



Sustainable Ship Recycling Policy

The China Navigation Company group of companies (“CNCo”) has a Policy that all ships at the end of their economic lives will be recycled in a sustainable, safe, responsible and environmentally sound manner. This Policy details how this will be assured by CNCo.

This Policy applies to all CNCo group vessels at the end of their economic life that are not sold for onward trading and are thus sent for recycling.

To achieve this we adopt this Policy.

- 1 When a ship is offered for sale at the end of its economic life by CNCo:
 - a. If the residual value is greater than 40% above the highest current scrap value then there need be no additional contractual provisions concerning sustainable recycling of the ship;
 - b. If the residual value is between 25% and 40% above the highest current scrap value then there shall be included in the sale contract a contractual provision that the buyer must warrant to trade the ship for the subsequent 2 calendar years or, if the absence of this, to sustainably recycle the ship according to this CNCo Sustainable Ship Recycling Policy;
 - c. In all other cases (viz. the residual value is below 25% above the highest current scrap value) then there shall be included in the sale contract a contractual provision that the buyer must warrant the ship will be sustainably recycled according to this CNCo Sustainable Ship Recycling Policy.
- 2 If CNCo is seeking to recycle a ship it will only tender to (or via Cash buyers warranting to use) Ship Recycling Facilities (“SRF”) that are currently (and expected to be for the duration of the dismantling) fully certified by a reputable, independent, competent third party as having valid and verified accreditation against the Hong Kong International Convention (“HKC”) for the Safe and Environmentally Sound Recycling of Ships (whether or not yet formally adopted), and additionally if it is an EU Flagged ship, or departing on final voyage from an EU port, the SRF must by EU law be on “the white list” under the EU Ship Recycling Regulations (“SSR”) 1257/2013;
- 3 The reputable, independent, competent third parties referred to in (2) above include (only) the following class societies: ClassNK, LR and DNV. This list will be reviewed periodically by CNCo’s recycling representative (“RecRep”), generally the GM – Sustainable Development (“GM - SD”), in accordance with the Review section below;
- 4 CNCo’s RecRep will undertake an on-site audit against the Sustainable Shipping Initiative Responsible Ship Recycling Standard (“SSI RSRS”) of any/all successfully tendering SRF, accompanied by a reputable, independent, competent third party, and



this must have minimal NCRs on completion, as a subject to final confirmation of award of the sale for recycling;

- 5 The award of the sale for recycling of a CNCo vessel at the end of its economic life to a cash buyer and/or the SRF itself directly shall include as a minimum, but not limited to, the following clauses:
 - a. CNCo will provide, at its sole cost and responsibility, both an HKC Compliance Monitoring Team (“CMT”) consisting of personnel equivalent to such as at Master level, 2/E level and Bosun level, together with an auditor from a reputable, independent, competent third party, to work with the SRF management to close the gaps between the Ship Recycling Management Plan of the SRF (“SRFP”) and reality, and establish best SRF practice building on, and exceeding where feasible, the HKC;
 - b. The CMT and 3rd Party Auditor will be employed by CNCo HOF through contracts with relevant 3rd parties. These personnel will act as Technical Advisers to the SRF Management, and will expressly have no authority to instruct any SRF personnel to start, continue, or stop any work practices, except as explicitly provided below;
 - c. It will be agreed between the SRF and CNCo that all the personnel of CNCo, including the CMT, RecRep and contracted auditor, will have the authority and responsibility to order all work to be stopped immediately on the recycling operation should they become aware of any work practices or omissions that have the potential to cause imminent or immediate harm to a) the health and safety of the workers, b) the environment. The stop work order will remain in place until the cause has been identified and remedied or rectified to the satisfaction of CNCo;
 - d. It will be agreed between the SRF and CNCo that all the personnel of CNCo, including the RecRep, CMT and any contracted auditor, will have the authority and responsibility to request a meeting with the SRF Management should they become aware of any work practices or omissions that, whilst they may not have the potential to cause immediate harm to people of the environment, but they are in contravention to the Ship Recycling Plan for the specific vessel in question (“SSRP”) or SRFP or the HKC. The meeting with management will occur as soon as possible and recommend systems, procedures and/or practices such as will remedy or rectify the compliance shortfall to the satisfaction of CNCo;
 - e. The SRF (and CMT) will provide a weekly sustainable recycling progress report to the GM – SD, from the time of beaching to the time of obtaining a Certificate of Completion of Recycling from the appropriate regulatory body;



This report will be submitted by e-mail prior to opening business Singapore each week and will include as a minimum

- i. Executive Summary;
 - ii. Man-hours worked and full HS&E statistics (FAT, PTD, PPD, LTI (and LTIFR), RWC, MTC, FAC (and TRCFR), AD, NMR, RTA, Environmental Spills, Compliance notices and any fines or penalties issued);
 - iii. Stop work orders – reason and time to rectify;
 - iv. Training undertaken, for whom, by whom and against which standard;
 - v. Work permits issued (e.g. Hot work, enclosed space, work at height or over water);
 - vi. Dismantling progress made over previous week – text and photographs describing key activities, measured against SRP, and a forecast ETC;
 - vii. Details of internal and external audits of both SRF equipment, and processes measured against the requirements of the HKC;
 - viii. Details of all recycled products and Hazardous Material disposed of, and to which certified, competent facility, over the preceding period;
 - ix. Suggestions for improvement.
- f. Both the CNCo RecRep and the contracted reputable, independent, competent third party auditor will visit the SRF during the dismantling, both announced and unannounced. The frequency will be as agreed between CNCo GM SD and the 3rd Party Auditor, but is likely to be around monthly. The Audit During Recycling (“ADR”) will be undertaken on site involving the CNCo GM SD, 3rd Party Auditor, CMT and SRF Senior Management. Each ADR will be shared with the CMT and SRF to enable them to build capacity and competence further;
- g. The SRF will provide a full certified copy of the local regulatory Recycling Completion Report when this is obtained;
- h. A Post Completion closeout Audit Review (“PCAR”) will be undertaken on site involving the CNCo GM - SD, 3rd Party Auditor and SRF Senior Management. The final PCAR will be shared with the SRF to enable them to build capacity and competence further.