CARBOFLOTTA
SHIPOWNING GROUP

Sustainability Report 2021

CONTENTS

INTRODUCTION

In 2022, the Carboflotta Group **embarked on an exhaustive, committed path** to strengthen its **sustainability** governance, consolidate its in-house corporate culture and measure and communicate its **ESG performance**, and the environmental, social and economic value generated for internal and external stakeholders.

This Report constitutes the first outcome of this process and is the **result of an in-depth assessment of the Group and a categorisation of all the work already done in terms of sustainability**. In September 2022, we launched the process of materiality analysis – internal and external. This will allow us to identify and prioritise the issues on which Carboflotta's first Sustainability Report will be based.

The Report consists of the following sections:

ABOUT US: presents the Group's hallmarks and explains its mission, vision and values. Describes the key features of the fleet. Presents the governance system, management systems, certifications and ethics and integrity policies.

SOCIAL: provides a concise picture of the breakdown, profile and policies for managing ground staff and seafarers; describes the profile of customers and how we relate to them; explains initiatives and projects for the community, as well as participation in industry associations and organisations.

ENVIRONMENT: describes the relevant regulatory framework, the impacts generated by company operations and the consequent environmental policy put in place. Following the analysis of the main equipment in the Group's fleet, the mitigation actions adopted are explained. The section closes with an overview of environmental performance in terms of energy consumption, emissions, biodiversity protection, waste management and safety at sea and the marine environment.

SUPPLY CHAIN MANAGEMENT: presents an overview of supply chain management policies and the procurement process.

GROUP STATEMENT

The Carboflotta Group **has always been attentive to issues of sustainability and the impact of its activities on the environment and the community**. Our operating, safety and environmental protection procedures strictly comply with applicable regulations, and are constantly reinforced by our compliance with the best practices adopted by its relevant industry. The Group aims to make an effective contribution to sustainable development.

In keeping with this vision, we have made the **firm, conscious decision** to voluntarily launch this process of **measuring, reporting and improving sustainability**, ahead of a likely future regulatory requirement. This will enable our Group to strengthen its in-house corporate culture and awareness concerning these issues, and to communicate to its stakeholders the goals, activities, results and effects generated in the pursuit of its business.

1. ABOUT US

1.1 Mission, vision and values

Carbofin S.p.A., parent company and holding of the Carboflotta Group, was established as a shipping company in the mid-1950s. Over the years, it progressively moved into the **gas tanker market** and today the Group owns and manages a fleet of LPG tankers, operating mainly in **Central America, Brazil and the United States**.

The company, with a long tradition in service-oriented ship management has all the synergies and skills needed to meet the requirements of international partners. Carbofin directly manages and controls **every aspect of the shipping business**, and is **specialised in the technical, commercial, financial and operational management of the ships**.

The Group's long ship-owning tradition is based on the underlying values of the Telesio Filippi family: a strong **connection between social and environmental responsibility and commercial results**.

The Group's structure allows it to be flexible, respond to market opportunities, make timely decisions and meet the needs of customers, who can interact directly with senior management and owners.

Our business philosophy is based on **professionalism and tradition, safety and transparency**, with an ongoing commitment to building a **healthy, collaborative work environment**.

By adopting a strict policy of **zero spills at sea**, the Company aims to eliminate any underlying cause of pollution, by ensuring high safety and environmental standards, in compliance with all existing laws, regulations and conventions.

1.2 The fleet

All the ships in the fleet – whether purpose-built at shipyards or purchased second-hand from leading shipowners – meet **standards of excellence**. The Group has **five LPG tankers**.

PERTUSOLA

MARIGOLA

LUIGI LAGRANGE

ALESSANDRO VOLTA

ENRICO FERMI

TECHNICAL SPECIFICATIONS	**PERTUSOLA** I.B.E.R.	**MARIGOLA** I.B.E.L.	**LUIGI LAGRANGE** I.C.Q.J.	**ALESSANDRO VOLTA** I.C.Q.I.	**ENRICO FERMI** I.B.T.X.

Type	LPG Semi ref.	LPG Semi ref.	LPG Fully ref.	LPG Fully ref.	LPG Fully ref.
Year of Construction	1999	1999	2006	2006	2018
Net Tonnage (t)	4,418	4,418	7,799	7,799	7,574
Cargo Tanks Capacity (m3)/Deadweight	17,751	17,805.8	38,500	38,500	38,122
Tanks 98% Capacity Cub (m3)/Liquid cargo capacity	17,396	17,450	37,730	37,730	37,359
INTERN. GT (mt)	12,800	12,800	25,994	25,994	25,248
INTERN. NT	4,418	4,418	7,799	7,799	7,574
Length Overall (metres)	145.18	145.18	180.03	180	179.92
Length between perpendiculars (metres)	133.99	133.99	172.00	172.00	172.00
Breadth Extreme (metres)	22.00	22.00	29.2	29.2	28.40
Speed (knots)	15.5-16.0	15.5-16.0	16.3	16.3	16.0
IMO CODE (RINA code)	9147394	9173070	9292759	9292773	9789312
LLOYD'S REG. No.	75897	75943	88720	88721	97297
REGISTRATION	GENOA 3	GENOA 11	GENOA 158	GENOA 160	GENOA 214

1.3 Corporate governance

The Carboflotta Group consists of the holding, Carbofin S.p.A., and S. Ugo Immobiliare S.r.l., a wholly-owned subsidiary of the holding:

- **Carbofin** S.p.A. is engaged in the marine shipping of liquefied petroleum gas (LPG) for Italian and foreign charterers worldwide
- **Sant'Ugo Immobiliare** is engaged in real estate activities and the provision of general services (use of spaces, personnel, ICT services, etc.) for Carbofin S.p.A.

GOVERNANCE BODIES

The governance structure of **Carbofin** consists of the following governing bodies and an independent auditing firm:

- Shareholders' Meeting
- Board of Directors
- Board of Statutory Auditors
- Independent Auditors

- Supervisory Body.

The company has a share capital of EUR 20,100,000 and its shareholdings are split into separate stakes held by 5 persons: Stefano Telesio, Paola Telesio, Enrico Telesio, Enrico Filippi, and Maria Isabella Filippi.
In detail, Enrico Filippi and Maria Isabella Filippi each own a 25% stake (5,025,000 nominal shares), while Enrico Telesio and Paola Telesio each own a full ownership stake of 18.5% (3,716,520) and a bare ownership stake of 6.5% share (1,308,480), the usufruct of which is held by Stefano Telesio (13%).
The Board of Directors consists of the Chairman Enrico Filippi, the CEO Enrico Telesio, and two Managing Directors Stefano Telesio and Michele Bogliolo. They shall remain in office until the approval of the financial statements as of 31/12/2022.
There are also representatives with specific proxies and powers - Andrea Lombardo, Deborah Monti, Valentina Ricci and Alberto Vigna – whose term of office has no expiry date.

Members by gender	**2019**			**2020**			**2021**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Shareholders' Meeting	3	2	5	3	2	5	3	2	5
Board of Directors	5	-	5	4	-	4	4	-	4
Board of Statutory Auditors	3	-	3	3	-	3	3	-	3

Activities of the Bodies	**2019**		**2020**		**2021**	
	Meetings	**Participation rate**	**Meetings**	**Participation rate**	**Meetings**	**Participation rate**
Shareholders' Meeting	1	100%	1	100%	1	100%
Board of Directors	8	100%	8	100%	7	100%
Board of Statutory Auditors	8	100%	8	100%	7	100%

1.4 Ethics and integrity

CODE OF ETHICS

The **Code of Ethics** is the document that contains the ethical principles, in other words the set of **rights, duties and responsibilities** that the Carboflotta Group adopts with respect to all **stakeholders**. It sets out the principles, the ethical values, the general criteria for conducting business and the rules of conduct – individual and collective – that the Company has committed to applying and enforcing, in order to maintain and boost its image, prestige and reputation.

Every director, statutory auditor, employee and contractor is required to **comply with the Code** in the performance of their duties, including representing the Group with third parties. The provisions in the Code of Ethics supplement the rules of conduct for employees (Articles 2104(2e) - 2105(3) of the Italian Civil Code). Compliance with the Code of Ethics means keeping to the Company's regulations, the in-house procedures voluntarily adopted by the Company (Quality Management System, Safety and Environmental Management System, Personal Data Management System) and any mandatory regulations.

Failure to comply with the principles and **violation** of the Code of Ethics fall within the cases covered by the Company's **disciplinary system**, in line with legal and contractual regulations. The Code of Ethics is an essential element of the "Compliance Model" as required under Article 6 of Legislative Decree 231/2001 on the "Rules governing the administrative liability of legal persons".

The Code of Ethics is addressed to senior management, persons subordinate to the management of others and any person who establishes or has entered into dealings and relations with the company. All parties to any business relationship must be informed of the existence of the rules of conduct laid down in the Code and must comply with them, or face the consequences set out in the contract and/or in the Company's internal Disciplinary System.

The present version of the Code of Ethics was approved in 2019 and is constantly updated.

The general principles underlying the Carboflotta Group's Code of Ethics are:

- Ethics in conducting business and company operations
- Work ethics, safety, protection and development of people
- Environmental ethics
- Ethics in the processing of personal data.

COMPLIANCE MODEL

Italian Legislative Decree No. 231 of 8 June 2001, in force since 4 July 2001 and further amended and supplemented, introduced into the Italian legal system a **new specific system of liability** - called "administrative" but that is, *de facto* criminal - of legal entities for crimes committed by directors, managers, employees and agents in the interest or to the benefit of the entity. **Entities may be liable** - in addition to and

not replacing liability of the individual who commits the offence - when the offence is committed in their interest or to their benefit, including attempted crimes and aiding and abetting.

The Company adopted its Compliance Model in 2006, and has kept it constantly updated for compliance with both organisational and legislative changes introduced over time concerning the scope of application of Legislative Decree 231/2001. The most recent revision of the document began in 2021 and was finalised in 2022.

WHISTLEBLOWING

In compliance with the regulation, the Group has adopted a whistleblowing procedure, i.e. internal reporting of "*wrongdoing, which includes corruption, criminal offences, breaches of legal obligation, miscarriages of justice, specific dangers to public health, safety or the environment, abuse of authority, unauthorised use of public funds or property, gross waste or mismanagement, conflict of interest, and acts to cover up any of the aforementioned*" (Transparency International, Whistleblowing in Europe legal protections for whistleblowers in the EU, 2013, pg. 6).

To introduce and implement a proper whistleblowing system, the most relevant aspects to be addressed, from the point of view of internal control systems, are:

- regulation of the **information flow**
- **confidentiality** of the identity of the whistleblower, the reported person and the contents of the report
- **protection** of the whistleblower from any form of discriminatory or retaliatory action.

Following the entry into force of Italian Law No. 179/2017, which regulates the subject of whistleblowing in the private sector and the consequent amendment to Article 6 of Legislative Decree No. 231/01, Carbofin has vested the Supervisory Body with the duties to monitor this new area. Accordingly, the **Supervisory Body** is responsible for:

- overseeing the addition of a specific section dedicated to whistleblowing in the 231 Model and the introduction in the Disciplinary System of appropriate sanctions to be applied to persons who violate the measures of confidentiality and protection of whistleblowers and who make reports that turn out to be unfounded with wilful intent or gross negligence
- supporting the Company in defining the procedure to be followed for making whistleblowing disclosures
- ensuring that the information channels set up in application of the provisions on whistleblowing ensure that the Company's employees and consultants can correctly report offences or irregularities and that the confidentiality of their identity is guaranteed throughout the entire whistleblowing management process
- making sure that the alternative whistleblowing channel adopted by the Company guarantees the confidentiality of the whistleblower's identity by IT methods, also by means of outsourcing
- managing the whistleblowing analysis and assessment process in accordance with the established procedure

- overseeing compliance with the prohibition of making reports which prove to be unfounded with wilful intent or gross negligence and compliance with the prohibition of retaliatory or discriminatory acts, whether direct or indirect, against whistleblowers for reasons connected with the report.

In addition, since the proper functioning of the whistleblowing system requires company staff, whether senior or subordinate, to be adequately informed and in a position to make proper use of the channels set up for whistleblowing, the Supervisory Body oversees their **training** in:

- the key features of the new provisions
- the sanctioning measures, integrated into the internal Disciplinary System of Carbofin S.p.A., established to protect whistleblowers and anyone subjected to intentionally unfounded reports
- the operation and methods of access to the channels adopted by the Company for whistleblowing, focusing in particular on the proper use of the IT platform.

The procedure for managing reports through the various channels is regulated by a specific **Whistleblowing Policy**, which is made available both physically - in the Head Office premises and on the ships in the fleet - and online, on the Company's website. The **IT platform** adopted by the Company for whistleblowing is a highly reliable tool in terms of (i) security and protection of whistleblowers' personal data; (ii) being user-friendly for whistleblowers; and (ii) management of whistleblowing by the intended recipients.

Carbofin has also adopted a **Disciplinary System**, compliant with the provisions of Legislative Decree 231/01, which stipulates that the Company must have an internal disciplinary system, suitable for sanctioning failure to comply with the measures laid down in the Code of Ethics and the Compliance Model as one of the necessary conditions for the Model to exempt the Company from liability.

1.5 Integrated management system

The Group works constantly to keep the working environment at the **highest industry standards**. The Integrated Management System (IMS) is developed with an approach based on thorough process analysis, with the aim of identifying, improving and maintaining a dynamic organisational model. This enables easier and faster decision-making, with the implementation of consistent preventive and corrective action plans.

The continuous measurement and analysis of **performance indicators** and the implementation of relevant corrective actions, together with continuous internal inspections, both on-board and ashore, allow for the company's continuous improvement in terms of **safety, social responsibility and stakeholder satisfaction**, as well as ensuring compliance with all the numerous national and international regulations.

CERTIFICATIONS

The Group's constant commitment to maintaining the highest **standards of quality and safety** is also demonstrated by the certifications it holds:

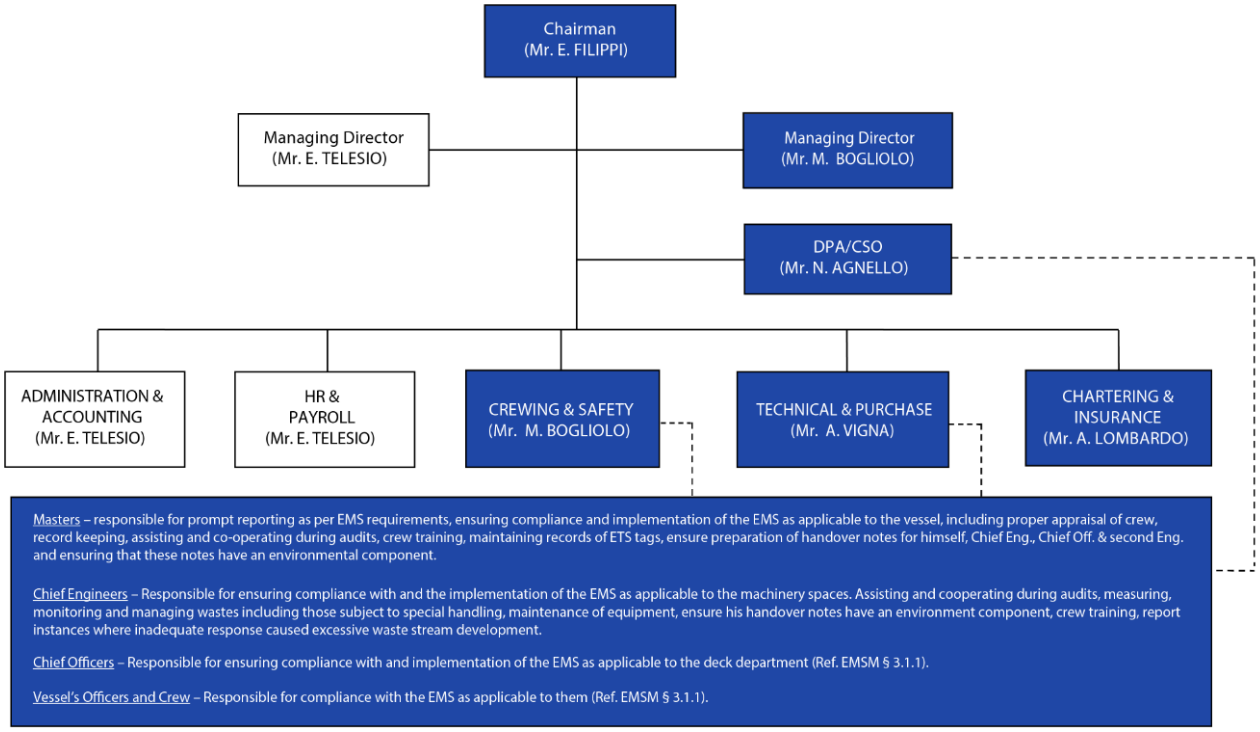
- ISO 9001 – Quality management
- ISO 14001 – Environmental management
- ISO 45001 – Occupational health and safety
- Safety Management System (IMO - ISM Code)
- TMSA 3 – Tanker Management Self-Assessment (OCIMF)

2. SOCIAL

2.1 Organisational structure and staff

ORGANISATIONAL STRUCTURE

Below is the organisational structure as of 30 June 2022.



THE PEOPLE WHO WORK FOR THE GROUP

The **Carboflotta Group** promotes a strong in-house **industrial and technological culture** and encourages initiatives aimed at **disseminating knowledge and showcasing the values, principles, behaviour and contribution** of each individual to developing business activities and the company's sustainable growth. It encourages members from the various functions to interact, participate and have access to know-how, and promotes initiatives for the growth, dissemination and systematisation of knowledge relating to the core competencies of its structures and aimed at defining reference policies and guidelines to ensure operational consistency.

The Company guarantees all employees **equal opportunities**, with no discrimination, and is committed to:

- hiring, paying, training and evaluating employees on the basis of merit, competence and professionalism and without any prejudice or discrimination
- providing a working environment where relations between colleagues are distinguished by loyalty, fairness, cooperation, mutual respect and trust

- providing working conditions that are adequate from the point of view of health and safety, as well as respectful of everyone's moral personality, so as to foster prejudice-free personal relationships
- fostering the value of human resources through professional development paths.

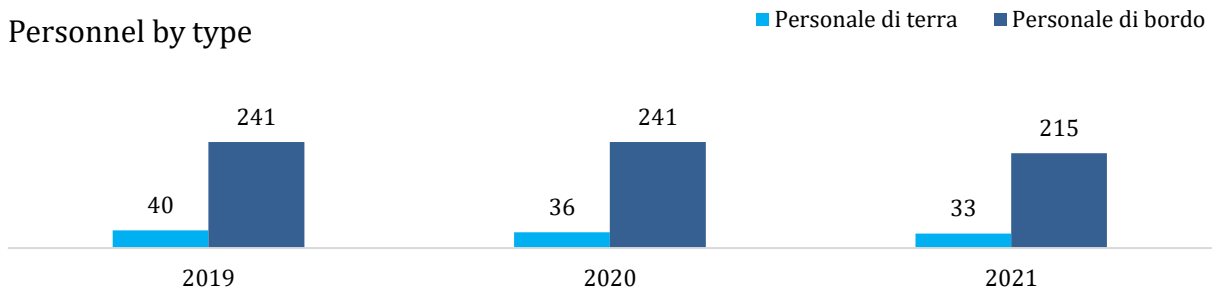
In particular, when recruiting personnel, the Company adopts criteria of **fairness and good faith**, basing its selections on the correspondence of the candidates' profiles to the company's current and/or prospective needs, in compliance with equal opportunities and without discriminating in any way. The designated offices select, hire and manage employees on the basis of competence and merit, without any consideration as to **race, ethnicity, religious belief, gender, age or origin**, in full compliance with the rights of the individual and with the laws and regulations in force, with particular attention to the applicable legislation on **child labour**.

Breakdown and profile of staff in 2021

The following is a consolidated picture of the people working for the Group, organised into seafarers and ground staff.

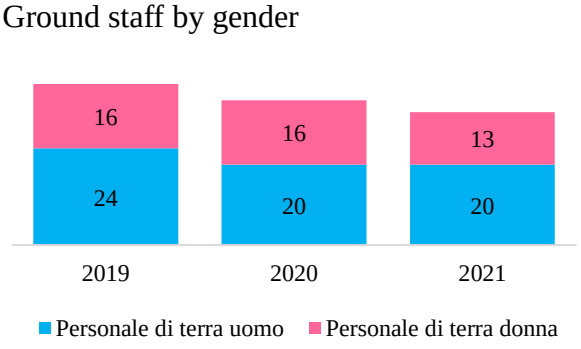
The Group has a workforce of **248** people, 87% of whom are seafarers and 13% ground staff.

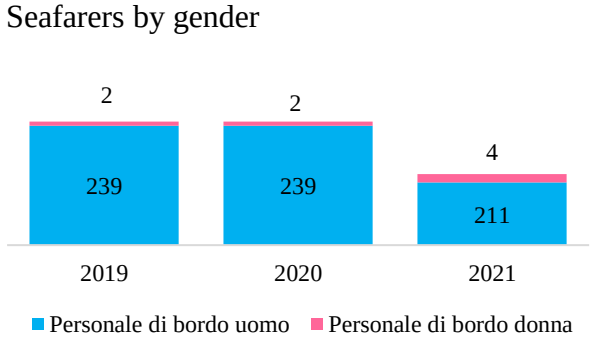
Trend	2019	2020	2021
Ground staff	40	36	33
Seafarers	241	241	215
Total	**281**	**277**	**248**



The breakdown by gender shows a predominance of men among both seafarers and ground staff.

Gender	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Ground staff	24	16	20	16	20	13
Seafarers	239	2	239	2	211	4
Total	263	18	259	18	138	17





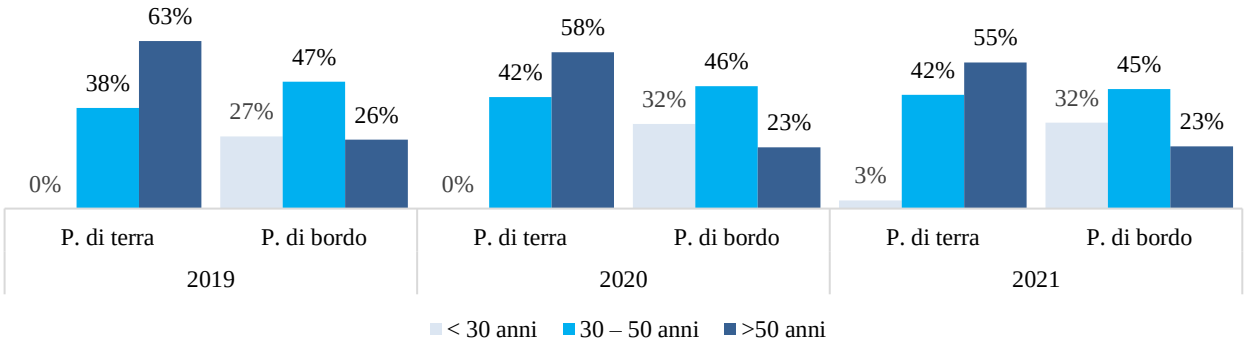
The ground staff is almost entirely made up of Italian nationals, while the majority of seafarers are Filipinos (56%), followed by Italians (43%), followed by Spain and Montenegro.

Nationality	2019		2020		2021	
	Ground staff	Seafarers	Ground staff	Seafarers	Ground staff	Seafarers
Italy	39	101	35	103	32	92
Spain	1	1	1	1	1	1
Philippines	-	137	-	136	-	121
Montenegro	-	1	-	1	-	1
Argentina	-	1	-	-	-	-
Total	40	241	36	241	33	215

A breakdown of personnel by age bracket clearly shows a difference in the composition of seafarers and of ground staff. The majority of seafarers are between 30 and 50 years of age (45%), followed by a significant percentage of personnel under 30 years of age (32%). Conversely, most of the ground staff are over 50 years of age (55%), followed by staff aged between 30 and 50; staff under 30 account for only 3%.

Age bracket	2019		2020		2021	
	Ground staff	Seafarers	Ground staff	Seafarers	Ground staff	Seafarers
< 30 years	0	65	0	76	1	69
30 – 50 years	15	114	15	110	14	96
> 50 years	25	62	21	55	18	50
Total	40	241	36	241	33	215

Personnel by age bracket



100% of ground staff are employed on permanent contracts. Of the seafarers, 83% are special shift crew and the remaining 17% are under a continued employment relationship[1].

Type of contract Ground staff	2019	2020	2021
Temporary	-	-	-
Permanent	40	36	33
Total	**40**	**36**	**33**

[1] Please refer to the relevant Collective Agreement for the definition of special shift and continued employment

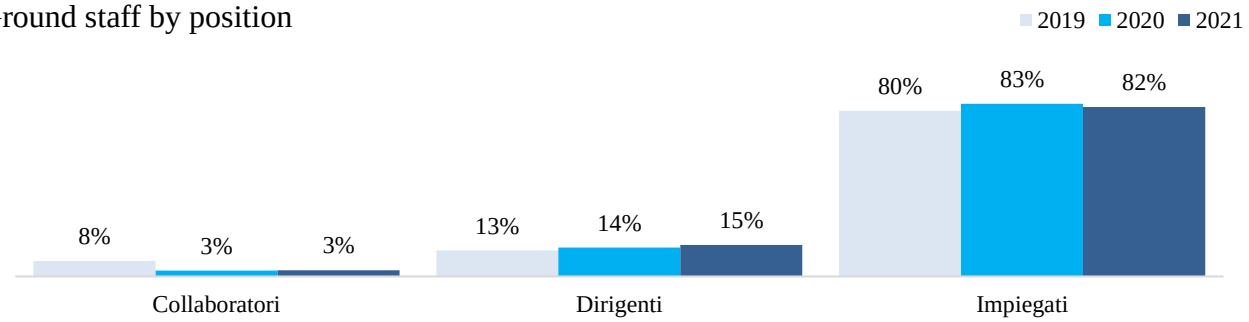
Type of contract Seafarers	2019	2020	2021
Workers under a continuing employment status (Continuità di Rapporto di Lavoro-CRL)	41	34	36
Special shift workers (EU)	61	70	57
Special shift workers (non-EU)	139	137	122
Total	**241**	**241**	**215**

The ground staff consists of 4 senior executives to whom 27 office workers - 82% of the staff - and 1 associate report. The seafarers include 20 masters and chief engineers to whom 58 officers, 21 trainee officers, 37 petty officers and 79 ratings report.

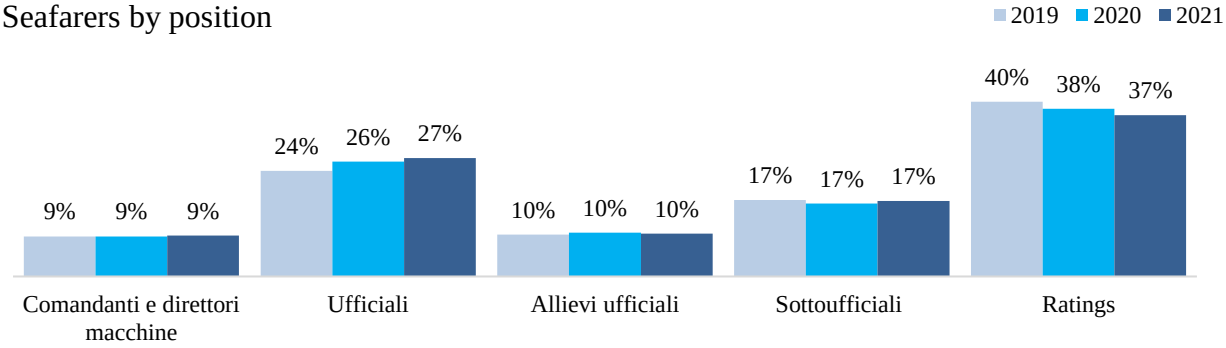
Position Ground staff	2019	2020	2021
Senior executives	5	5	5
Office workers	32	30	27
Associates	3	1	1
Total	**40**	**36**	**33**

Position Seafarers	2019	2020	2021
Masters and chief engineers	22	22	20
Officers	58	63	58
Trainee officers	23	24	21
Petty officers	42	40	37
Ratings	96	92	79
Total	**241**	**241**	**215**

Ground staff by position



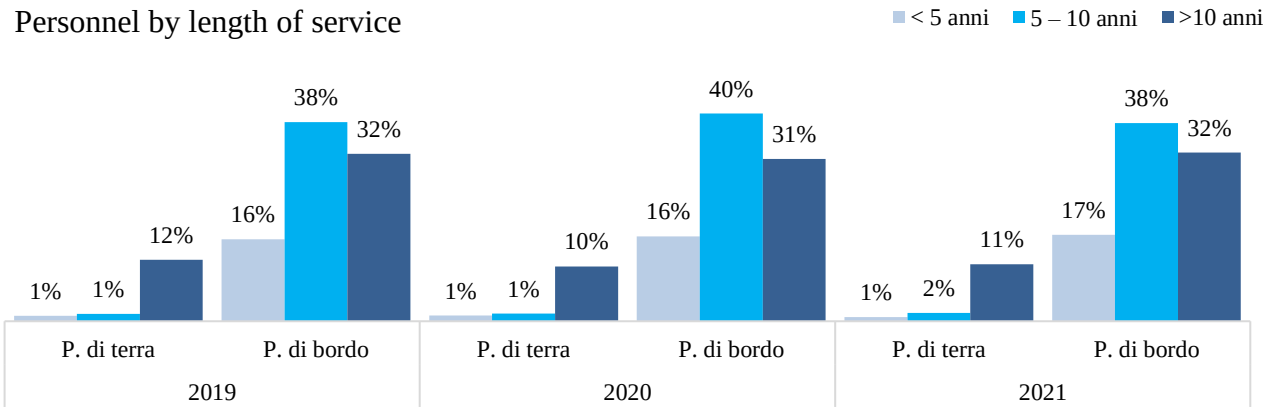
Seafarers by position



82% of the ground staff has worked for the Group for **more than 10 years**. Similarly, most of the seafarers employed on board have been with Carboflotta for more than 5 years; in particular, 44% have been with the company for between 5 and 10 years and 37% for more than 10 years. The strong bond and sense of belonging to the Group is further confirmed by the **officer retention rate of 92%** and **the retention rate of the ground staff of 100%**.

Length of service	2019		2020		2021	
	Ground staff	Seafarers	Ground staff	Seafarers	Ground staff	Seafarers
< 5 years	3	44	3	45	2	41
5 – 10 years	4	107	4	110	4	94
> 10 years	33	90	29	86	27	80
Total	**40**	**241**	**36**	**241**	**33**	**215**

Retention rate	2019	2020	2021
Officer retention rate[2]	90%	95%	92%
Retention rate of ground staff	97%	100%	100%



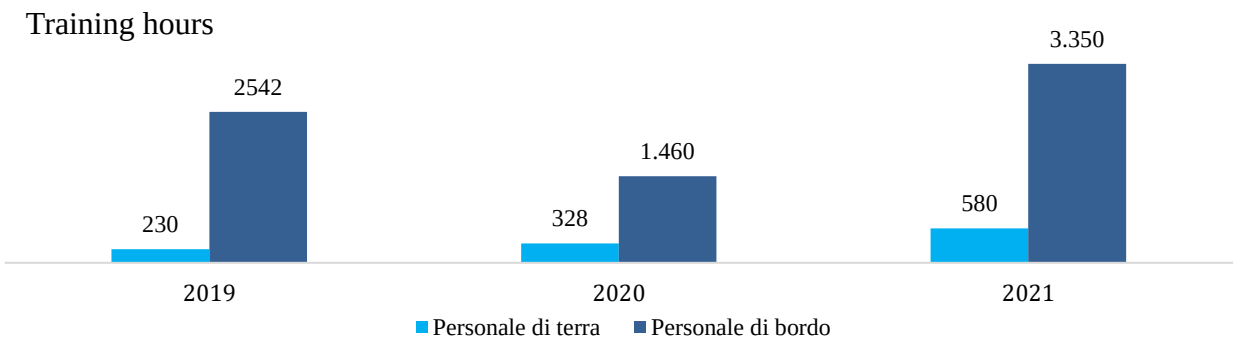
Contracts applied to personnel in the Group – national collective labour agreement (CCNL) and supplementary agreements	
Ground staff	CCNL Industrial company executives and CCNL Shipping industry – Section 15 Ground staff
Seafarers	
Applies to all EU crew (with the exception of Masters and Chief Engineers)	1. Section for the embarkation of EU seafarers on cargo ships and passenger/cargo ferries over 151 t.s.l and for Masters and Chief Engineers embarked on ships over 151 t.s.l and less than 3,000 t.s.l or 4,000 t.s.c (signed on 16/12/2020)
Applies to EU Masters and Chief Engineers	3. Section for the embarkation of Masters and Chief Engineers on cruise ships, cargo ships and passenger/cargo ferries over 3,000 gt of the national fleet (signed on 16/12/2020)
Applies to all EU Trainee Officers	Trade Union Agreement report of 30-07-2015 renewed on 16-12-2020

[2] Retention rate = 100-S-(UT+BT) /AE*100. Where S = Number of terminations of officers for any cause (i.e. the total number of employees who left the company for any reason). UT = Number of unavoidable terminations of employees (e.g. retirements or long-term illness). BT = Number of beneficial departures of officers (e.g. sometimes the company benefits from employees leaving, as in the case of underperforming employees). AE = Average number of officers employed

Applies to all non-EU Seafarers	13. Collective Labour Agreement for Non-EU Seafarers Embarked on Ships of the Italian International Registry or on Bare-Boats Ships (signed on 16/12/2020)
Applies to all EU Crew	EU seafarers Supplementary company agreement for the 2021-2023 three-year period for Carbofin spa crews
Applies to EU Masters and Chief Engineers	EU seafarers Supplementary company agreement for the 2021-2023 three-year period for Carbofin spa masters/chief engineers
Agreement signed between Carbofin SpA and trade unions	Record of agreement dated 25 October 2021 for the embarkation of non-EU seafarers on board Carbofin SpA ships. Valid for 12 months and renewed annually

Training and development of human capital

Training hours	2019	2020	2021
Ground staff	230	328	580
Seafarers	2,542	1,460	3,350
Total	**2,772**	**1,788**	**3,930**



Training – Ground staff

In the 2019-2021 three-year period, ground staff were trained in the **following areas**:

- Payroll&HR
- English
- Word & Excel
- Basic and advanced "Thin Man" for IT administration of the Thin client
- "ITIL V4 Foundation" IT service quality and problem solving
- Leadership and digital transformation – Bureau Veritas
- "Towards digitisation: vertical and horizontal system integration of the company processes at Carbofin" – Bureau Veritas
- Training for trainers
- 231-2001 Legislation and Compliance Model
- Privacy / GDPR
- Hong Kong Convention on Ship Recycling
- Management Control
- Italian Legislative Decree 81/08 general and specific training - COMPULSORY COURSE
- Italian Legislative Decree 81/08 training of Workers' Health & Safety Representatives - COMPULSORY COURSE
- Italian Legislative Decree 81/08 Executives medium risk - COMPULSORY COURSE
- First Aid - COMPULSORY COURSE

Training – Seafarers

The Group supports its maritime personnel with training, instruction and refresher courses that are compulsory by law and/or required by company standards, covering the costs of attendance, board and lodging and paying participants a daily allowance for course attendance.
Below are the main training courses for maritime personnel (non-exhaustive list):

1. **Refresher Training of Basic Safety Training** (BST): BST covers courses that are compulsory by law to be able to embark and without which a maritime career cannot be undertaken. The training is valid for five years and is renewed by attending a refresher course (refresher training). BST is broken down into:
   - Elementary First Aid
   - Personal Safety and Social Responsibility (PSSR)
   - Basic/Advanced Fire Fighting
   - Sea Survival and Rescue
   - Security Awareness.

   In addition to renewing their BST, depending on their category, maritime personnel must participate in additional training activities: High Voltage and Radar.
2. **MAMS** *(Marittimo Abilitato per i Mezzi di Salvataggio)* and refresher course: certification of seafarers with proficiency in survival craft and rescue boats, valid for five years. To obtain renewal, it is necessary to attend a course as proof that the required level of training has been maintained, before the expiry date of the certificate.
3. **Security courses**
4. **Basic Training Course in Gas Tanker Cargo Operations and Advanced Gas Course**: the courses provide seafarers with the competences for gas tanker cargo operations required by STCW Table A-V/1-2-2, the knowledge and characteristics of the products carried necessary to safely perform any task or work on board liquefied gas tankers
5. **Rescue** and related refresher courses (First Aid - Medical Care: valid for five years. Seafarers must attend a refresher course before expiry)
6. **Electronic Chart Display and Information Systems (ECDIS): Real-time electronic navigation system that allows chart information to be displayed and managed on a screen**
7. **Global Maritime Distress and Safety System (GMDSS)**
8. **Leadership courses:** Leadership and Teamwork and Use of Leadership Managerial Capacities
9. **Ship to Ship Transfer (STS)** courses

Welfare policies

Ground staff

The main welfare initiatives implemented by the Group are listed below:

- **corporate welfare** the same for comparable categories (3% of INPS taxable income + 258 euros) offers the possibility of using welfare goods and services within a dedicated portal
- **smart working** – after its adoption in the pandemic, smart working became structural over time through an internal regulation that provides for the possibility of working remotely 1 day a week. Each employee has been provided with a laptop and a company mobile phone is being regulated

- **flexible working hours** with entry in the morning between 8:30 and 9:15 and return in the afternoon between 13:30 and 15:00
- **refreshment area** at the head office with water (water bottle and flask) and free coffee as well as the provision of restaurant tickets to the value of 8 euros per day
- **policies and insurance**:
  - Occupational and non-occupational accident insurance for all head office staff
  - Covid life and health policies
  - Supplementary health insurance contributions (FASI) with Reale Mutua for executives
  - Access to supplementary health insurance for maritime personnel
- **conventions and discounts** – addressed to both ground staff and seafarers – for hotels, car hire, theatre, book purchases, etc.
- **attention to the needs of individuals**, even beyond what is required by law
- allocation of an end-of-year **bonus**
- upon retirement, the company adds a supplement to the **severance payment (TFR)**
- **free covid test**
- **unlimited paid time off** for documented medical examinations.

Maritime personnel

The main welfare initiatives implemented by the Group are listed below:

- **policies and insurance**
  - health policies (sickness and accidents, withdrawal of seaman's book)
  - covid policies for all Italian maritime personnel
  - for Filipino personnel, health policies that also cover private health facilities
- **attention to individual needs** – seafarers' needs are taken into account when defininf embarkations and disembarkations
- end-of-year **bonus**
- **wage supplement in the covid period** (one-off payment)
- **advances** on request, also for personnel on special shifts in specific cases
- upon retirement, the company adds a supplement to the **severance payment (TFR)**
- **offshore vaccinations** for staff on board (America)
- **attention to health and wellbeing on board** – organisation of meals and selection of food also based on the nationalities of the crew, availability of a gymnasium for sports. Particular attention is paid to onboard catering through catering contracts with leading national operators and the cost of daily food per seafarer far higher than the collective agreements in force
- **internet on board and entertainment initiatives**
- **trainees are assured a 12-month embarkation period** to take their final examination.

In addition to these factors, the Company has signed a Supplementary Agreement that guarantees substantial improvements over the current National Collective Bargaining Agreement and has developed a relationship with the seafarers that is strongly marked by open dialogue. There have never been any whistleblowing reports or labour disputes.

Through the Supplementary Company Agreement signed for the 2021-2023 (and previous) three-year period for Crews and Masters and Chief Engineers, **Carbofin has reiterated its attention to its maritime personnel**, particularly in the following aspects:

- support and promotion of training and instruction activities
- commitment to embarking Trainees and allowing them to accrue the months of navigation necessary to access the examinations to qualify as Officers
- improvements to the current national collective bargaining agreement through the provision of navigation/miscellaneous allowances, supplements for public holidays, and more favourable economic treatment
- company supplements to the applicable collective bargaining agreement on daily allowances for attending instruction and training courses, overtime and ordinary/extraordinary maintenance work, special work, remuneration in the event of transhipment
- insurance protection through insurance policies - FANIMAR, CASCODI, Covid policies - whose premiums are paid in full by the Company.

ANNUAL MEETING IN MANILA

Carbofin subscribes in full to the provisions of the **Maritime Labour Convention** of 2006 (MLC) and fully complies with its standards. Therefore, all Ships are in possession of the Maritime Labour Declaration of Compliance documents and every Seafarer enjoys full protection and enforcement of the standards set out in the legislation regarding the rights and protections of seafarers. In compliance with the requirements of the MLC 2006, Carbofin organises an annual meeting at the **Recruitment Agent** in Manila for the main (but not sole) purpose of carrying out the mandatory auditing of operations and verification of performance.

In addition, since the Recruitment Agent plays a central role in the recruitment of Filipino maritime personnel, as well as providing direct and constant contact with them, there are many other reasons for this annual meeting, namely:

- foster dialogue between Carbofin and local Agents in order to better understand their respective needs;
- promote direct discussions on key topics such as career development, crew loyalty criteria, wage scales, analysis and in-depth examination of various issues;
- hold a face-to-face meeting with local seafarers to foster dialogue, identify mutual expectations and create an opportunity to discuss complex issues typical of human resources management, with the aim of devoting the right attention to the needs of the crew.

Remuneration and performance review systems

Ground staff

The performance review of the ground staff involves a structured meeting - usually held at the end of the year - aimed at verifying the results achieved in the performance of the functions and tasks assigned to each individual. The assessment is the result of information gathered through constant, ongoing dialogue between directors, employees and executives throughout the year.

Maritime personnel

At Carbofin, staff performance reviews are carried out with the main aim of **raising the professional profile of personnel** and enabling the office responsible to make the necessary selection for **career advancement**. One of the tools used is the listing, by the onboard line supervisors, of known characteristics of personnel, which are shared with the parties concerned, using the comparison as a moment of professional growth.
The maritime office maintains constant contact with those onboard on the subject and takes action, for deserving cases, not only with appropriate promotions and career advancement, but also through bonuses and gratuities. These economic remuneration schemes are paid at different times of the year:

- **one-off bonuses and gratuities** paid during embarkation/end of embarkation: considered as a means of rewarding the contribution made in relation to certain activities of particular complexity/commitment
- **annual one-off bonus**: once a year, company managers meet to discuss the individual performance of key positions, analysing each case with due attention. The aim is to pay a merit-based bonus that repays the individual for their efforts and motivates them for future professional performance.

Health and safety

The Company is committed to **studying, developing and implementing policies, strategies and operational plans** aimed at **preventing accidents, injuries in the workplace and damage to health**, as well as any culpable or wilful behaviour that could cause direct or indirect damage to personnel and Company property.

It is also committed to ensuring **safe working conditions and healthy environments** for its employees, which guarantee their physical and moral integrity and respect for their dignity. Its Security & Safety policy refers to the main international laws, regulations and conventions in force, as well as to national regulations, including those approved in transposition and integration of international ones. The Company requires contractors and subcontractors to apply **safety standards** in compliance with the laws and regulations in force at national and local level.

The Company’s safety policy is based on full compliance with the international ISM code, Italian legislative decrees 81/2008 and 106/2009 for activities in onshore offices, Italian legislative decree 271/99, for work activities on board ships at sea, and Italian legislative decree 272/99, for work activities on board ships in ports.

In particular, the safety policy is geared towards the following objectives:

- develop in all workers a **sense of responsibility** for the principles of preserving occupational health and safety conditions
- **prevent hazardous actions**, accidents and injury to personnel, damage to company property and harm to the environment
- define the criteria for organising the occupational prevention, hygiene and safety system and the use of individual and collective protective equipment
- dictate the **safety provisions and procedures** to be followed in work activities
- ensure, through appropriate monitoring, compliance with the provisions and procedures and their effective implementation
- thoroughly investigate **accidents that have occurred**, as well as anomalies and near misses potentially causing bodily harm or impairment to the health of personnel
- Assure adequate, correct and comprehensive **information, training and communication** to personnel.

SAFETY KPIs	2019	2020	Value 2021	Target 2021	Notes
Lost Time Injuries Frequency (LTIF) OCIMF Guidelines	5.98	0.86	1.02	0	LTIF of 2.000 may be an acceptable value as an improvement
Lost Time Sickness Frequency[3]	0	0	0	≤ 2.5	
Total Recordable Case Frequency (TRCF) OCIMF Guidelines	5.98	0.86	1.02	≤ 3	

[3] Number of cases where a crew member is sick for more than 24 hours + Number of fatalities due to sickness/Total exposure hours*0.000001

2.2 Customers

In pursuing its business purpose, the Carboflotta Group **offers high quality services** at the best sustainable market conditions and in compliance with all regulations for the preservation of fair competition. In its relations with third parties (external collaborators, partners, competitors), the Company is committed to acting in compliance with laws, regulations, conventions, company procedures and the quality system.

The Group's business approach has always been geared towards building and preserving long-term **relationships of mutual trust** with customers, based on professionalism and fairness, fundamental ingredients for a **lasting and profitable relationship**.

In practice, this approach translates into the Group's modus operandi. Indeed, the methodologies and practices adopted on a daily basis in customer relations, before, during and after business negotiations and in day-to-day ship management stem from this. Historically, the Group has almost always entered into long-term time charter contracts with its First Class Charterers, and rarely on a voyage basis. The charterers who are presently customers of the Group are an example of this:

- Geogas Trading is a major global LPG trader with a controlled fleet (owned or chartered) of around 50 gas carriers of varying sizes
- Petrobras, is the leading state oil company in Brazil.

Our partnerships with both have been ongoing for about 10 years. Long-term business relationships are unquestionably one of the most significant indicators of customer satisfaction, which is embodied in the constant care shown by staff on-board and on the ground. A second indicator is the joint projects initiated over time for the construction of new ships or the management of ships. The evolutionary shift from the classic shipowner/charterer relationship to a more structured approach of investment partnerships and jointly addressing the market, confirms the Group's strategic choices for the present and the future.

The Groups actions have always been distinguished by this style of relationship with our customers. In the 1970s and '80s, the company partnered with Gaz Ocean in a 50-50 joint venture that the Carboflotta Group later took over in its entirety.

In the late 1990s and early 2000s, the Company formed a partnership with NORSK HYDRO Group (a company with a strong Norwegian state presence), which resulted in the creation of a joint venture with Carbonor, a group company created ad hoc.

In 2003, the company acquired the ENI Group's tanker fleet division, including ships and personnel. The acquisition led to the creation of a new company called Carbofin Energia Trasporti, with the task of managing its own fleet of tankers and four LNG carriers under long-term management contracts on behalf of LNG Shipping. LNG Shipping is a wholly owned subsidiary of the ENI Group.

The experience of Carbofin Energia Trasporti (formerly SNAM and then ENI Gas & Power) in the shipping sector dates back to the early 1950s and over the years the company has built and managed various product carriers, crude oil carriers, LNG and LPG carriers, FSOs & FPSOs, supply vessels, crew boats and offshore support for ENI Group companies such as AGIP, SAIPEM etc.

2.3 Community

The company actively seeks to improve the **quality of life and contribute to the socio-economic development of the community in which it operates**. It conducts its operations in full awareness of the Company's **social responsibility** towards all its stakeholders and in the conviction that the **capacity for open dialogue** and **interaction** with **civil society** represents a fundamental and indispensable value.

The company is committed to conducting its business with respect for the local community in which it operates, with the aim of contributing to its safety and wellbeing, also through the use of state-of-the-art tools and equipment, capable of reducing the **impact on the environment** and on the quality of life, and fosters **charitable and philanthropic** initiatives, in support of the weakest members of the community, testifying to its commitment to play an active role in **civil society**.

PARTICIPATION IN INDUSTRY ASSOCIATIONS AND ORGANISATIONS

CONFITARMA

CONFITARMA, the **Italian Confederation of Shipowners** is the main association representing the interests of the Italian shipping industry in the form of almost the entire merchant fleet. The **Confederation groups together shipping companies and ship-owning groups** that operate in all sectors of freight and passenger transport, cruises and in auxiliary traffic services. All service managers participate in the technical groups as members or permanent guests.

BIMCO

The Carboflotta Group is a member of BIMCO, the **world's largest direct-membership organisation** for shipowners, charterers, shipbrokers, and agents. It is accredited as a Non-Governmental Organisation (NGO) with the main agencies of the United Nations. About 65% of the global fleet measured by tonnage in 120 countries is a BIMCO member.

SOLIDARITY

The Group supports **Fondazione Telethon**, the foundation - a not-for-profit organisation recognised by the Italian Ministry of Universities and Scientific and Technological Research - which funds scientific research into rare genetic diseases to provide concrete answers to patients.

CULTURE

Associazione Promotori Musei del Mare - Galata Museo del mare di Genova

The Group supports the Associazione Promotori Musei del Mare - Galata Museo del mare di Genova, a not-for-profit organisation promoting maritime museums - Galata Maritime Museum in Genoa formed of **a number of Genoese shipping companies and enterprises**. The Association's mission is to work to ensure that **the historical memory, the heritage of professionalism, strategic and organisational skills**, and

technical innovation that has characterised the great tradition of Genoese shipping and represented a factor of economic, social and cultural development for the city, become an **inspiration for young people**.

Istituto Italiano di Navigazione

The Group is a partner of the Istituto Italiano di Navigazione. Founded in 1959, the navigation institute acts as a point of contact between the various institutions and companies to promote the development and dissemination of the technical and scientific culture of navigation (maritime, land, air and space) and provide information on the industry's legal, jurisprudence, management and economic aspects.

Dialogue in the Dark - Chiossone Institute

The company has supported several projects of the Chiossone Institute for the blind and visually impaired in recent years. In particular, it supported an initiative involving a multi-sensory, interactive experience-exhibition in the total absence of light. This project generated value in terms of employment and economic and social development, guaranteeing blind and visually impaired guides not only a valuable training and professional path but also a highly relevant human experience, showcasing each person's talents and enabling individual growth by making the most of their skills and abilities in the workplace. Support for Chiossone's activities over the years has also extended to other fragile groups, as in the case of the economic contribution provided to organise a summer holiday for the guests of the "Il Caprifoglio" psychiatric residence.

SPONSORSHIPS

With a donation to USCLAC-UNCDIM-SMACD, Carbofin sponsored the **27th Annual CESMA Conference**, an event of significant importance for the maritime cluster, which was held in Genoa in May 2022.
The Confederation of European Shipmasters' Associations - CESMA - was founded in 1995 and represents 21 national shipmasters associations from sixteen EU countries. The USCLAC-UNCDIM-SMACD trade union – which has more than 700 members in Italy, mostly masters, chief engineers and ship's officers – represents Italy within CESMA

3. ENVIRONMENT

3.1 Regulatory framework

The Group complies with the following **relevant legislation**:

- International Convention for the Prevention of Pollution from Ships (MARPOL)
- Italian Law no. 438 of 04.06.82 ratifying MARPOL 1978
- Italian Law no. 979 of 31.12.1983 "Provisions for the defence of the sea"
- Directive 2005/35EC on ship-source pollution and on the introduction of penalties for infringements
- US Clean Water Act / APPS
- Oil Pollution Act of 1990 (OPA)
- Directive 2005/33/EC as regards the sulphur content of marine fuels
- International Convention for the Control and Management of Ships' Ballast Water and Sediments
- Regulation (EU) No 1257/2013 on ship recycling
- Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009
- California Air Resources Board (ARB).

INTERNATIONAL MARITIME ORGANIZATION - IMO

IMO is the **United Nations specialized agency** with responsibility for the **safety** and **security** of **shipping** the prevention of marine and atmospheric pollution by ships. Members of the IMO are required to meet certain standards.

As an international industry by definition, shipping can only function effectively if **regulations** and **standards** are agreed, adopted and implemented on an **international basis**. IMO measures cover all aspects of international shipping – including ship design, construction, equipment, manning, operation and disposal – to ensure that this vital sector for the **maritime industry** remains safe, **environmentally sound**, energy efficient and secure.

MARPOL

The MARPOL Convention was adopted on 2 November 1973 at IMO, then updated with the protocols of 1978 and 1997. It consists of **six annexes**, relating to the **prevention and/or control of pollution** from petroleum products (crude oil and fuel oil), noxious liquid substances in bulk, harmful substances carried by sea in packaged form, sewage, garbage and atmospheric air pollution from ships, i.e. Ozone depleting substances, nitrogen oxides (NOx), sulphur oxides (SOx), volatile organic compounds.

US CLEAN WATER ACT

The **US Federal Water Pollution Control Act of 1948** to address water pollution in the United States was the basis for the Clean Water Act (CWA). The Act was significantly reorganized and expanded in 1972 to become the **most important federal environmental law**. Its laws and regulations are primarily administered by the United States Environmental Protection Agency (EPA). Under the Clean Water Act, major programmes were developed to prevent pollution and to regulate all pollutants in the sea and waterways, including:

- **Vessel General Permit**: legislation to regulate effluents and potential pollutants from vessel operations. VGP requirements include an initial declaration/certification, a programme of specific checks and inspections and an annual report to the Environmental Protection Agency.
- **Oil Pollution Act of 1990 (OPA)**: legislation enacted in 1990 in the United States prevent oil spills and develop clean-up procedures in the case of a spill-related emergency.

The company's ships comply with the Clean Water Act requirements that apply to the Carbofin fleet.

3.2 Impact of products and environmental policy of the Group

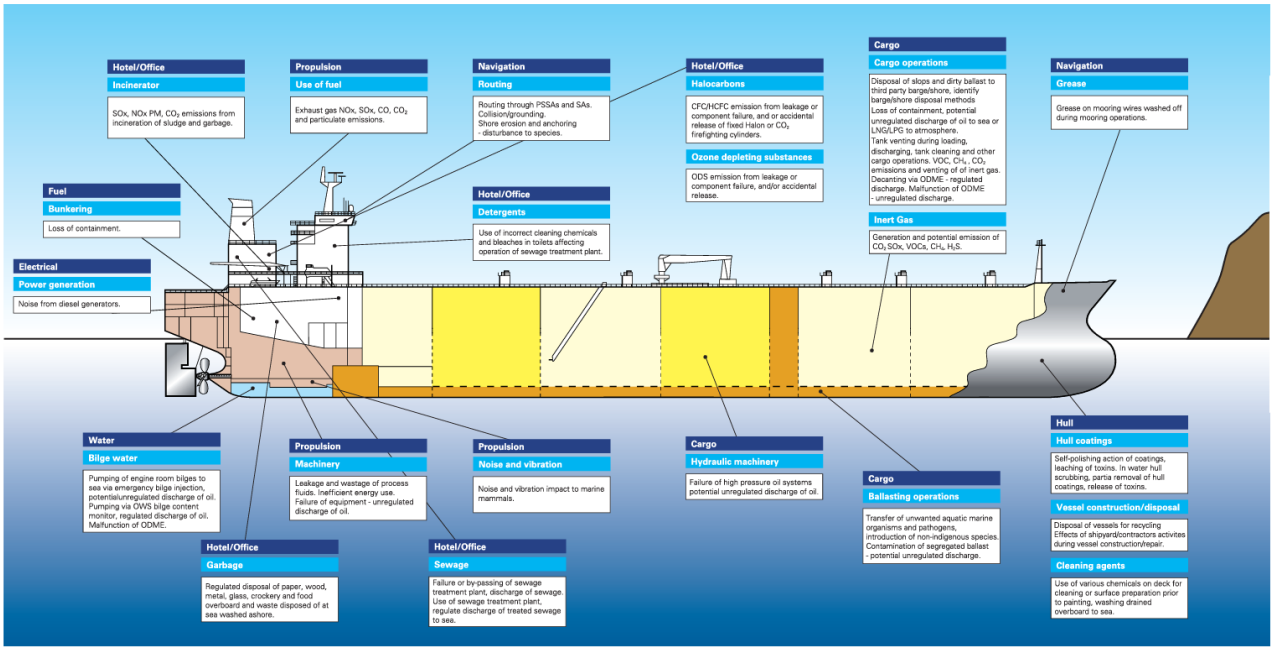
The Carboflotta Group believes that regulating the elements that interact with the **ecosystem** is not simply a matter of regulatory compliance, but a **fundamental driver of growth** for the Company's competitiveness and its contribution to sustainable development. In keeping with this principle, the company:

- promotes a policy based on the adoption and continuous improvement of an **Environmental Management System** (EMS), which clearly identifies and documents the responsibilities, processes and procedures of both land-based personnel and crews embarked on the ships
- adopts an **auditing system** that, in addition to internal audits, includes independent audits to monitor and enforce policy, procedures and practices
- implements appropriate **corrective actions** to promptly address any non-compliance
- ensures the necessary **economic and human resources** to keep the ships engines, equipment, plants and machinery parts in good working order, in order to prevent possible causes of pollution and damage to the ecosystem at the source
- does not adopt incentives or bonus policies based on the **reduction of operating costs** associated with the operation, maintenance and repair of machinery, equipment and plant components, to ensure that employees do not fail to carry out these operations at the expense of environmental protection
- **constantly monitors** the operating areas of ships to prevent, eliminate or reduce any possible risk of negative impact on the environment
- does not take technical measures that may expose the **population to health risks** or cause damage to the **external environment**, periodically checking the ongoing absence of that risk

- systematically reviews the **adequacy, effectiveness and efficiency** of company processes in relation to environmental protection
- ensures **diligent management and maintenance** of the structures, machinery and equipment of the vessels, as well as the equipment made available to personnel and the provision of the relevant financial investments
- uses **qualified suppliers**, who undertake to comply with the principles of the Code of Ethics, also with regard to environmental protection
- guarantees **compliance with current regulations**, both voluntary and mandatory, concerning all company work processes relating to **environmental protection**
- constantly monitors the **waste produced**, the management of hazardous substances used, and the energy resources allocated to production, with a view to optimising their use
- monitors the **internal and external noise levels** from ship operations
- where possible, utilises **renewable resources** in production activities
- promotes a constant and fruitful **exchange of information** between head office departments and ship personnel, as well as between the Company, relevant third parties and suppliers, in order to promote its environmental policy
- establishes procedures to ensure that all personnel (including suppliers, technicians and others who are not part of the crews), whose occupational responsibility affects the capacity to meet objectives, have received the necessary **training and are capable of exercising this responsibility**.

The Group's environmental policy is based on an initial environmental assessment, reviewed annually, evaluating environmental aspects and their impact.
Below are the **main environmental aspects and their consequent impacts**, under different operating conditions (normal, exceptional and emergency), defined according to the type of activity carried out by the company. The assessment focuses in particular on the following aspects and impacts:

- gas emissions
- water cooling and shipboard sewage systems
- wastewater discharged into the sea
- bilge water discharge
- solid and special waste disposal
- ballast water
- biofouling
- deck washdown and runoff
- anti-fouling
- in-water maintenance
- use of paints, solvents and chemicals
- use of foam and chemical powder extinguishers in a fire emergency
- boiler blowdown
- bilge tank effluent
- distillation
- fire main systems
- discharge of rudder lubricants
- lubrication discharge from stern tubes
- small boat engine wet exhaust discharge
- consumption of resources
- noise emissions
- end-of-life recycling.



Impacts are assessed through in-house **procedures and management practices**, which are described in the following documents:

- Safety Management System (SMS) Manual
- Environmental Management System (EMS) Manual
- Integrated Operation Manual
- SOPEP / SMPEP / NTVRP
- Garbage Management Plan
- Ballast Water Management Plan
- Ship Environmental Emission Management Plan
- Oil Record Book, Garbage Record Book, Ballast Record Book and other EMS records.

In order to guarantee the highest quality of services, **Carbofin directly manages and controls every aspect of the shipping business** through its own Crew Department, Technical Department and Safety, Quality and Environment Department.

3.3 Distinctive elements of the Group fleet

The following equipment installed on the vessel and relevant for the **purposes of increased sustainability** of the fleet is kept constantly serviced and running properly:

- shipboard incinerators
- oily water separator
- sewage treatment plant
- ballast water treatment system
- solid waste compactor
- food grinder.

Below is a detailed description, emphasising the unique features of this equipment on the Group's fleet.

SHIPBOARD INCINERATOR

The use and operation of the shipboard incinerator is regulated by **MARPOL 73/78**, as amended. The Convention requires that incinerators be type approved for the treatment of solid waste (except for cargo residue, PVC, toxic or heavy metal residues and other pollutants) and sludge, namely sludge oil from fuel oil purifier and waste lubricating oil. Under the Convention, the incinerator can always be used except in ports and estuaries.

The company's management system is more restrictive than the MARPOL requirements regarding this environmental aspect: the shipboard incinerator can be used in compliance with the following internal requirements:

- **incineration of sludge** and paper **only**
- the incinerator can **only be used at sea** and not within Emission Control Areas (areas designated by the IMO subject to a restrictive regime in terms of emissions).

In addition, the Company's environmental policies prioritise the discharge of sludge and oily residues at designated land-based facilities, minimising the environmental impact of emissions into the atmosphere. The shipboard incinerators are regularly inspected in accordance with the equipment manufacturer's maintenance requirements.

OILY WATER SEPARATOR

The oily water separator is used for the **treatment of oily bilge water** originating from the equipment and machinery in the Engine Room (drains, condensation, possible leaks), allowing the controlled discharge of water within the limits provided for by MARPOL 73/78 and in particular:

- while at sea, outside the special areas, the oil content in the effluent **must not exceed 15 ppm**; the separator must be type approved and the nearest land must be at least 12 nautical miles away

- while at sea, inside the special areas, the oil content in the effluent **must not exceed 15 ppm**; the separator must be type approved and fitted with an alarm and an automatic system to halt discharge when the oil content of the effluent exceeds 15 ppm.

The maintenance of machinery and equipment installed in the Engine Room is also aimed at eliminating possible leaks and minimising the production of bilge water. In addition, the Company's environmental policies prioritise the **discharge of bilge water at approved land-based facilities**, minimising the environmental impact of discharge into the sea.

The oily water separators are regularly inspected in accordance with the equipment manufacturer's maintenance requirements. State-of-the-art equipment has been installed on board the Company's older ships to **ensure greater safety**. In addition, oily water separator sensors are voluntarily calibrated for reliability on an annual basis.

SEWAGE TREATMENT PLANT

The treatment systems installed on board ships to receive and/or treat grey water and sewage are **approved and comply** with the requirements of the MARPOL Convention, namely:

- untreated sewage may be discharged at a minimum distance of 12 nautical miles from land when the ship is en route
- comminuted and disinfected sewage may be discharged at a minimum distance of three nautical miles from land while the ship is when the ship is en route
- sewage treated by means of a special treatment plant is not subject to restrictions.

The Company's environmental management system is more restrictive than the MARPOL requirements, and stipulates that even ships equipped with a treatment plant must discharge sewage at a minimum distance of three nautical miles from land.

BALLAST WATER TREATMENT SYSTEM

To avoid damage to the marine ecosystem caused by the release of invasive species, ships must be equipped with a **treatment plant capable of removing or rendering harmless organisms and pathogens potentially present in ballast water**.

The Company's ships are all equipped with an approved ballast water treatment system, which allows ships to manage ballast water in accordance with the requirements of the **Ballast Water Management Convention**. The system is used as required by the Company's environmental procedures.

FOOD GRINDER

In compliance with MARPOl guidelines, all the Company's ships are equipped with a food grinder. The ground food waste is capable of passing through a screen with openings no greater than 25 mm. Under the Convention, disposal into the sea of the food waste can be made as follows:

- ground food waste:

a) outside the special areas, at a minimum distance of three nautical miles from land when en route
b) inside the special areas, at a minimum distance of 12 nautical miles from land when en route

- food waste that has not been ground, only outside the special areas, at a minimum distance of 12 nautical miles from land when en route.

The Company's environmental management system is more restrictive than the MARPOL requirements regarding this specific aspect, and recommends using the grinder every time food waste is discharged into the sea, so the environment can absorb it better.

SOLID WASTE COMPACTOR

To reduce the volume of waste on board to a minimum and thus improve the management of its storage and dumping at approved land-based facilities, **the Company's ships are equipped with a solid waste compactor**. The equipment is controlled by a local panel, and allows a crew member to check its operation and shut it down in the event of an anomaly or emergency.

It is worth highlighting how the Group's fleet stands out in terms of excellence and surpassing the required standards, particularly in the following areas:

- **Treatment of bilge water on ships** (see "Oily Water Separator" above)
- **Additional controls of the Ballast Water Treatment System** – To minimise the environmental impact following a possible failure of the ballast water treatment system, US environmental regulations (EPA VGP) require a specific programme of analyses, calibrations and controls of the treatment system in question. On a voluntary basis, the Company has also extended this requirement to ships that do not sail in the United States and are therefore not subject to local regulations.
- **Environmentally Acceptable Lubricants (EALs)** – To minimise the environmental impact following a possible oil leak from a piece of machinery in direct contact with the sea (e.g. propeller shaft seal), US environmental regulations (EPA VGP) require the use of biodegradable lubricating oil for such machinery. On a voluntary basis, the Company has also extended this requirement to ships that do not sail in the United States and are therefore not subject to local regulations.
- **Environmental Tagging System** – Carbofin's environmental management system requires that all outboard discharge valves and lines on the fleet's vessels are sealed to prevent any discharge into the sea, both by accident and/or where not permitted by the Company's environmental regulations and procedures.
- **Open Reporting System** – The Company has implemented an anonymous whistleblowing system to report any environmental violations detected on Carbofin vessels. The system is addressed to crew members, passengers, visitors and ground staff.
- **Crew training and engagement in environmental management practices** – All crew members undergo an intensive training programme on the requirements of applicable environmental legislation and Company procedures. Training is provided at training centres and on board. Prior to embarkation, all crew members sign a declaration (**MARPOL declaration**) agreeing to comply with the Company's

environmental regulations and procedures and to report any violations of environmental laws detected during the embarkation period.

- **Monitoring of quality of ballast water** – In addition to what is required by the Ballast Water Management Convention, the Vessel General Permit (US EPA) and local regulations regarding ballast water management, on a voluntary basis the Company has installed on all ships equipment designed to detect traces of oil in ballast water. The system, in addition to the visual inspection carried out by crew before discharging ballast, ensures that there are no traces of oil in the water being discharged into the sea.

3.4 Actions to offset environmental impact

Below is a description of the management methods adopted – with related procedures to minimise their environmental impact – for certain processes and events related to ship management.

WATER COOLING AND SHIPBOARD SEWAGE SYSTEMS

The **seawater cooling system** uses **ambient water** to absorb the heat from heat exchangers, propulsion systems and mechanical auxiliary systems. The water is circulated through an enclosed system that does not come into direct contact with machinery, but may still contain sediment from water intake, traces of hydraulic or lubricating oils, and trace metals leached or eroded from the pipes within the system. Accordingly, **control actions** such as periodic cleaning of filters, water pipes and cooling systems to remove species and other water bodies must be carried out in accordance with the biofouling management plan.

WASTEWATER DISCHARGED INTO THE SEA

Wastewater discharged into the sea falls into **two main categories**:

- **Sewage (black water) from crew accommodation**, regulated by MARPOL IV
- **Grey water**, i.e. all other wastewater from accommodation (showers, sinks), galley, laundry and the cleaning of accommodation.

Grey water discharge must be kept to a minimum while in port. If the ship cannot store grey water, the crew must minimise its production in port. Ships that do have the capacity to store grey water must not discharge grey water into federal waters protected in whole or in part for conservation purposes.

BILGE WATER DISCHARGE

Bilge water consists of **water and other residue** that accumulates in a compartment of the vessel's hull. The source of bilge water is typically **drainage from interior machinery**, engine rooms, and from deck drainage. Bilge water contains **seawater, oil, grease, nutrients, volatile and semi-volatile organic compounds, inorganic salts, and metals**.

The Group has implemented the following **mitigating actions**:

- Compliance of all bilge water discharges with MARPOL I
- Minimisation of **bilge production through maintenance activities**
- Prohibition for engine crew to use dispersants, detergents, emulsifiers, chemicals or other substances that remove the appearance of a visible sheen in the bilge water discharges
- EMSM procedures

SOLID AND SPECIAL WASTE DISPOSAL

Waste is managed in accordance with the **Waste Management Plan**. Waste is also recorded in the Waste Log Book on board. Control actions are in place to ensure that solid and special waste is handled according to MARPOL and the EMS. In addition, a Waste Management Plan and EMSM procedures must be in place.

BALLAST WATER

Maritime transport and ship fouling are two of the main factors responsible for the spread of aquatic nuisance (non-indigenous) species. Carboflotta has adopted the **Ballast Water Management Plan**, which provides guidance on **procedures to be adopted to minimise the risk of importing microorganisms and flora** in accordance with IMO Resolution A.868(20) – Guidelines for the Control and Management of Ships Ballast Water to Minimize the Transfer of Harmful Aquatic Organisms and Pathogens.

The control actions implemented by the Company:

- BW discharges must comply with the Ballast Water Management Plan (BWMP)
- all ships are equipped with approved BWT systems
- EMSM and BWMP procedures.

To minimise the environmental impact following a possible failure of the ballast water treatment system, US environmental regulations (EPA VGP) require a specific programme of analyses, calibrations and controls of the treatment system in question. On a voluntary basis, the Company has also extended this requirement to ships that do not sail in the United States and are therefore not subject to local regulations.

BIOFOULING

Biofouling is the undesirable **accumulation of aquatic organisms** such as microorganisms, plants, algae and animals on submerged surfaces and structures exposed to the aquatic environment, including also macrofouling. Studies have shown that biofouling on ships can be a significant vector for the transfer of invasive aquatic species posing a threat to the environment, human health, assets and resources. Ships that use seawater cooling systems introduce anti-fouling compounds (e.g., sodium hypochlorite) in their interior piping and component surfaces to inhibit the growth of fouling organisms. These anti-fouling compounds are then typically discharged overboard.

The **control actions** implemented by the Company:

- scheduled repair and maintenance of the antifouling system (antifouling coating, MGPS, etc.)
- regular inspection of the hull, niches and other areas for the presence of bio-fouling, and controlled cleaning of these areas
- planning of dry docks so that blocks are not in the same area to cover as much area as possible with the anti-fouling coating
- use of hull-cleaning methods while the vessel is waterborne that prevent or minimise the discharge of organisms and antifouling hull coatings into the sea
- on Carbofin vessels, the sea chests are equipped with copper anodes that release ions during electrolysis, which combine with those released by the seawater to form an environment that discourages organisms from entering and starting to reproduce in the system
- the Marine Growth Prevention System (MGPS) protects the following areas: sea chests and the seawater cooling system.

DECK WASHDOWN AND RUNOFF

Deck washdown and runoff refers to precipitation, deck cleaning water and seawater that fall and accumulate on the weather-exposed decks of a ship and are then discharged through the dedicated openings available at said decks (scuppers).

The **control actions** implemented by the Company:

- the ships' decks are cleaned of debris, waste, residues and spills before deck washing and before leaving port, to prevent these substances from being discharged into the sea
- the ships have perimeter spill rails and scuppers to control discharge and collect the runoff for discharge, where applicable
- machinery on deck has coamings or drip pans to collect any oily discharge that may leak from machinery and prevent spills
- drip pans are drained to a waste container for proper disposal and/or periodically cleaned
- deck washdowns are free of floating solids, visible foam, halogenated phenol compounds, and dispersants, or surfactants
- the ship must minimise deck washdowns while in port (washdowns are usually done before arrival)
- maintenance of the topside surface and other above water line portions of the vessel to minimise the discharge of rust (and other corrosion by-products), cleaning compounds, paint chips, non-skid material fragments, and other materials associated with exterior topside surface preservation
- use of non-toxic detergents for washdowns involving discharge into the sea.

ANTI-FOULING HULL COATINGS

Anti-fouling coatings are applied to the vessel hull and sea water piping systems to limit **attachment and growth of aquatic species**. Coatings differ according to condition and purpose and many contain biocides.

Anti-fouling coatings containing biocides prevent the attachment of aquatic organisms to the hull by continuously **leaching substances toxic to aquatic life** into the surrounding water. These products are composed of a wide variety of elements, **copper** being the most common one. Copper can inhibit photosynthesis in plants and also interfere with enzyme function in animals. Further releases of these substances are caused by hull cleaning activities, particularly if this occurs within the first 90 days of application. A second metal-based biocide, **tributyltin (TBT)**, has historically been applied to ship's hulls, but due to its acute toxicity, the US Vessel General Permit now prohibits the discharge of TBT. In fact, TBT causes deformations in marine life, including those that interrupt or prevent reproduction. Numerous studies and several peer-reviewed publications have examined the environmental impact of leachate from antifouling paints containing TBT. TBT is also stable and persistent, resisting natural degradation in water bodies.

The control actions implemented by the Company:

- all the Company's ships use TBT-free anti-fouling hull coatings
- regular hull inspections to check the integrity of the coating system.

UNDERWATER SHIP HUSBANDRY

Underwater ship husbandry is grooming, maintenance, and repair activities of hulls or hull appendages performed while the vessel is in the water. Discharges from underwater ship husbandry are considered incidental to the normal operation of a vessel when vessels are maintained in proper operating condition and cleaning is carried out on a reasonable schedule.

The **control actions** implemented by the Company:

- whenever possible, rigorous hull-cleaning activities that require the use of significant raw materials or other potentially toxic chemicals takes place in drydock
- use of TBT-free anti-fouling hull coatings.

CHEMICALS FOR CLEANING AND MAINTENANCE

The use of **chemicals on board can be toxic and harmful to the marine environment** (through accidental discharge into the sea, especially if they are on deck) but they are of paramount importance because they can be used on board for cleaning or maintenance.

The **control actions** implemented by the Company:

- minimise the use of chemicals on board
- safety data sheets
- use of chemicals on board in accordance with the safety data sheet precautions
- use of environmentally friendly substances
- EMS procedures.

AQUEOUS FILM FORMING FOAM (AFFF)

AFFF is the **firefighting agent of film forming foam** and seawater discharged when testing equipment for maintenance, certification, or training. On Carbofin vessels, the use of AFFF is restricted to portable foam applicators.

The **control actions** implemented by the Company:

- training discharges must be collected and stored for onshore disposal
- discharges of AFFF (foam) are only authorised for emergency purposes when needed to ensure the safety and security of the vessel and crew.

BOILER BLOWDOWN

Boiler blowdown is used to control the concentration of anti-rust and scaling constituents in boiler systems and to remove sludge from heating systems. Blowdown involves the release of between 1% and 10% of water from the boiler system, usually below the waterline.

The **control actions** implemented by the Company:

- on Carbofin ships, water from boiler blowdown is collected in a dedicated tank or bilge DB for onshore disposal
- boiler/economizer blowdown is prohibited in port.

CHAIN LOCKER EFFLUENT

Chain locker effluent is water that drips from the anchor chain and anchor during anchor retrieval and is expected to contain sediment, some marine organisms, rust, paint chips, grease and zinc.

The **control actions** implemented by the Company:

- the anchor chain is washed down as it is being hauled out of the water to remove sediment and marine organisms
- chain lockers are cleaned thoroughly during dry-docking to eliminate accumulated sediments and any potential accompanying pollutants.

DISTILLATION

Discharges of brine can occur on vessels that use onboard plants to **distil seawater** to generate **fresh water**. The distillation effluent may be at high temperatures and may include anti-scaling treatment consisting of acid or metal cleaning chemicals.

The **control actions** implemented by the Company:

- brine from the distillation system must not contain or come in contact with machinery or industrial equipment, toxic or hazardous materials, or wastes.

FIRE MAIN SYSTEMS

Fire main systems draw in water through the sea chests to **supply water for fire hose stations and sprinkler systems**. Fire main systems are often used for deck washdown or other secondary purposes (e.g. washing equipment, cooling machinery, filling ballast tanks, supplying inductors) and this may cause accidental discharges. It is not possible to discharge fire main systems in waters protected wholly or in part for conservation purposes, except in emergency situations or when washing down the anchor chain to comply with anchor wash down requirements.

The **control actions** implemented by the Company:

- use of plastic seals and marking of valves and lines to prevent accidental discharges
- minimising discharge of the fire main system when in port.

DISCHARGE OF RUDDER LUBRICANTS

Depending on the type of rudder lubricants in use, this discharge **may result in the release of oil or grease into the water column**.

The **control actions** implemented by the Company:

- regular maintenance and dry inspections to ensure that no leaks occur
- EMS procedures on oil-to-sea interfaces.

LUBRICATION DISCHARGES FROM STERN TUBE/PROPULSION POD

The propeller shaft and its supporting elements must be lubricated. Discharges can occur if seals or bearings are not checked or are damaged, causing leaks.

The **control actions** implemented by the Company:

- stern tube oil levels are regularly monitored in the engine room and the water around the stern tube during port calls
- regular drydock checks and maintenance to ensure that no leaks occur
- EMS procedures on oil-to-sea interfaces
- use of EALs - To minimise the environmental impact following a possible oil leak from a piece of machinery in direct contact with the sea (e.g. propeller shaft seal), US environmental regulations (EPA VGP) require the use of biodegradable lubricating oil for such machinery. On a voluntary basis, the Company has also extended this requirement to ships that do not sail in the United States and are therefore not subject to local regulations.

BOAT ENGINE WET EXHAUST

The engines of these auxiliary craft (lifeboats) use **ambient water** (seawater when operating) **that is injected into the exhaust for cooling and noise reduction purpose**. This wet engine exhaust can contain numerous pollutants when discharged.

The **control actions** implemented by the Company:

- weekly servicing of the rescue boat
- engine maintained in in good operating order, well-tuned, and functioning according to manufacturer specifications.

CONSUMPTION OF RESOURCES

The main resource consumed by shipping activities is the **fuel** used for navigation and **on-board power generation**. Although all Carbofin ships operate under T/C contracts (no direct control over bunker management in terms of speed/consumption/bunker supply), an environmental conservation programme is in place on all ships and is available in the ship's library. Fuel consumption is regularly monitored by **Carbofin**.

NOISE EMISSIONS

Noise emissions generated by ships can come from **two main sources**: the **diesel** generators used for power generation during port stopovers, which can disturb built-up areas in the vicinity of ports, and the **main engine**, which can disturb marine species during navigation. Noise levels are measured regularly on board Carbofin ships (every 4 years).

END-OF-LIFE RECYCLING

The Company's ships are certified according to **REGULATION (EU) No 1257/2013 on ship recycling** and the "Hong Kong Convention"; compliance with these compliance with these standards will ensure a lower impact in terms of environmental protection, health and safety, and ethics.

3.5 Maintenance

Maintenance activity is **essential to ensure that the fleet is properly maintained and operated**, both in terms of safety and environmental impact. Maintenance is scheduled both by calendar and by hours of operation; **it is managed through the AMOS management system**.

3.6 On-board inspections

On-board inspections can be of **the following types**:

- compliance with rules and procedures, by the Flag Administrator
- the ship's classification, by the Classification Authority
- the quality of the ship and good practices adopted - Vetting Inspection - by a third party.

3.7 Group's environmental performance in brief

ENERGY

The performance of the ship and its machinery is regularly **monitored for fuel consumption**, miles travelled and weather conditions encountered during the voyage. An attentive maintenance programme, involving the main engine, auxiliary engines and machinery, and the hull, is aimed at maintaining the ship's performance and reducing fuel consumption.

CONSUMPTION	2019	2020	2021
Bunker (t)	35,775	19,819	22,082
Bunker by nautical mile (t/NM)	0.10	0.08	0.08
Bunker efficiency (t/tonmile)	0.08	0.06	0.07

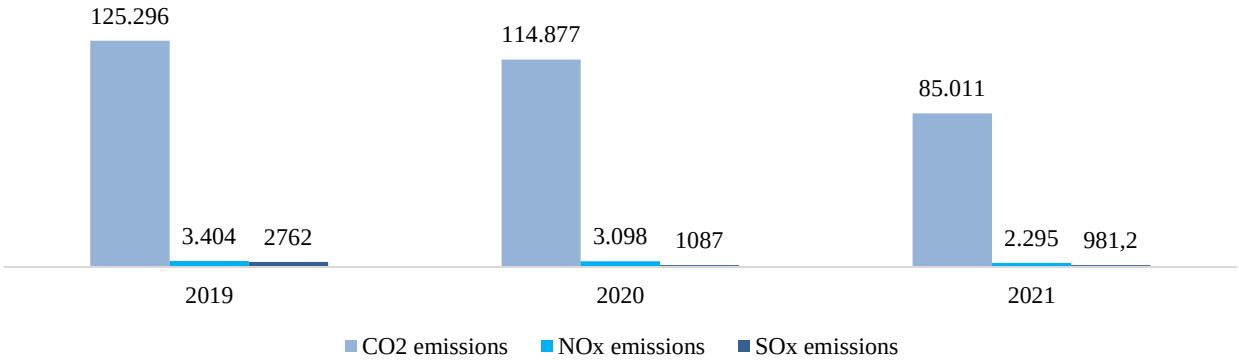
Bunker efficiency: bunker*1,000,000/transport work (miles travelled*cargo transported)

EMISSIONS

Emissions from the Company's ships are **regularly measured and monitored** as are all environmental aspects of Carbofin's activities.

	2019	2020	2021
CO2 emissions	125,296	114,877	85,011
NOx emissions	3,404	3,098	2,295
SOx emissions	2,762	1,087	981.2

Emissions from the ships (tons)



	2019	2020	2021
CO2 efficiency (g/tonmile) Emitted mass CO2*1000000/Transport work	0.29	0.38	0.28
NOx efficiency (g/tonmile) Emitted mass NOx*1000000/Transport work	0.01	0.01	0.008
SOx efficiency (g/tonmile) Emitted mass SOx*1000000/Transport work	0.006	0.004	0.003

A project is underway with Geogas - Carboflotta's partner - to build two, dual fuel vessels burning alternative fuels.

PROTECTING BIODIVERSITY

	2019	2020	2021
Pollution incidents Accidental releases of substances as defined by MARPOL	0	0	0

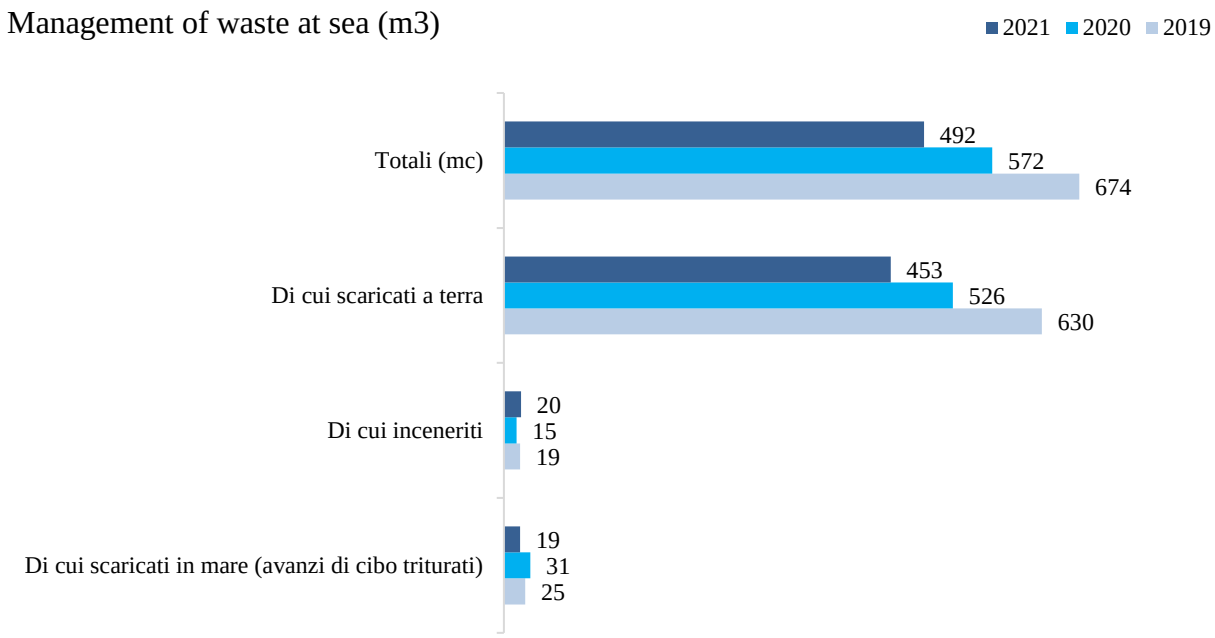
	2019	2020	2021
Contained spills Number of contained spills of bulk liquid	0	1	0

	2019	2020	2021
Ballast Water discharge violations	0	0	0

SHIP WASTE MANAGEMENT

The Group goes **beyond MARPOL requirements** in waste management and is investing in the continuous improvement of **separation, compaction and return of packaging**.

	2019	2020	2021
Total (m3)	674	572	492
of which discharged at sea (ground food scraps)	25	31	19
of which dumped on land	630	526	453
of which incinerated	19	15	20



ENVIRONMENTAL MANAGEMENT OF OFFICES

	2019	2020	2021
Electricity consumption (KWh)	77,713	77,965	73,910

SAFETY AT SEA AND THE MARINE ENVIRONMENT

	2019	2020	2021
Navigational Incidents (2*Number of collisions) +(1*Number of allisions) + (2*Number of groundings)	1	0	0
Fire and Explosions Number of fire incidents +Number of explosion incidents	0	0	0
Operational cargo incidents Number of damaged and lost cargo units during cargo operations/Number of cargo operations	0	0	0

4. SUPPLY CHAIN

4.1 Supplier management policies

MANAGEMENT POLICIES

In its relations for the supply of goods and services, the Company applies **the same principles that distinguish its business relations with its customers**, verifying in particular the quality of the material and tools proposed or the service rendered, including timely delivery or execution and the manner in which it is performed.

In particular, when allocating orders, it **gives preference to**:

- suppliers committed to compliance with applicable regulations concerning environmental protection and preservation
- safety in the workplace
- protection of the right to privacy
- compliance with tax and social security regulations
- and requires its suppliers and external associates to uphold the same ethical principles as its own, considering this aspect of fundamental importance for the establishment or continuation of a business relationship.

The procurement processes are marked by the search for the **best competitive relationship for the Company**, at the same time ensuring equal opportunities for every supplier and impartiality in negotiations, which must not preclude anyone, provided they meet the requirements, from competing for contracts. When selecting suppliers, the Company adopts **objective and verifiable** criteria, basing the selection on an assessment of quality, punctuality, price and the ability to provide and guarantee services of an adequate level.

The remuneration to be paid shall be commensurate exclusively with the performance specified in the contract and payments shall be made only in compliance with what is specifically laid down in the contract. Exceptions to the obligation to call for tenders among suppliers are permitted when the element of trust or contingent or urgent technical, time and/or logistical needs prevail.

In order to guarantee maximum transparency of the purchasing process, the Company undertakes to ensure the following **fixed control principles**:

- separation of roles in the procurement cycle
- appropriate traceability of the choices made
- safekeeping of information and official tender and contractual documents, for the periods established by the laws in force.

Should employees detect or become aware of **significant violations of the principles** or **criteria set out in the Code of Ethics**, occurring in the relationship with a supplier or external consultant, they shall immediately report it to the competent function and, for their information, to the Supervisory Body, so that the Company can promptly assess the possible negative consequences. The Company includes in the contracts the

counterparty's commitment to become acquainted with the Code of Ethics and to abide by the principles contained therein.

PRECISE PLANNING AND FORESIGHT FOR THE SUPPLY CHAIN

First and foremost, optimising supply chain management is aimed at ensuring the **maintenance and safety of the ship and her crew**, and **secondly, at reducing costs and improving profit margins**, since purchases of goods and services have a sort of leverage effect on the company's profitability, i.e. a percentage reduction in purchase costs contributes to a percentage increase in profitability.

From a technical point of view, **scheduled maintenance** (PMS Planned maintenance system) and **predictive maintenance** (CBM Condition based maintenance) are implemented in order to anticipate requirements in the medium term and to be able to consolidate both purchases and shipments.

As demand volatility increases, supply chain processes will need to shift to a **continuous integrated planning** approach to gain real-time visibility of the diverse data that drives operational efficiency and usable information so that plans can be created and modified as needed, leveraging insights to understand what is driving demand and business. Streamlining the procurement planning process to create fluid, synchronised, responsive and resilient supply chain plans. The **centralisation and analysis** of increasingly comprehensive and integrated information and data tends to minimise the use of manual planning tools.

The variables in the field (different suppliers, different countries, time zones, currency exchange, stochastic landings) make corporate strategy and supply chain management in ship management extremely complex.

The unique nature of ship management, as far as purchasing and logistics are concerned, is linked to worldwide trading, which involves **a number of critical issues**:

- difficulties in establishing long-standing relationships with local suppliers
- management of customs procedures (some countries do not allow imports of locally available products) or customs clearance times
- impact of currency exchange for local supplies.

The **actions in progress** or that have already been implemented to govern these critical issues are:

- technical study of supplies and suppliers, using the Kraljic matrix and the ABC (Pareto) curve
- study of supply timelines
- analysis of the obsolescence of machinery and components.

The **levers** that can be activated, on the basis of the data collected and of targeted purchasing plans, to achieve the above objectives are:

- centralised, consolidated purchasing
- collaboration and development programmes with suppliers
- process efficiency (flow)
- better definition of requirements (database description

- planning of requirements (demand management)
- savings on direct and indirect purchases.

Quarterly supplies (of consumables, for example) for the fleet were established to centralise and consolidate purchasing with the aim of having **greater bargaining power with suppliers**. **Minimum stock levels** were defined to optimise and streamline the process, reducing urgencies that could lead to vessel stoppages (with a leverage effect on consequential damages). Automated requests were created for when the stock falls below a set minimum (MOB minimum on board).

In a **transparent**, collaborative and mutually supportive relationship with strategic suppliers, the following were implemented:

- framework agreements with agreed tariffs as well as volume discounts on turnover, resulting in discounts on both direct and indirect purchases
- shared warehouses
- strategic stock management
- predictive inspections
- remote diagnostics.