MSC people at all levels of the Cargo Division. We believe that our people-centred approach, combined with the development opportunities MSC offers and our strong commitment to sustainability are key to attracting – and retaining – top talent with the future profiles and skillsets our company will need.

The consolidation and further expansion of MSC’s learning portfolio in 2021 saw the development of new modules and called the delivery of training programmes shifting online. MSC people at our headquarters have access to almost 450 hours of virtual instructor-led courses throughout the year, covering 80 topics – be they functional, technical, soft skill and managerial. Reflecting our commitment to developing people, a 16-month Career Path Programme promotes internal growth and mobility through learning and job shadowing across different functions, creating

an internal pool for future vacancies for key departments. In 2021 we further expanded our training on sustainability-related topics, introducing new colleagues to our Sustainability Roadmap and Priorities within the MSC onboarding programme, and developing more comprehensive sustainability training and assessment materials as part of the **MSC E-Academy**.

MSC Shipmanagement’s training centres offer our people at sea a range of training programmes in safety, technical, commercial, legislation, human resources and environmental awareness issues. We believe we have a responsibility to contribute to a just energy transition by supporting continuous training throughout our seafarers’ careers and ensuring access to training opportunities equipping them with the skills needed by our industry in the future. As we decarbonise our operations, we anticipate additional skills and training requirements for our seagoing workforce, as our people working onboard MSC vessels prepare for an increasingly complex range of low- and zero-carbon fuels. During the transition period there may be different fuel solutions requiring vessel-specific training which may eventually streamline as the industry’s decarbonisation journey evolves.



VALUING AN INCLUSIVE, DIVERSE AND EQUITABLE WORKFORCE

Our diverse workforce of over 150 nationalities has been key to MSC's adaptability, innovation and resilience. While our people come from many parts of the world, we are united by our common values that bring richness and a sense of belonging as we celebrate our multicultural workplace. According to the World Economic Forum's Global Gender Gap Report⁴⁸, the pandemic increased the gender gap by a generation, from 99.5 years to 135.6 years. While recognising the complexity of this challenge – including the long history of gender imbalance in the transport and logistics sector – MSC continues its efforts to further embed

diversity, inclusivity and equity at all levels of our company. As our business continues to evolve and expand, our commitment to reducing the gender gap remains strong and we continue our efforts to eradicate stereotypes and improve gender balance, as well as reduce barriers and guarantee equitable career progression. We are taking steps to integrate gender considerations in our planning, internal mobility and recruitment processes at all levels of our company to improve gender parity, and in 2021 we saw a 2% increase in gender balance.

[48] www.weforum.org/reports/global-gender-gap-report-2021

EMPOWERING WOMEN IN LATIN AMERICA AND BEYOND: FROM PRINCIPLES TO ACTION

The **Women's Empowerment Principles**⁴⁹ (WEPS) are a set of principles for companies on the promotion of gender equality and women's empowerment in the workplace, marketplace and community. Developed by UN Women and the UN Global Compact, the WEPs are based on international labour and human rights standards. As part of MSC's ongoing engagement in promoting equal opportunities for women, including the advancement of female employees to senior positions, eight MSC (Bolivia, Chile, Colombia, Costa Rica, Ecuador, Peru, Jamaica and Venezuela) and three MEDLOG offices (Bolivia, Chile and Costa Rica) in Latin America signed the WEPs, later expanding beyond the region to include MSC offices in Bahamas and Israel.

The WEPs Gender Gap Analysis Tool comprises 18 multiple choice questions, helping identify areas of improvement and opportunities to enhance gender equality practices. In 2021 the nine MSC offices that used the tool for the second year saw improvements that prompted the development of concrete actions to continue progress in 2022 such as addressing the gender pay gap and promoting a zero-tolerance approach against sexual harassment in the workplace.

[49] www.weps.org

At MSC, we believe in a workplace where every employee is valued and treated with respect and dignity. We do not tolerate harassment and bullying of any kind, and have undertaken a number of initiatives to raise awareness among our people at sea and on shore of our position against all forms of discrimination and violence, including a specific employment policy on the protection of employee integrity. All MSC employees are encouraged to report any cases

of bullying or harassment via the MSC Speak Up Line without fear of retaliation. All complaints are addressed promptly in accordance with internal procedures. MSC Shipmanagement's training programmes for seafarers also promotes our zero-tolerance policy as part of our ongoing efforts to protect and ensure a safe and healthy workplace for all of our people.





ENSURING OUR PEOPLE'S SAFETY AND WELL-BEING

At MSC, people are at the centre of everything we do. Protecting our people and ensuring their safety and well-being is our top priority. We are committed to fostering a culture of prevention across MSC's Cargo Division, going beyond compliance in our existing management systems, policies and procedures. MSC's comprehensive health protection measures and safety protocols across our ships, ground operations, infrastructure, and offices are designed to prevent health risks to our employees and our business partners.

Despite our robust health and safety approach, we were deeply saddened by the tragic loss of three colleagues in 2021. At MSC we never compromise when safety is concerned, and we are fully committed to continue striving for safer operations and improving our management systems in any way possible to prevent any accidents. In the complex evolving landscape of the global pandemic and supply chain disruptions, keeping our seafarers and employees safe is of even greater importance. We incorporate emerging health and safety risks across our value chain as part of our end-to-end approach, adapting these according to the different specificities and needs of

our business. In 2021 we further consolidated COVID-19 procedures first adopted in 2020, strengthening measures and safety protocols with a focus on our people's well-being, including mental health support, raising awareness of COVID-19 and facilitating access to vaccination.

In the reporting year, we have encouraged our seafarers to be vaccinated against COVID-19 and endeavoured to arrange opportunities to receive doses of the COVID-19 vaccine in foreign ports where they are available. These efforts have included the involvement of company doctors to monitor our people after vaccination. MSC Shipmanagement's premises in India was used for seafarer vaccinations for both MSC and non-MSC crew members. To address the health and safety-related challenges emerging from the evolving situation in Ukraine we have taken all measures to protect our people and their families, including facilitating relocation to safer areas and providing financial support. We are thankful that all MSC employees are accounted for, and we continue to monitor the situation and are developing a protocol to grant their safe repatriation as part of our ongoing contingency planning.

FOSTERING A CULTURE OF PREVENTION FOR A SAFE WORKPLACE ONBOARD

Ensuring crew safety onboard our ships is of paramount importance and we work through MSC Fleet Centres to promote our culture of prevention through training programmes as well as periodically reviewing and updating our Environment, Health, Safety, and Quality (EHSQ) procedures. Every member of the MSC family has a role to play in preventing accidents and ensuring a safe workplace for all in our daily work.

Our health and safety trainings are based on sector-specific risk assessment frameworks that are applied to all aspects of our worldwide operations, and our health and safety training is delivered through drills, on-the-job training and videos. MSC also uses the Look, Act, Report and Prevent (LARP) system to encourage crew members to report safety issues acts and thereby prevent future accidents. While using lifting equipment such as cranes, hoists or chain blocks, our crew are trained to ensure the safe working load is not exceeded. All MSC crew engaged in cargo securing operations are also trained in accordance with each ship's Cargo Securing Manual, including checking the proper securing of containers, the identification of defective equipment, manual handling skills, the handling of cables and other related aspects of

operations that may pose a safety risk.

MSC's operational procedures are in line with the four 'pillars' of the international regulatory regime for quality shipping⁵⁰ and serve as a basis for the continuous improvement of existing practices and procedures. Our overall management system is based on a structured approach to risk prevention, ensuring safety procedures are followed on board and any hazardous tasks and/or exposure to hazardous materials identified, with control measures subsequently developed and implemented.

We encourage an open dialogue on safety issues, and we believe that if anyone onboard feels unsafe they should not hesitate or be afraid to stop the work, take corrective actions or inform their supervisor of their concerns. Regular safety briefings onboard during which crew members discuss the work for the day, safety procedures, any hazardous tasks and the associated control measures. Every accident or near-miss is reported followed by a full investigation to understand the root cause, with lessons learnt documented and shared to prevent reoccurrence. MSC Shipmanagement sets an exemplary standard for safety performance, qualifying for the internationally recognised safety certification ISO 45001:2018.

[50] The four pillars are the International Convention for the Safety Of Life At Sea' (SOLAS); International Convention on Standards of Training, Certification and Watch-keeping (STCW); International Convention for the Prevention of Pollution from Ships (MARPOL); and the Maritime Labour Convention (MLC)

ENSURING THE SAFETY OF OUR NAVIGATIONAL AND PORT OPERATIONS

The increased capacity and size of our ships has additional safety implications for navigation, cargo loading and discharging procedures. Despite the challenging operational conditions of 2020 and 2021, we maintained a firm focus on preventing risks and ensuring navigational and port operations safety. Dedicated control measures and activities are undertaken onboard our vessels, including working at height, enclosed spaces and working aloft. Training programmes also focus on developing specific skills to respond to heavy weather and unexpected conditions at sea whilst avoiding potential incidents and fatalities caused by the possibility of mooring ropes breaking during operations.

Among the safety measures adopted by MSC are the innovative fire detection systems on MSC's Gülsün Class vessels, helping to protect our seafarers onboard as well as avoiding damage to the cargo and potential adverse impacts on the environment. Additional measures include vessel clearance while berthing and unberthing, monitoring pilot boarding and disembarking, location and configuration of

fuel tanks avoiding ballast contamination, protective railings on fore and aft sides to prevent falls. Our investment plan includes new vessels equipped to meet safety standards that go beyond compliance with regulatory requirements, such as the installation of an up-to-standard fixed firefighting (dual-tower with high-capacity pumps) new generation system for on-deck cargo areas.

Terminals are strategic points within the logistics supply chain, with complex and dynamic operations. They must comply with local and international regulations, requiring strong and effective systems to be in place. TIL is committed to prioritising health and safety for all terminal users. In 2021, TIL implemented the Minimum Health and Safety Standards for adoption across our terminal locations, accompanied by our own assessments to ensure compliance as part of our terminals' management systems. We collect and analyse safety data to assist in mitigating risks. TIL recorded no fatalities in 2021 and is committed to maintain a consistent safety track record.

ADDRESSING SAFETY FOR INLAND LOGISTICS

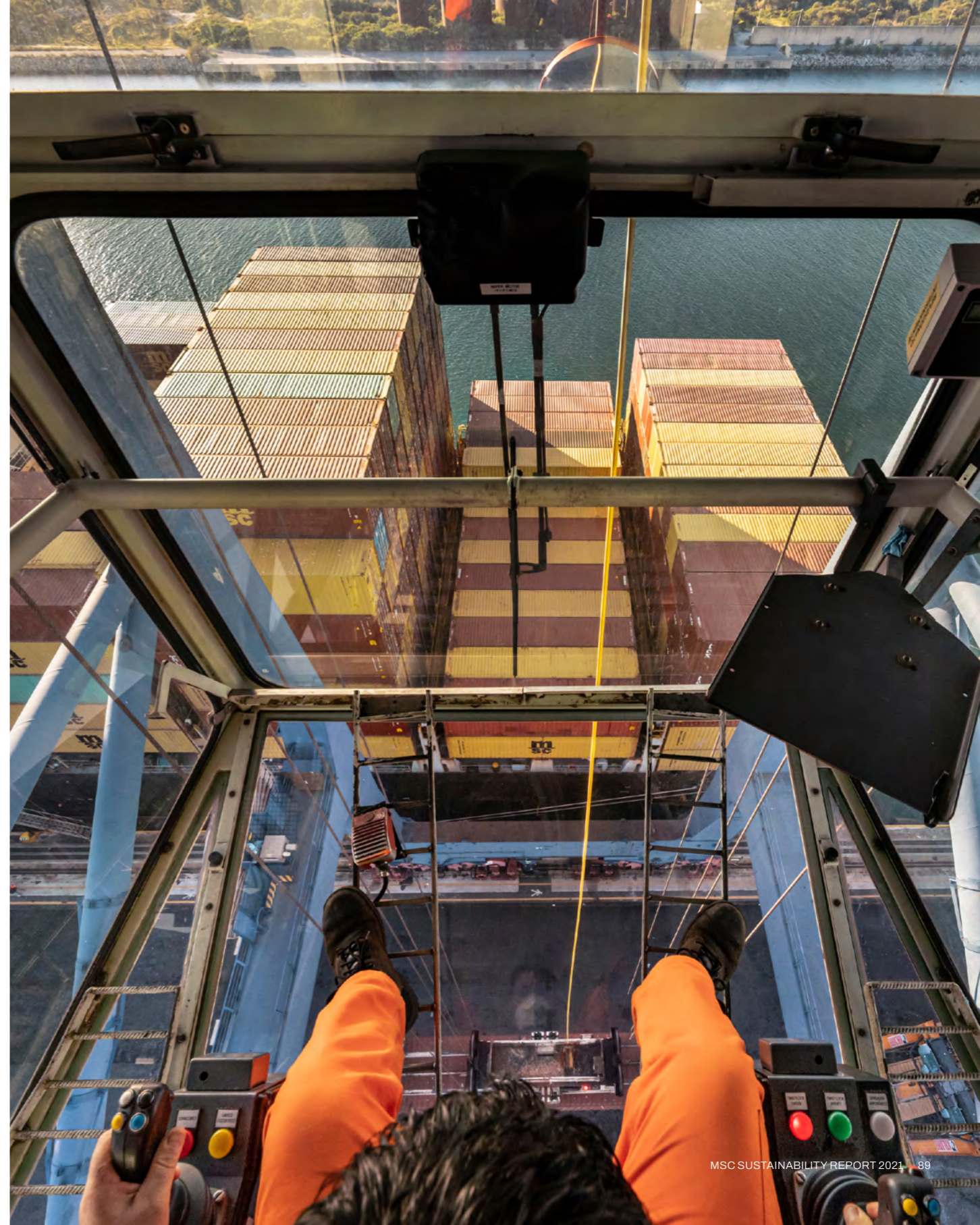
MSC values the well-being of our people working in our Cargo Division. The composition of our inland logistics business is particularly complex, spanning employees and third-party workers working in rail, truck, barge and depots operations. Their respective workplaces and working days differ widely, and the health and safety risks of their jobs also vary. To prevent and minimise work-related injuries and illnesses in MSC workplaces in our offices and on the road, we conduct extensive trainings as well as engage

health and safety professionals to help us ensure the safety of our collaborators operating rail and road vehicles. As our inland logistics network and services grow, we are committed to continuously improving our safety performance and tracking our progress in line with the relevant standards and applicable laws at local level. In 2021, MSC introduced a new digital platform to ensure the consistent collection of safety data.

DANGEROUS GOODS CONTROL

Dangerous goods control and fire safety go hand in hand when it comes managing the intrinsic risks of container-handling procedures as both have serious implications on seafarers' lives, the environment and its biodiversity. In line with the IMO International Maritime Dangerous Goods Code as well as all applicable safety regulations and requirements, a team of experts ensures shipments meet

stringent compliance requirements. MSC's Responsible Cargo Care Policy addresses safe container-handling procedures to prevent and mitigate risks from potential hazards. Our Dangerous Sensitive Cargo Management System has also proven effective in monitoring dangerous goods transportation throughout the booking acceptance, the loading at the terminal and final delivery.



OUR PERFORMANCE



GRI INDICATOR	2019	2020	2021	Scope	Notes	
2-22	Statement on sustainable development strategy				Please refer to p. 15	
3-3	Management of material topics				Please refer to p. 25	
SOCIAL						
2-7	Total number of employees	70,000	74,372	83,056	Cargo Division (*)	2019 figures represented the best estimate of the total number of employees.
	of which women	-	20%	22%		
2-7	Total number of employees (HQ and MSC Agencies)	-	19,978	22,989	HQ and MSC Agencies	Due to the specificities of the business, we are reporting separately diversity indicators for HQ and MSC Agencies.
	of which women	-	45%	45%		
2-8	Total number of workers who are not employees	-	-	5,493	Cargo Division	
401-1	New employee hires	-	-	8,684	Cargo Division	
405-1	Women in Governance bodies (%)	33%	25%	25%	HQ (MSC, MEDLOG and TIL)	
	Women Executives (%)	4%	7%	12%		
	Women Managers (%)	25%	29%	29%		
	Women white collar (%)	38%	39%	41%		
404-1	Average hours of training per year	15	14	15	Cargo Division	
	Worker training on occupational health and safety (h)	168,470	150,338	115,277	Cargo Division	Increased perimeter also covering 2019 and 2020. Due to COVID-19 pandemic, some trainings in presence could not be performed.
403-9	Work-related injuries	-	423	343	Cargo vessel crew	
	Fatalities	-	-	3	Cargo Division	
-	Employee Engagement	-	-	69%	Cargo Division	Captured from the 2021 MSC Employee Engagement Survey.
ENVIRONMENT						
305-1	Direct (Scope 1) GHG emissions (tCO ₂ e)	29,452,770	29,766,646	33,802,506	Cargo Division	
305-2	Indirect (Scope 2) GHG emissions (tCO ₂ e)	-	-	300,598	Cargo Division	
302-1	Electricity (MWh)	-	-	439,471	Cargo Division	
-	Biofuels (t)	-	740,566	36,235	Cargo vessel fleet	The difference of amount from 2020 to 2021 is due to our participation to the Dutch Government incentive program.
305-7	Nitrogen oxides (NOx) (t)	-	796,635	801,180	Cargo vessel fleet	
	Sulphur oxides (SOx) (t)	443,621	63,658	60,919	Cargo vessel fleet	
306-3	Waste generated (t)	-	-	351,704	Cargo Division	
303-5	Water consumption (m ³)	1,402,282	1,901,314	2,020,430	Cargo Division	
-	Spills (n.)	-	-	4	Cargo vessel fleet	Hydrocarbon spills.
-	Containers lost at sea - direct (n.)	-	-	0	Cargo vessel fleet	
	Containers lost at sea - indirect (n.)	-	-	546		Container losses occurred while transported by partner vessels.

NOTE:

- The Cargo Division perimeter covers maritime (MSC), inland (MEDLOG) and terminal operations (TIL). Regarding TIL, the perimeter covers the majority-owned entities.
- (*) Total number of employees includes all terminal operation entities.

METHODOLOGY NOTE

SCOPE AND REPORTING PROCESS

MSC Cargo Division's 2021 Sustainability Report is the sixth edition of this document and aims to provide a clear overview of our commitment and capacity to contribute to the United Nations 2030 Agenda.

Referring to the period 1 January - 31 December 2021, this Report covers the entire MSC Cargo Division, including MEDLOG and TiL, and has been prepared under the coordination of the MSC Cargo Division Sustainability Department in consultation with all relevant functions and top management. The Report includes a limited amount of data and information up to 31 March 2022 including information related to the evolving situation in Ukraine, our support to the humanitarian crisis as well as its impact on our employees. Regarding the MSC fleet,

DATA COLLECTION

A selection of quantitative and qualitative indicators has been included, following the **GRI Sustainability Reporting Standards 2021**⁵² ('GRI Standards') defined in 2016 by the Global Reporting Initiative and subsequent versions. The Report has been structured to respond to the reporting principles of accuracy, balance, clarity, comparability, reliability and timeliness. The information disclosed has been gathered through a data collection process that has been performed in coordination with offices in more than 150 countries in which the Company operates. The selected

all data refer to the number of operating vessels during the reporting period. We have adopted the operational control approach according to the GHG Protocol for our terminal operations⁵¹. The newest addition to our Cargo Division, MedTug, commenced operation in northern and southern Europe during the reporting year, therefore the related data have not been included in our 2021 perimeter. As a UN Global Compact participant, MSC publishes a Sustainability Report each year as part of our commitment to submit a **Communication on Progress** (CoP, Active Status) to illustrate progress made to embed the UN Global Compact's Ten Principles into our strategies and operations, including in the area of human rights.

indicators were collected for relevant topics for the years 2019, 2020 and 2021 to highlight the three-year trend where available, reflecting our sustainability performance and the associated management approach. Dedicated GRI guidance for data collection was distributed across the Cargo Division to ensure consistent data. In this Report we have expanded our data disclosure, and as we continue to progress towards a more comprehensive dataset we aim to further widen the scope of reported indicators.

HUMAN RIGHTS FOCUS

In terms of human rights reporting, in addition to the consolidated set of GRI Standards 2021, MSC also adheres to the UNGPs Global Reporting Framework. MSC Sustainability Reports address human rights-related issues in line with:

- The Ten Principles of the UN Global Compact and related human rights considerations
- Current and expected developments at the international level and in applicable domestic legislations, including in applicable reporting frameworks
- Relevant international human rights standards and principles

- A wide range of sector-specific human rights and health and safety regulatory frameworks and related international standards, sector-specific requirements and regulations, defined by maritime and labour conventions adopted at the international level by the United Nations, including the International Maritime Organization (IMO) and the International Labour Organization (ILO)
- Relevant International Finance Corporation (IFC) standards
- Relevant standards developed by the International Standardisation Organization (ISO) and recognised classification societies and their recommendations during periodic audit processes or assessments.

CERTIFICATIONS AND ASSESSMENTS

MSC is regularly assessed and certified under the standards of ISO by recognised classification societies. Our commitment to compliance with ethical practices and international standards – as well as to continuously improving existing environmental and social processes and practices – is demonstrated by the receipt of various awards and certifications and also by recognised classification societies:

- **ISO 14001:2015**
Environmental Management
- **ISO 50001:2018**
Energy Management Systems
- **ISO 45001:2018**
Occupational Health & Safety (MSC Shipmanagement)
- **ISO 28000:2007**
Security Management System (MSC Shipmanagement)
- **ISO 22301:2019**
IT Business Continuity (MSC Technology)
- **ISO 27001:2013**
Information Security Management System (MSC Technology)
- **ISO 9001:2015**
Quality Management System
- **ISO 26000:2010**
Guidance on Social Responsibility

Following a third-party assessment process, in December 2021 MSC Shipmanagement obtained the stakeholder assurance statement over the approach to corporate social responsibility based on **ISO 26000:2010 Guidance on Social Responsibility** with a score of 4.58 out of 5. This achievement demonstrates our efforts to further improve and integrate socially responsible processes into the organisation in line with MSC's broader sustainability strategy and our commitment to the UN Global Compact. To benefit from direct alignment of the People Management practices with the overall corporate strategy values and behaviours, in February 2021 MSC Shipmanagement Cyprus entered the process of the **Investors in People (IIP) Accreditation**, with the deployment of the IIP Survey and conduction of interviews by IIP Assessors.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

[51] We account for 100% of the impacts and emissions from operations over which we have control. As most of TiL's terminal interests are in joint venture form, only the terminals fully owned by TiL have been considered in the scope of reporting
[52] www.globalreporting.org/standards/



CONTACTS

For further information about Sustainability at MSC, please contact us at:
sustainability@msc.com

MSC Mediterranean Shipping Company SA
Chemin Rieu 12-14
1208 Geneva, Switzerland
www.msc.com/sustainability

www.msc.com/sustainability