

# REPORT

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## ENVIRONMENTAL

## SOCIAL

## GOVERNANCE

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# 2019



THIS REPORT HAS BEEN PREPARED BASED ON  
THE REQUIREMENTS OF THE SUSTAINABILITY  
ACCOUNTING STANDARDS BOARD





560 131

DEADWEIGHT  
TONNAGE



162

NUMBER OF SHIPBOARD  
EMPLOYEES



1 793

OPERATING  
DAYS



6

NUMBER OF VESSELS IN TOTAL  
SHIPPING FLEET



466 753

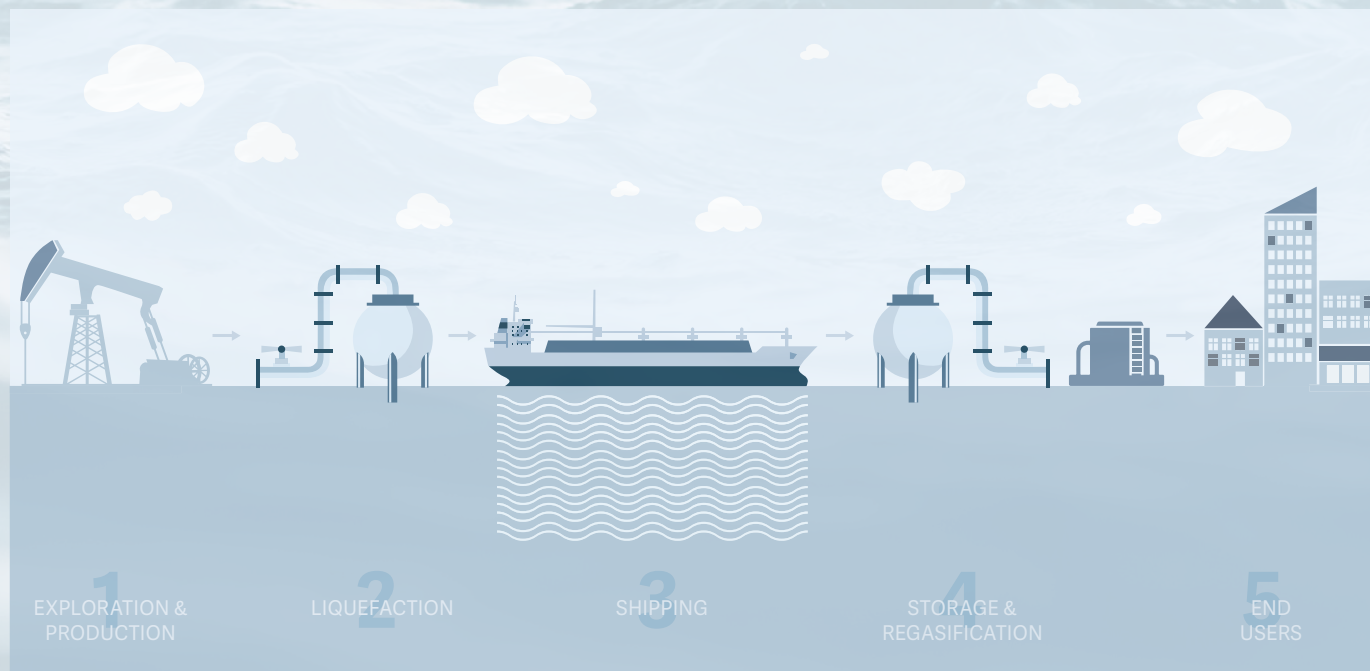
TOTAL DISTANCE TRAVELLED  
BY VESSELS



116

NUMBER OF VESSEL  
PORT CALLS

## THE **LNG** VALUE CHAIN



# 1. INTRODUCTION

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In 2019, Flex LNG Ltd. ("Flex LNG") released its first Environmental, Social and Governance (ESG) report. By offering insight into our approach to sustainability, key stakeholders enhance their understanding of how we manage, monitor and perform on material ESG issues in the face of increasing expectations and regulations. Our 2019 disclosures follow the same structure as our previous ESG report, however we have enhanced the forward looking perspective this year.

Flex LNG is a commercial operator of fifth generation LNG carriers with large cargo capacity. Flex LNG is listed on both the Oslo Stock Exchange (OSE), and on the New York Stock Exchange (NYSE) under the symbol FLNG. Our fleet consists of 13 modern ships – in 2019 six of these were in operation and seven under construction ready to be delivered throughout 2020-2021.

Access to energy is a key requirement for the agricultural sector, commerce and industries. It is also important for the provision of public services, such as education and health care. A growing global population as well as improved living standards equal increased energy demand. As countries look to replace traditional energy with low-carbon sources, liquified natural gas (LNG) is viewed as an attractive and viable solution. LNG is a competitive low-carbon energy resource and will play a key role in reducing global carbon emissions.<sup>1</sup>

2019 was another strong year for LNG and global demand grew by 12.5 per cent from the previous year to 359 million tonnes. Europe was the main destination for the supply growth in the face of a modest rise in imports to Asia. Overall growth is set to continue as energy consumption, particularly in Asia, rises and the world shifts away from more polluting burning fossil fuels. Long-term demand is expected to double to 700 million tonnes by 2040 according to forecasts, boosting confidence in the role of gas in shaping a lower-carbon energy system.<sup>2</sup>

The Shell LNG outlook's latest projections towards 2040 show an increasing role for natural gas and LNG in the global energy mix – it is estimated that the combination of gas and renewables together will supply 80 per cent of the world's additional demand for energy, with gas supplying 43 per cent of this growth. Resultingly, Flex LNG views its services as necessary in the low-carbon energy transition to curb global emissions. Concerns related to climate change and stricter environmental

policies are also affecting the shipping industry. The shipping industry's role in world trade and its effect on social and economic progress underline that we are promoting sustainable development. Benefits of LNG include reductions in Sulphur oxides (SOX), Nitrogen Oxide (NOX) and Carbon dioxide (CO<sub>2</sub>) emissions. We believe that Flex LNG provides an environmental solution by combining LNG and state of the art fuel efficient ships.

Going forward, and in line with the IMO (International Maritime Organisation) 2030 strategy<sup>3</sup>, we will continue enhancing the efficiency of our ships, utilizing vessels with the latest technology to reduce fuel consumption while working to further optimize the use of our cargo capacity.

We are convinced that high quality ESG management is critical as it strengthens our ability to create and protect value. In 2019, we initiated the process of enhancing our ESG management system by scoping the

development of a digital platform which will make monitoring, management and reporting of ESG issues more efficient and accurate. The development and implementation of the platform will commence in 2020. The platform will be an important tool for Flex LNG's ESG management in the years to come, as described in more detailed on page 6.

This report is prepared in accordance with the Marine Transportation framework established by the Sustainability Accounting Standards Board (SASB). It is based on the NASDAQ ESG Reporting Guide 2.0 and Euronext Guidelines to issuers for ESG reporting. The report is also prepared in line with the disclosure requirements of the UN Global Compact.



**Øystein Kalleklev,**  
CEO, Flex LNG Management AS

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<sup>1</sup> <https://www.iea.org/publications/reports/LNGMarketTrendsandTheirImplications/>



<sup>2</sup> <https://www.shell.com/energy-and-innovation/natural-gas/liquefied-natural-gas/lng/lng-outlook-2020.html#iframe=L3dYmFwcHMvTE5HX291dGxvb2sv>

<sup>3</sup> <http://www-imo.org/en/MediaCentre/PressBriefings/Pages/06GHGInitialStrategy.aspx>



## 2. SUSTAINABILITY ACCOUNTING STANDARD DISCLOSURES

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2018	DATA 2019	CODE
 GREENHOUSE GAS EMISSIONS	CO <sub>2</sub> EMISSIONS				
	Gross global Scope 1 emis- sions: Financial control	Metric tons (t) CO <sub>2</sub> -e	145 850	225 787 <sup>a</sup>	TR-MT-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emis- sions, emissions reduction targets, and an analysis of performance against those targets	Found on page		8	TR-MT-110a.2
	ENERGY CONSUMED				
	(1) total energy consumed	Gigajoules (GJ), Percentage (%)	2 408 528 GJ, 100 %	3 895 030 <sup>b</sup> 100%	TR-MT-110a.3
	(2) percentage heavy fuel oil	Gigajoules (GJ), Percentage (%)	704 887 GJ, 29 %	495 818 13%	
	EEDI				
	Average Energy Efficiency Design Index (EEDI) for new ships	Grammes of CO <sub>2</sub> per ton-nautical mile	4.04	4.99 <sup>c</sup>	TR-MT-110a.4
AIR QUALITY	OTHER EMISSIONS TO AIR				
	(1) NO <sub>x</sub> (excluding N <sub>2</sub> O)	Metric tonnes (t)	2 700	3 112 <sup>d</sup>	TR-MT-120a.1
	(2) SO <sub>x</sub>	Metric tonnes (t)	5	9 <sup>d</sup>	
	(3) particulate matter	Metric tonnes (t)	31	48 <sup>d</sup>	
ECOLOGICAL IMPACTS	MARINE PROTECTED AREAS				
	Shipping duration in marine protected areas or areas of protected conservation status	Number of travel days	64	130 <sup>e</sup>	TR-MT-160a.1
	IMPLEMENTED BALLAST WATER				
	(1) exchange	Percentage (%)	100	100 <sup>f</sup>	TR-MT-160a.2
	(2) treatment	Percentage (%)	57	100 <sup>f</sup>	
	SPILLS AND RELEASES TO THE ENVIRONMENT				
	(1) number	Number	0	0 <sup>g</sup>	TR-MT-160a.3
	(2) aggregate volume	Cubic meters (m <sup>3</sup> )	0	0	

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2018	DATA 2019	CODE
 BUSINESS ETHICS	CORRUPTION INDEX				
	Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number	0	3 <sup>h</sup>	TR-MT-510a.1
	CORRUPTION				
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	0	0	TR-MT-510a.2
EMPLOYEE HEALTH & SAFETY	LOST TIME INCIDENT RATE				
	Lost time incident rate (LTIR)	Rate	0	0 <sup>i</sup>	TR-MT-320a.1
 ACCIDENT & SAFETY MANAGEMENT	MARINE CASUALTIES				
	Incidents	Number	0	0 <sup>j</sup>	TR-MT-540a.1
	Very serious marine casualties	Percentage (%)	0	0	
	CONDITIONS OF CLASS				
	Number of Conditions of Class or Recommendations	Number	0	0 <sup>k</sup>	TR-MT-320a.1
	PORT STATE CONTROL <sup>i</sup>				
	(1) deficiencies	Number	2	0 <sup>l</sup>	TR-MT-540a.3
	(2) detentions	Number	0	0	

ACTIVITY METRIC	UNIT OF MEASURE	DATA 2018	DATA 2019	CODE
Number of shipboard employees	Number	112	162 <sup>m</sup>	TR-MT-000.A
Total distance travelled by vessels	Nautical miles (nm)	284 835	466 753 <sup>n</sup>	TR-MT-000.B
Operating days	Days	1079	1 793 <sup>o</sup>	TR-MT-000.C
Deadweight tonnage	Thousand deadweight tons	369 060	560 131	TR-MT-000.D
Number of vessels in total shipping fleet	Number	4	6 <sup>p</sup>	TR-MT-000.E
Number of vessel port calls	Number	77	116	TR-MT-000.F
Twenty-foot equivalent unit (TEU) capacity	TEU	N/A	N/A	TR-MT-000.G

Please see chapter 7 for assumptions regarding the SASB disclosures and specific comments referred to above

### 3. ESG GOVERNANCE AT FLEX LNG

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Flex LNG persistently strives to monitor, report and follow up on ESG matters in a targeted manner. As such, the integration of ESG in internal control mechanisms, relying on clear guidelines and trained personnel, are vital components of our approach.

Ultimately, our Board of Directors (BoD) are responsible for Flex LNGs performance on ESG related matters, and the BoD is informed by the Executive Management Team on any material incidents. The BoD is also responsible for the approval of the annual ESG report. The Board has established an Audit Committee which monitors reports and complaints received relating to internal controls and compliance. The Audit Committee, which consists of an independent director, ensures that policies with respect to ethics, risk assessment and risk management are adequate. Going forward, Flex LNG will further develop how ESG factors are to be considered for the top risk matrix used by the executive management. Our governing policies are reviewed and approved annually. On the operational level, any suspected deviation from our policy is to be reported to the closest manager or by making use of our compliance hotline as outlined in our Complaints Procedure (Whistleblowing). The hotline is managed by a third-party service provider, allowing for confidential and anonymous submission of concerns.

In June, 2019, Flex LNG also became listed on the NYSE in addition to OSE. In accordance with the NYSE Listed Company Manual, we released a Statement of Significant Differences Between Flex LNG Ltd. Corporate Governance Practices and the New York Stock Exchange, Inc. Corporate Governance Standards. This document is available on our [website](#) together with relevant corporate Governance documents. We believe that our established corporate governance practices are in line with the spirit of the NYSE standards and provide adequate protection to our shareholders.

Flex LNG has procedures in place to ensure that all our employees have access to policies to guide them in conducting tasks for our company in a responsible manner. Online trainings are performed annually to ensure updated competences within relevant fields of expertise. As we are internalising fleet management in 2020, we have developed detailed trainings relating to ESG to be conducted throughout 2020.

We emphasize fair and sound decision-making processes, and as such one share gives one vote, and all shares have the same right to dividend. There are no bearer shares/preference shares in Flex LNG.

#### ESG MANAGEMENT PROGRAMME

In 2019, together with our technical manager, we initiated the process of enhancing our ESG management system by scoping the development of a digital platform that sets out to make monitoring, management and reporting of ESG issues more efficient and accurate. By the end of 2019, the scope of the platform was defined, and DNV GL was chosen as our partner. The implementation of the platform will commence in 2020.

#### COOPERATION

Our ambition is to always have in place leading procedures within the environmental, social and governance areas. Advances in technical solutions relating to environmental performance as well as strict anti-corruption procedures and policies to combat corruption, may not always be enough: At Flex LNG, we realise that some sustainability challenges can only be solved when industry participants and regulatory authorities participates through joint actions. As explained in a more detailed manner on the following pages, Flex LNG has chosen to join initiatives such as the Maritime Anti-Corruption Network (MACN), Clean Shipping Alliance and the Society of International Gas Tanker and Terminal Operators (SIGTTO).



MATERIAL ISSUE	INTERNAL GOVERNANCE DOCUMENTS	INTERNATIONAL STANDARDS AND REFERENCES
Climate change	Environmental Policy)	The Paris Agreement The Intergovernmental Panel on Climate Change (IPCC) Initial IMO Strategy on Reduction of GHG Emissions from Ships
Air emissions	Environmental Policy	IMO MARPOL <sup>4</sup> Convention Annex VI EU Sulphur Directive 2016/802 UNCLOS
Ecological impact	Environmental Policy	UN Global Compact IMO MARPOL Convention Annex VI IMO Ballast Water Management Convention Hong Kong Convention
Anti-Corruption	Corporate Code of Business Ethics and Conduct Financial Crime Policy	UN Global Compact The US Foreign Corrupt Practices Act and the UK Bribery Act
Employee Health & Safety	Corporate Code of Business Ethics and Conduct Complaints Procedure	UN Global Compact ILO Conventions Maritime Labour Convention, 2006 (MLC, 2006) International Management Code for the Safe Operation of Ships and for Pollution Prevention (The ISM Code) Hong Kong Convention Marine Crew Resource Management
Accident & Safety Management	Corporate Code of Business Ethics and Conduct	International Management Code for the Safe Operation of Ships and for Pollution Prevention (The ISM Code) Marine Crew Resource Management



As part of addressing sustainability in a broader perspective we have identified four UN Sustainable Development Goals (SDGs) where we believe Flex LNG can contribute. We have selected SDG 3, 13, 14 and 16 since these goals are closely tied to the industry we are a part of, and the goals represent material topics which we monitor. Please see chapter 4 and 6 for more information. Contributing to the broader global agenda of reaching the SDGs is in our interest as they affect our business, customers, suppliers, investors and societies which we depend on.



<sup>4</sup> The International Convention for the Prevention of Pollution from Ships 'MARPOL'



## 4. ENVIRONMENT

### GREENHOUSE GAS EMISSIONS AND AIR QUALITY

Flex LNG believes improved logistics, enhanced hydrodynamic technology, better machinery, and cleaner fuels will be important components in our work towards a more sustainable shipping industry. Our Environmental Policy states our aim to reduce harmful emissions through optimal operation of vessels and machinery, new technology and diligent work with our Ship Energy Efficiency Management Plan (SEEMP). As such, the SEEMP guides our work and the efforts of all suppliers and partners we work with.

Climate change and air emissions are shaping the course of the shipping industry and will continue to do so going forward. Emissions to air are facing new regulations, most recently through the IMO's global cap on sulphur emissions that stepped into force 1 January, 2020. The IMO has also set out a strategy towards 2030 in line with the Paris Agreement to combat climate change. The strategy aims to reduce CO<sub>2</sub>-emissions per transport work compared to 2008 levels by at least 40 per cent by 2030, and 70 per cent by 2050. In this context, LNG provides an important contribution: It significantly reduces air pollution, in compliance with new regulations, while being the best technical and commercially available fuel fit to reduce GHG-emissions.

Technological developments also play important roles in reducing emissions. The introduction of gas injection for LNG carriers through two-stroke propulsion, known as MEGI and X-DF, marks an important milestone in this regard. Nine of Flex LNG's vessels, including three newbuildings, are powered with M-type, Electronically Controlled, Gas Injection (MEGI), Tier III engines, and four newbuildings are powered with Low Pressure Gas Injection X-DF technology. These are the most efficient LNG vessels on the water. By applying the latest technology in our fleet, we contribute significantly to decreasing emissions in the shipping industry. Our aim is to continue to emit 30 per cent less CO<sub>2</sub> per tonne nm than an average fleet of tankers. As evident in the table above, the SO<sub>x</sub> emissions from our fleet are minor and, due to a modern fleet, our NO<sub>x</sub> emissions are also top of the class with the instalment of selective catalytic reactors on our ships.

Further efficiency measures are taken, for example through our periodic plan for hull inspection with condition-based

cleaning, as part of our strategy to reduce fuel consumption by minimizing resistance in the water. We also have periodic plans for propeller cleaning – this is conducted twice a year.

We believe high quality ESG management is fundamental to ensure actual progress. To enhance our ESG management, we will implement a digital platform to track vessel fuel efficiency in 2020. Firsthand tracking of each of our vessels' emissions and energy consumption will be an important tool to monitor energy efficiency and emissions in accordance with regulations and our own targets.

The field of energy efficiency and emission reduction technologies is in constant development and we are continuously exploring new technologies with the potential to enhance our performance. Our continued monitoring of new technology testing is an important part of our strategy.

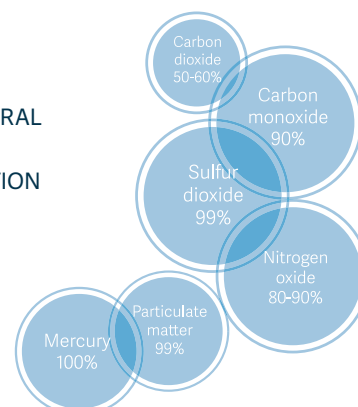
Flex LNG supports SDG 13 - targeting the global fight against climate change. This is also part of the IMO strategy towards 2030, and Flex LNG will continue to make an effort to contribute to the attainment of these goals.



We align our efforts with SDG 3 – Good Health and well-being – which aims to substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination by 2030. Our contribution relates to reducing air pollution and limit the rise in energy-related emissions by displacing coal and oil in power generation, heating and industrial uses, by supplying markets with LNG.



### ESTIMATED EMISSION REDUCTIONS OF NATURAL GAS VERSUS COAL ELECTRICITY GENERATION





## ECOLOGICAL IMPACTS

Marine transportation carries risks to the environment through discharges and emissions to air, land and water and through potential spills. Flex LNG works diligently to manage such risks, and our efforts are critical for protecting the environment, the sector, our customers and our own business. A set of stringent monitoring and management tools covers all of Flex' LNG's activities related to such risks as we work to minimise the environmental impact of our operations, ensuring compliance with international and local regulations.

Flex LNG's Policy on Environmental Protection lays out our commitment to environmental due diligence and how spills and operational emissions of SO<sub>x</sub>, NO<sub>x</sub>, waste and other discharges are to be managed. We perform reviews of all identified risks to the environment, allowing us to establish appropriate safeguards. Our fleet managers formally supervise ship managers to ensure compliance, and any corrective measures that are imposed on them are followed-up on. We also have in place a thorough system for incident reporting. Furthermore, our Fleet Management is working towards ISO9001/ISO 14001 certification. Flex LNG is confirmed audit-ready and the audit is scheduled to take place in 2020.

Ballast water is essential for safe and efficient shipping operations. However, the process of loading and unloading untreated ballast water poses serious ecological, economic and health risks as ships become a vector for the transfer of organisms between ecosystems. We take ecological risks seriously and all Flex LNG vessels have installed ballast water exchange and treatment technology.

Flex LNG is aware that larger volumes of oil have long-lasting adverse impacts on ecosystems, and incidents may cause grave injuries and fatalities. Recovery efforts, reputational damage and fines with financial impact are some of the consequences of spills. It is important to underline that LNG is non-toxic, non-corrosive and thus does not represent a large spill risk as it will simply evaporate. Flex LNG recorded zero incidents relating to spills during 2019.

Ships contain hazardous materials, and ship recycling must be performed according to strict standards for protecting human health, safety and the environment. The Hong Kong Convention aims to ensure that ships, when recycled after reaching the end of their operational lives, do not pose a risk to safety of workers or to the environment. With a brand-new fleet, Flex LNG does not have any foreseeable ship recycling activities. However, we are currently developing a Ship Recycling Policy to ensure that any future recycling of Flex LNG ships will only take place at approved yards compliant with the Hong Kong Convention and in alignment with the ten UN Global Compact principles.

Flex LNG has identified Sustainable Development Goal (SDG) 14 – Life below water – as a goal for our operations. SDG14 is aimed at enhancing the conservation and sustainable use of oceans and their resources. At Flex, we monitor our fleet continuously, and we track our sailing time in protected areas. Independently of where Flex LNG operates, our crew members follow stringent rules for avoiding spills – and incidents are to be diligently reported. Additionally, in 2019, we introduced strict procedures for ensuring that all debris containing plastics are collected and disposed of in safe manner.



ACCOUNTING METRIC	UNIT OF MEASURE	DATA
<b>CO<sub>2</sub> EMISSIONS</b>		
Gross global Scope 1 emissions	Metric tonnes (t) CO <sub>2</sub> -e	225 787
<b>ENERGY CONSUMED</b>		
(1) total energy consumed	Gigajoules (GJ), Percentage (%)	3 895 030 100%
(2) percentage heavy fuel oil	Gigajoules (GJ), Percentage (%)	495 818 13%
<b>EEDI</b>		
Average Energy Efficiency Design Index (EEDI) for new ships	Grammes of CO <sub>2</sub> per ton-nautical mile	4.99
<b>OTHER EMISSIONS TO AIR</b>		
(1) NO <sub>x</sub> (excluding N <sub>2</sub> O)	Metric tonnes (t)	3 112
(2) SO <sub>x</sub>	Metric tonnes (t)	9
(3) particulate matter	Metric tonnes (t)	48
<b>MARINE PROTECTED AREAS</b>		
Shipping duration in marine protected areas or areas of protected conservation status	Number of travel days	130
<b>IMPLEMENTED BALLAST WATER</b>		
(1) exchange	Percentage (%)	100 %
(2) treatment	Percentage (%)	100 %
<b>SPILLS AND RELEASES TO THE ENVIRONMENT</b>		
(1) number	Number	0
(1) aggregate volume	Cubic meters (m <sup>3</sup> )	0



## 5. SAFETY, LABOUR CONDITIONS AND HUMAN RIGHTS

People are crucial to Flex LNG's business and operations, and the actions of our personnel are fundamental to the success of our company. Ensuring the health and safety of our crew is our number one priority. By providing training and the right equipment, our employees should experience and contribute to a safe and inclusive working environment.

There are inherent safety and security risks related to operations at sea. These must always be managed carefully to safeguard crew, vessel, the cargo and the environment. Our company has a zero-accident ambition and operates according to the principle that no serious injury or environmental incident is acceptable. The IMO rigorously regulates safety onboard and has recently strengthened requirements under the International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code).

Flex LNG works diligently to ensure that our operations are in accordance with applicable regulations, and with our Corporate Code of Business Ethics and Conduct. All our employees are to live up to the values and guidelines set out in the Code. We ensure to employ and train qualified seafarers in accordance with requirements of flag state and Standards of Training, Certification & Watchkeeping Convention (STCW). Our technical manager is regularly supervised and formally audited annually in order to ensure compliance. In 2019, we initiated the process of moving our technical management in-house, a process that will be completed over the course of 2020. Bringing our technical management in-house will further improve the efficiency and control of our operations.

Through our risk assessment systems, we review all identified potential risks to our ships, personnel and the environment, establishing appropriate safeguards and practices. Due diligence of HSE track records are of essence when Flex LNG commissions work at ship yards, and our new ships are being built at leading Korean shipyards operating in accordance with global safety management standards.<sup>5</sup>

A detailed analysis of accidents and incidents for the entire fleet has been prepared for Flex LNG by SeaTech Safety in accordance with the Oil Companies International Marine Forum (OCIMF) guidelines on Lost Time Injuries (LTIs) and Total Recordable Cases (TRC) and Frequency (TRCF). The reports allow us to identify the root causes of any reported



incidents and functions as a tool for future improvement of our Corporate Code of Business Ethics and Conduct. All accidents, incidents and near misses shall be reported, and proactive measures are taken to ensure that we encourage our crew to report these with no hesitation and with the support of their managers. In 2019, Flex LNG had zero serious incidents and our LTIR was zero. This is a track record we aim to maintain.

Our Code of Ethics prohibits discrimination against any employee, prospective employee or any other person involved in our business on the basis of sex, race, colour, age, religion, sexual preference, marital status, national origin, disability, ancestry, political opinion, or any other basis prohibited by the laws that govern our operations. Any suspected intentional deviation from external regulations, i.e. Health & Safety legislation or our Code of Ethics, are encouraged to be reported to the closest manager or via our web based compliance hotline. The latter is described in our Complaints Procedure.



Flex LNG is committed to respecting internationally recognised human rights as described in the UN Guiding Principles on Business and Human Rights (UNGP). Respect for human rights is rooted in our values and key to our license to operate from government authorities, employees, customers, investors, communities and other stakeholders. As an international business with global suppliers, we aim to ensure that our policies, due diligence processes and access to remedy are in line with the UNGP. Flex LNG cooperates with suppliers all over the world, and a priority for 2020 is to formalise a Supplier Code of Conduct that enables us to work diligently with this issue in all our relations.

<sup>5</sup> At Hyundai Heavy Industries 'HHI', all HSE activities are performed in accordance with global safety management standards: i.e. the OSHAS <sup>18001</sup> Occupational Health and Safety Management Systems

EMPLOYEE HEALTH & SAFETY	UNIT OF MEASURE	DATA
<b>LOST TIME INCIDENT RATE</b>		
Lost time incident rate (LTIR)	Rate	0
<b>MARINE CASUALTIES</b>		
Incidents	Number	0
Very serious marine casualties	Percentage (%)	0
<b>CONDITIONS OF CLASS</b>		
Number of Conditions of Class or Recommendations	Number	0
<b>PORT STATE CONTROL</b>		
(1) deficiencies	Number	0
(2) detentions	Number	0





## 6. ANTI-CORRUPTION AND BUSINESS ETHICS

Corruption in the maritime sector constitutes a barrier that is driving up trade costs and impeding economic and social development. For a shipping company, corruption poses legal and reputational risks, leads to increased costs, and it is also potentially threatening the safety of our crew.

We have a zero-tolerance approach towards bribery as stated in our Corporate Code of Business Ethics and Conduct and our Financial Crime Policy. This applies to all entities controlled by Flex LNG, including officers, directors, employees and third-party consultants acting on behalf of Flex LNG, wherever they are located. Assessing and monitoring business processes, training and controls are fundamental tools in implementing our anti-corruption policy. Our enterprise-wide anti-corruption and money laundering policies are modelled on the UK Bribery Act and US Foreign Corrupt Practices Act (FCPA).

In accordance with our Financial Crime Policy and associated compliance procedures, appropriate risk-based communication and training is provided to employees and business partners as part of their on-boarding and ongoing development. Any suspected deviation from our policy is to be reported to the closest manager or by making use of our compliance hotline as outlined in our Complaints Procedure (Whistle-blowing). The hotline is managed by a third-party service provider, allowing for confidential and anonymous submission of concerns.

We track the positions of our ships, and we keep a record of ships having visited harbours of the countries rated with the highest corruption risks according to Transparency International. Flex LNG was not involved in any legal proceedings associated with bribery, corruption or anti-competition in 2019.

Flex LNG believes systemic challenges require collective solutions. Through the Marine Anti-Corruption Network (MACN), Flex LNG contributes to and benefits from members of the shipping industry sharing information and approaches, but also to engage authorities and civil society. The essence of the MACN collective action approach is that successful, lasting changes in the operating environment will take effect only if they are enabled and supported by and beneficial to key stakeholders.



Through joint action, MACN members collaborate with local authorities to develop solutions that are both beneficial to all and realistic to implement. In MACN collective action projects, member companies unite with stakeholders including port and customs authorities, non-governmental organizations (NGOs), and local governments to undertake root cause analyses and then implement a range of 'recommended actions' that tackle corruption in ports and across the maritime supply chain. MACN's collective actions have generated major outcomes, including for example: reductions in demands for facilitation payments in the Suez Canal; new



regulations in Argentina that make it more difficult for officials to demand bribes; and improved ease of operations in Lagos, Nigeria, with the implementation of standardized operating procedures and grievance mechanisms.



SDG target 16 aims at substantially reducing corruption and bribery in all their forms. We support the important fight against corruption.

BUSINESS ETHICS	UNIT OF MEASURE	DATA
<b>CORRUPTION INDEX</b>		
Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number	0
<b>CORRUPTION</b>		
Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	0



## ABOUT LNG

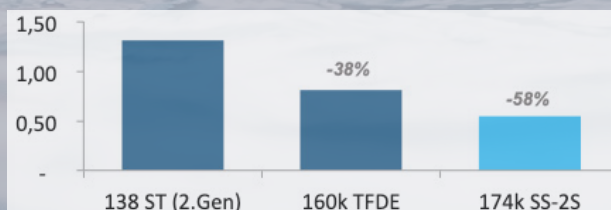
Access to energy is vital for economic and social development. LNG provides environmental and economic benefits through the reduction of greenhouse gas (GHG) emissions and air pollutants. The President-elect of the European Commission, Ursula von der Leyen, has stated that “Gas will have a role to play in the transition towards a carbon-neutral economy (...) in particular by making full use of the potential of affordable liquefied natural gas.”<sup>6</sup>

LNG plays a key role in reducing carbon intensity across all segments of the energy system including power generation, industry, the residential sector and transport. Looking ahead, LNG can help to further decarbonise the transport sector, with the use of synthetic and bioLNG, that offer almost 100 per cent GHG emissions reduction and contribute to achieving net-zero emissions.<sup>7</sup> The Director of IEA, Dr Fatih Birol, has stated that natural gas is one of the mainstays of global energy. Where it replaces more polluting fuels, it improves air quality and limits emissions of carbon dioxide.<sup>8</sup> As nations move to displace traditional energy with low-carbon energy, LNG is viewed as a viable future-proof solution.

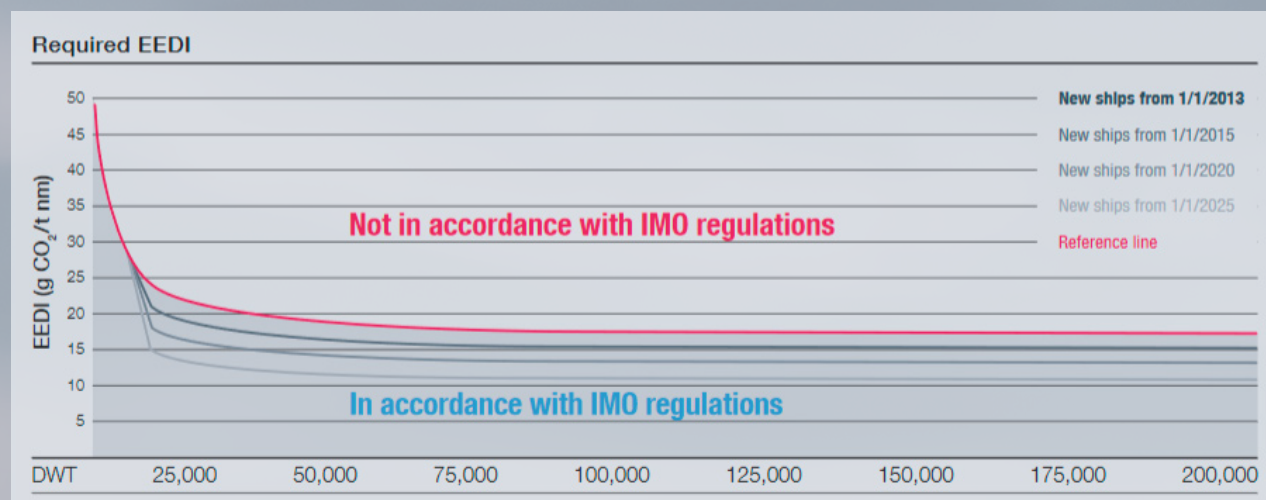
We believe that supplying LNG to the market makes an important contribution to the broader agenda of SDG 3 and SDG 13, as the use of LNG relates to reducing air pollution and limit the rise in energy-related emissions by displacing coal and oil in power generation, heating, transportation and industrial uses.



### FUEL CONSUMPTION KG/CBM



Flex LNG utilises vessels with the latest technology to reduce fuel consumption and we optimise the use of our cargo capacity. The graph above shows how our fleet compares to past technologies.



<sup>6</sup> <https://fsr-eui.eu/liquefied-natural-gas-and-the-eu-green-deal-for-supporting-the-lng-protocol-workshop/>

<sup>7</sup> [https://www.euractiv.com/section/energy-environment/opinion/lng-protocol-declaration-for-the-use-of-lng-as-the-go-to-fuel-of-the-future/#\\_ftnref1](https://www.euractiv.com/section/energy-environment/opinion/lng-protocol-declaration-for-the-use-of-lng-as-the-go-to-fuel-of-the-future/#_ftnref1)

<sup>8</sup> <https://www.iea.org/publications/roleofgas/>

# 7. DISCLAIMER AND ASSUMPTIONS FOR THE SASB REPORTING

*The information provided is based on the best data available at the time of reporting. The ESG disclosures should be used to understand the overall risk management of sustainability related issues, however, in some areas data are based on estimates, please see comments below.*

**<sup>a</sup>CO<sub>2</sub> emissionsemissions (Metric tons (t) CO<sub>2</sub>-e):** Based on IMO emission factors. The “financial control” approach defined by the GHG Protocol has been applied. Scope 1: Owned vessels, based on fuel consumption for the year.

**<sup>b</sup>Total energy consumption (TJ):** Calculated based available data on fuel purchases by using the fuel properties defined by DEFRA, Conversion factors, 2019.

**<sup>c</sup>Average Energy Efficiency Design Index (EEDI) for new ships:** The average EEDI reported is based on two new ships entering the fleet in 2019, Flex Constellation and Flex Courageous.

**<sup>d</sup>Particulate matter (PM), NOX, SOX emissions (Metric tonnes):** PM, NOX and SOX emissions from the combustion of fuels from owned vessels have been calculated based on the tool established by Danish Shipping and distance travelled.

**<sup>e</sup>Shipping duration in marine protected areas or areas of protected conservation status:** A marine protected area as defined by the International Union for Conservation of Nature (IUCN): Any area of intertidal or sub-tidal terrain, together with its overlying water and associated flora, fauna, historical and cultural features, which has been reserved by law or other effective means to protect part or all of the enclosed environment, listed in the World Database of Protected Areas (WDPA) and mapped on Protected Planet. Protected Planet is the most up to date and complete source of information on protected areas, updated monthly with submissions from governments, non-governmental organizations, landowners and communities. It is managed by the United Nations Environment World Conservation Monitoring Centre. However, the reported number does not necessarily include all Marine protected areas internationally established and regulated in International the Marine Organization (IMO) Conventions and areas established nationally by member states. The data on shipping duration in Marine Protected Areas has been obtained through our tracking system (IHS).

**<sup>f</sup>Percentage of fleet implementing ballast water exchange and treatment:** Only ships performing ballast water exchange with an efficiency of at least 95 percent volumetric exchange of ballast water have been included. When it comes to treatment, approved systems must discharge (a) less than 10 viable organisms per cubic meter that are greater than or equal to 50 micrometers in minimum dimension and (b) less than 10 viable organisms per milliliter that are less than 50 micrometers in minimum dimension and greater than or equal to 10 micrometers in minimum dimension.

**<sup>g</sup>Spills and releases to the environment (Number, Cubic meters (m<sup>3</sup>)):** Any overboard spills and releases – intentional or accidental – shall be reported, even if the quantity is low and i.e. only causes a thin film or slight sheen upon or discoloration of the surface of the water.

**<sup>h</sup>Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index (CPI):** In the event that two or more countries share the 20th lowest ranking, all have been included in the scope of disclosure. The list is based on the CPI for 2019.

**<sup>i</sup>Lost time incident rate (LTIR):** A lost time incident is an incident that results in absence from work beyond the date or shift when it occurred. The rate is based on: (lost time incidents) / (1,000,000 hours worked).

**<sup>j</sup>Marine Casualties:** Regarding SASB TR-MT-540a.1, the reporting is in accordance with the standard, however injuries to personnel as described in point 1.1.1 is reported as part of Health & Safety statistics. The threshold for reporting on material damages as outlined in 1.1.4 and 1.1.6 is defined as USD 1,000,000.

**<sup>k</sup>Number of Conditions of Class or Recommendations:** The scope of disclosure only includes Conditions of Class that resulted in withdrawal, suspension, or invalidation of a vessel's Class certificate.

**<sup>l</sup>Number of port state control (1) deficiencies and (2) detentions:** (1) A deficiency is defined as a condition found not to be in compliance with the requirements of specific conventions, i.e. MARPOL, SOLAS, STCW, AFS or the ILO Maritime Labour Convention. (2) A detention is defined as an intervention action by the port state, taken when the condition of a ship or its crew does not correspond substantially with the applicable conventions and that a ship represent an unreasonable threat of harm to the marine environment etc.

**<sup>m</sup>Number of shipboard employees:** Only the number of employees on board ships at any time are recorded, this does not reflect the aggregate number of shipboard employees during the year.

**<sup>n</sup>Total distance traveled by vessels:** The distance (in nautical miles) travelled by all vessels during the calendar year.

**<sup>o</sup>Operating days:** Operating days are calculated as the number of available days in a reporting period minus the aggregate number of days that the vessels are off-hire due to unforeseen circumstances (i.e., a measure of days in a reporting period during which vessels actually generate revenue).

**<sup>p</sup>Number of vessels in total shipping fleet:** This includes owned, chartered, bare boat – as per December 31 in the financial year.





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