



The Swedish Club

# Sustainability



# Sustainability report

The Swedish Club's ESG (environmental, social and governance) policy, based on four of the UN's Sustainable Development Goals, establishes a common view on what sustainability means for the Club, and provides guidance to employees and members.

During 2021, the Club's ESG focus was on mapping emerging initiatives, and understanding better the Club's role in supporting the transition to a low-carbon future.

It also played a proactive role as a member of the International Group's Sustainability Committee, which will shortly publish its first sustainability report to cover 2021.

## The Swedish Club business model

The Swedish Club (hereafter the Club) is an independent, self-managed, mutual insurance company headquartered in Gothenburg, Sweden, with offices in Hong Kong, Oslo, London, and Piraeus. It has been in existence since 1872. As of 31 December 2021, the number of staff was 124.

Mutuality means that the Club is owned and controlled directly by the policyholders (hereafter members). The interests of the Club's management and Board of Directors are, therefore, identical to the collective interests of the members. The mutual nature and self-management of the Club put it at a unique place among its competitors.

The Club's purpose is to provide marine insurance to shipowners and other ship operators worldwide. The liability insurance (P&I) provided by the Club, and through the Club's reinsurance arrangements, is a key factor in enabling world seaborne trade, the protection of the marine environment, and the lawful interests of both public and private victims of maritime accidents. Therefore, the Club's core business is a vital component for supporting a well-functioning and sustainable society.

As an insurance company, the Club is subject to stringent regulatory requirements, prompting equally stringent regulatory compliance. Sound business practices and stability in the operations are safeguarded by robust processes for internal control and a holistic enterprise risk management system. This system is carried out through a control cycle that involves the systematic identification, valuation, monitoring and reporting of all existing and emerging risks. The Club's assessment of its risks and how

these risks are managed are regularly reported to the Swedish Financial Supervisory Authority and other stakeholders, internally and externally.

The Club's core values are Committed, Reliable and Proactive. These core values are central to the Club's operations and sustainability over time.

Further details of the Club's business model can be found in the Annual Report 2021.



## Environmental, Social and Governance (ESG)

Naturally, given the nature of shipping, it is impossible to eradicate all accidents. As risk managers, insurers and investors, the Club, along with other marine insurers, plays an important role in promoting economic, social and environmental sustainability and development. The Club has a longstanding commitment to assisting its members in managing maritime risks and thereby minimising the effect on the environment and society.

The Club is committed to preventing maritime accidents through proactive loss prevention initiatives and risk analysis. By providing proactive loss prevention and relevant insurance solutions, the Club minimises the consequences for the environment and society as a whole at the same time as it services its members. Sustainability is, therefore and has for a long time now been, at the core of what the Club delivers.

### ESG framework policy

The Club's Board of Directors adopted an ESG framework policy at its October 2020 meeting. The purpose of the Club's ESG framework policy is to provide the organisation with a declaration of intentions for the Club's work on sustainability. The policy aims at assisting in establishing a common view of what sustainability means to the Club as well as providing guidance to its employees and members. The ESG framework policy is a forward-looking document that is subject to an annual review.

The Club's ESG framework policy takes the four principles for sustainable insurance as defined by the United Nations Environment Programme's Finance Initiative (the UNEP FI) as their starting point:

- a) To embed ESG in the Club's decision making
- b) To raise awareness about ESG
- c) To promote widespread action with ESG
- d) To demonstrate accountability and transparency within the ESG area

To further assist its work in the ESG area, the Club's ESG framework policy uses four of the United Nation's Global Goals for Sustainable Development to provide a direction for the Club's further ESG efforts. The UN Sustainable Development Goals (SDGs) are,

as identified by the UN, the blueprint for achieving a better and more sustainable future for everyone. The goals are all interconnected and intended to address global challenges. More information about all 17 goals is available on the following site: UN Sustainable Development Goals (<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>)

The goals the Club use as a framework for its sustainability work are:

- UN Goal 3: Good health and well-being: The Club will promote health and safety in people's working life, on-shore as well as off-shore.
- UN Goal 12: Responsible consumption and production: The Club will promote the responsible consumption of water, energy, and food.
- UN Goal 14: Life below water: The Club will work to safeguard life below water through active loss prevention and relevant insurance solutions for its members.
- UN Goal 16: Peace, Justice and Strong Institutions: The Club promotes the rule of law and works against the use of bribes and other illegal measures.

### ESG risks in the Club's business segment

The main ESG risks in the Club's business segment as a marine insurance provider are:

- Inadvertently providing insurance coverage for illegal fishing, illegal shipping activities, intentional pollution, and illegal scrapping of ships;
- Inadvertently providing insurance coverage for breaches of climate-related emission levels, labour and trafficking, poor worker safety records and money laundering.

Below is an overview of how the Club works to facilitate sustainability and mitigate the ESG risks of its business segments.

### The environment and life below water

The Club makes significant efforts to safeguard environmental interests in its routine work. As part of its loss prevention activities, the Club regularly produces publications and holds workshops on how

to avoid marine casualties, mitigate marine risks and mitigate the environmental impact generally through advice about fuel management and information on environmental regulations.

The Club's Loss Prevention team works in close cooperation with the Club's claims handlers to understand and advise members on what causes accidents. Emergency Response Training is offered to members to stress test their organisations and create an understanding of how to cooperate to handle and minimise the adverse consequences of maritime casualties. The Club's Marine Insurance Course and Marine Insurance Seminars, made available to members and business partners on an annual basis, are important means to educate and raise awareness of the importance of marine insurance and casualty response.

The Club's initiative Trade Enabling Loss Prevention (TELP) is at the forefront of providing shipowners with up-to-date proactive loss prevention advice to prevent and minimise losses and accidents at sea. TELP was launched in January 2020 and is a free-of-charge service for members to increase safety awareness in specific areas and ports worldwide, thereby reducing claims. The information provided through the TELP service was expanded and enhanced further throughout 2021. TELP has enabled efficient and targeted distribution of information on claims experience and risk factors as well as relevant COVID advice to the Club's membership where their ships approach particular ports.

The Club participates in a comprehensive risk-mitigating training programme through The Swedish Club Academy. The programme was developed after realising that most marine casualties occur due to human factors, and the objective of the programme is to establish safe and sound attitudes and behaviour within organisations. The training is conducted at over 70 facilities in 31 countries, licensed by the Club. The Club subsidises its members' start-up fee when first signing up to participate in the programme.

In 2020 the Club became an official corporate member of the Big Blue Ocean Cleanup, and the Club continued its support throughout 2021. The Big Blue Ocean Cleanup helps keep the oceans clean,

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protect marine wildlife and support the development of innovative technologies. The Big Blue Ocean Cleanup runs free educational workshops and provides resources for schools around the world, inspiring every generation to take action and protect our blue planet.

### Responsible consumption and production

Being an insurance company, the impact the Club's own operations has on the environment comes primarily from the use of office space, any waste the operation of its offices generates, and the business travel undertaken by its employees.

The Club seeks to apply high standards to operate in an eco-friendly way, which includes recycling waste, minimising the use of paper and using video conferences instead of travelling, to the extent that it is reasonable in the business context the Club operates in. Club employees are expected to travel responsibly and consider the best way to attend a meeting, inspect an incident site, or manage a casualty to achieve or maintain the expected service level.

Guidelines on the Club's travel policy for employees is provided in The Swedish Club's Personnel Handbook. The Club is assisted by its worldwide network of correspondents, experts and lawyers in its routine claims handling activities. However, a physical presence is often necessary to maintain a close relationship with the Club's members and to properly manage marine casualties. Therefore, it is unavoidable for the Club's employees to travel by air. Travel by the Club's employees remained very limited in 2021 due to the COVID-19 pandemic. The Club carried out most of its meetings in 2021 through digital means, although this is not expected to be the case for 2022.

To encourage more environmentally friendly commuting, the Club facilitates easy access to public transport fares and enables bicycle parking as an alternative to cars. There is also the possibility to charge electric vehicles at the Clubs' Gothenburg office.

Being a mutual marine insurance provider, the Club has an important role to play in supporting the decarbonisation of shipping by ensuring that there are relevant insurance solutions made available for the emerging risks its members may face. Alternative fuels and new ship designs are

changing the shipping landscape. For the Club, it is important to honour its heritage by supporting the technological transition by providing relevant insurance solutions. After all, the Club was founded in 1872 by shipowners finding themselves unable to procure relevant insurance for their modern ships.

### Social responsibility

Social responsibility is a central feature of the Club's operations. An ethical code of conduct is discussed with and signed off by all employees annually. The application of the ethical guidelines is followed up at regular employee/manager meetings and through interactive questionnaires on the Club's intranet.

Another important social dimension involves the community that ownership in the Club entails. The Club's membership stretches from local bunker barge operators to the world's largest state-owned shipowners. Furthermore, some of the Club's members are based in countries that have a tense political relationship with each other and, as a result, have little or no business relationships. Therefore, the Club serves as a unique platform for creating a community and building relationships beyond political and geographical boundaries.

The Club supports the community by sponsoring The Swedish Sea Rescue Society (SSRS). The SSRS is a non-profit organisation founded by dedicated volunteers in 1907. More than 100 years later, the dedication still runs deep among the volunteers, who are always prepared to be of help whenever someone needs assistance at sea. The Club is also a proud sponsor of the magazine Faktum, a monthly magazine sold by, and for the benefit of, homeless people, raising awareness of the situation and providing a way back. The Club is also a sponsor of HELMEPA, the Hellenic Marine Environment Protection Association, the pioneering voluntary commitment of Greek seafarers and shipowners to safeguard the seas from ship-generated pollution, undertaken in Piraeus on 4 June 1982. HELMEPA operates under the motto, "To Save the Seas".

### Personnel

The Club is a true knowledge company and, as such fully dependent on the expertise and well-being of its employees. The Club is

dedicated to growing and developing our staff and promoting good health, motivation and commitment through initiatives encouraging a healthy lifestyle and developing job skills. The Club is a signatory to collective bargaining agreements through its membership in FAO and engages in dialogue with the local unions.

Every second year, the Club measures employee engagement and satisfaction through a survey carried out by a third party. Following the survey in 2021, the KPI for employee work satisfaction was significantly higher than the national industry benchmark, and a majority of other KPIs came out better or levelled with the benchmarks. The employee satisfaction level remains on the same high level as in the previous survey from 2017 and 2019 and is high for all employee groups. Satisfaction with physical as well as the social working environment is included in the survey, and results are followed up over time and issues actively addressed.

The survey includes the areas of discrimination and bullying where the Club has zero-tolerance. According to the Club's written policy on equal treatment, the Club shall safeguard equal possibilities for employment, education, promotion, and development in the work role, regardless of gender, sexual orientation, ethnicity or religion. The Club has the policy to combat discriminatory behaviour. The Club's gender division in 2021 was 48% women and 52% men. In 2021, 14 employees used the possibility of being on parental leave.

The Club shall strive towards an equal division between men and women in the Club's different functions and organisational levels based on merits, and the Club shall facilitate the possibility to combine work with family life. An annual mapping of salaries is carried out to detect and enable rectification of undue differences in the salaries between men and women.

In 2021, the Club followed the guidelines and restrictions issued by local authorities at each location where the Club has offices to safeguard the health and well-being of its employees during the COVID-19 pandemic.

The use of digital means for Club internal activities has enabled a number of training sessions and seminars to be held on a wide range of topics such as stress management and well-being. Particular

focus has been placed on the circumstances created by the COVID-19 pandemic and its impact on employee well-being. Social gatherings via digital means and socially distanced walking activities outdoors have been well attended to and helped maintain a social context during the special circumstances created by the COVID-19 pandemic. Activity challenges have been held in various of the Clubs offices, encouraging a healthier lifestyle. By way of example, a number of the Gothenburg employees gathered to walk or run 10 kilometres in September, instead of the cancelled Gothenburg Half marathon, in which the Club usually arranges participation.

### Human rights

Sound business behaviour and compliance with internal and external regulations are ultimately dependent on the acts of the individual employee. This includes safeguarding the values mentioned in this sustainability report.

The Club has several channels through which employees can alert management about any abuses or wrongdoing. Annual risk workshops are held under the auspices of the risk management function. These workshops aim to target operational risks, including fraud, malicious damage, employment practices, business practices, workplace safety and public safety. In addition, the Club has two web-based applications where risks and incidents – “near misses” - in the line organisation- are registered.

The findings are compiled and presented to management and the Club's board on an annual basis. Furthermore, the Club has a whistle-blower policy that enables employees to submit complaints on a confidential basis, through an external law firm, regarding non-compliance, any illegal or unethical activity, or any other abusive or erroneous behaviour, which has an adverse impact on any individual, the Club, its members, other stakeholders or the environment.

The Club's work in identifying and mitigating risks includes several tools used for safeguarding respect for human rights regarding both the Club's employees and the Club's business associates. The P&I insurance provided by the Club contains elements for enabling due compensation to be reimbursed by the Club to its members

for compensating their seafarers for work-related illness and injuries under applicable contracts, law and convention limits when serving on insured ships.

The Club's Board has decided to extend the P&I insurance to include financial security, required under the Maritime Labour Convention, for repatriating seafarers as well as up to four months' wages, in case the seafarers are abandoned by their employer on a ship entered with the Club for P&I risks. This was done in response to a request put forward by the International Labour Organization.

### Combatting corruption

The Club has zero tolerance towards corruption and bribery. The Club applies the UK Bribery act as a benchmark for its employee policy, which is more stringent than the equivalent Swedish legislation that would otherwise have applied (in general). An annual sign-off procedure was introduced in 2020 and also performed in 2021, whereby all employees read and sign off on their understanding of the Club's Ethical Directive, among other policy documents.

To combat corruption, the Club uses a market-leading screening tool provided by World-Check whereby all the Club's members and insured vessels are screened on a monthly basis. The screening includes global sanctions lists, global enforcement and warning lists, global politically exposed (PEP) lists and global state-owned entity lists (SOE).

The screening also includes corporate managers who are directly or indirectly connected to or associated with an embargoed country or entity which carries related or other risk-relevant information.

World-Check also draws on hundreds of thousands of credible media sources to monitor all the categories above. It is also used to identify and maintain a lot of profiles related to individuals convicted of one or more of the predicate offences as defined by the Financial Action Task Force (FATF). The purpose of the screening is to avoid the Club doing business with inappropriate companies or individuals.

In 2021 the Club continued to enhance its “know your client” routines through which its membership is reviewed. While the Club, being a non-life insurer, is not subject to the

Swedish Anti-Money Laundering Act, it has voluntarily introduced a number of measures to enhance its routines for anti-money laundering and countering the financing of terrorism.

The Club has continued and refined its work during the year using an AIS tracking system, enabling it to carry out more in-depth due diligence on vessels' trading patterns and ownership structures to combat illicit trade. Compliance data and automated screening against sanctions list have been integrated into the Club's compliance and risk assessment tools to enable early identification of risk factors. The Club utilises compliance data from IHS MIRS to assess prospective and existing members before entry into the Club and throughout the insurance relationship. Automated backstops based on sanctions lists were incorporated into the Club's insurance and payments systems in 2021 to further enhance the anti-money laundering activities. These measures help mitigate the risk of inadvertently providing insurance cover for illicit activities as well as to mitigate the risk of the Club inadvertently facilitating money laundering.

It is noteworthy that illegal acts, as a matter of Swedish law, are uninsurable as being contrary to public policy and good insurance practice. As an example, to enhance this fact, the Club's Rules for P&I insurance expressly excludes liabilities arising from unlawful trade.

Finally, all the Club's Board members, members of the management group and personnel responsible for the Club's central functions (actuary, risk managers, internal audit and compliance) are subject to an equivalent screening process to ensure that regulatory fit and proper standards are met for these individuals.



*Stormy seas off the coast of Ransvik Sweden*