

# External Assurance Report



## Danaos 2021 ESG Report - External Assurance Report

This External Assurance report was conducted by CSE North America on behalf of Danaos and its ESG Report for the period 1/1/2021 to 31/12/2021. The goal of the process is to provide assurance towards the stakeholders of Danaos for the accuracy, reliability, and objectivity of the information in the ESG Report, as well as that the report covers all the material issues, as identified by Danaos and its stakeholders.

### Scope & Methodology

ESG Report has been conducted according to GRI standards (core), as well as according to SASB Standards for Marine Transportation.

- Report covers all material issues as identified by Danaos and its stakeholders
- External assurance process applied was AA1000AS v3 standard with an agreed-on 'Type 2 (moderate)' Scope
  - Type 2 requires assessment of organization's adherence with all four AA1000AS Principles (Inclusivity, Materiality, Responsiveness, Impact), and shall additionally, assess and evidence the reliability and quality of specified sustainability performance and disclosed information, providing relevant findings and conclusions, i.e., assurance on reliability and quality.
  - CSE North America's applied assurance methodology followed that Type 2 standard with sample analysis and review of processes related with / to
    - identifying / communicating with key stakeholder groups
    - identifying and defining material issues
    - key performance indicators (except for reviewing / verification of the operational efficiency of data collection and computation systems that were used to collect and process the data)
    - review of information and claims included in ESG Report
    - review concerning compliance with GRI and SASB Standards.

### General Conclusions

Based on the scope of the assurance, it was observed that:

- The description of Danaos' activities and performance during 2021, as well as the way those topics have been presented in the ESG Report, is accurate.
- Danaos complies with the principles of inclusivity, materiality, responsiveness, and impact, as defined in the AA1000AS v3.
- Danaos' ESG report provides transparency on the challenges the shipping industry is facing concerning net zero GHG emissions goals in the future

### Key Observations & Recommendations

Danaos achieved significant improvements in the management and performance in corporate responsibility and sustainability during the period covered by the ESG Report:

- Danaos conducted a materiality assessment through a quantitative survey in key stakeholder groups in 2020. The results of the materiality assessment were validated and updated in year 2021, leading to Danaos' new comprehensive Sustainability ESG Strategy.
- Danaos designed and implemented an updated ESG Plan in 2021, which includes specific goals and measurable targets for years 2021 - 2025: most notably with a goal of 47.5% reduction of carbon intensity (compared to a 2008 baseline), exceeding International Maritime Organisation's (IMO) target.
- Danaos reported significant achievements concerning environmental protection and pollution prevention in 2021, such as
  - 41.4% reduction in carbon intensity (CO2 emissions per ton\*miles), 9 years ahead of the IMO's 2030 target
  - Ballast Water Treatment (BWT) systems installed for approx. 50% of Danaos fleet with commitment of achieving 100% by 2023
  - Voluntary enrollment in the DNV "CO2 Index" project, monitoring and certifying all vessels' performance and CO2 emissions.
  - Full transparency to the IMO DCS and EU MVR emission reporting schemes through advanced WAVES data analytics platform
  - Successful implementation of a 'Zero MARPOL Incident' policy with a 2021 record of zero incidents of non-compliance with environmental laws and regulations, no spills, and no fines
- The Company's continued engagement as members of the Global Maritime Forum (GMF), joining the 'Getting to Zero Coalition', and the Ammonia Energy Association (AEA), exploring alternatives for newbuilding low carbon fuel vessels.

- Danaos constant improvement of the environmental performance, as expressed through its fleet efficiency improvements, through adopting Circular Economy strategies, such as the 3R 'Reduce-Reuse-Recycle' principle in its operations, as well as advanced offshore and onshore waste management practices.
- Danaos Safety Management System (DSMS) with internal and external audits, DNV supported/certified
- Danaos Assessment & Training Center with state-of-the-art training facilities, supporting DSMS
- Danaos effective Corporate Governance, embedding a 'Code of Business Conduct & Ethics and Policies' based on UN Global Compact principles in corporate culture, resulting in zero incidents of corruption, bribery, or fraud in 2021

**Based on our observations during the assurance process, our key recommendations are:**

- With respect to the principle of inclusivity, Danaos must maintain and aim at further developing the existing model of engaging and communicating with its stakeholders.
- With respect to the principle of materiality, Danaos must maintain the existing processes for the identification and prioritization of its material issues. At the same time Danaos should aim to further expand the process, for example through the increase of the stakeholder groups involved in the process.
- With respect to the principle of responsiveness, Danaos should maintain and further enhance its approach about the incorporation of stakeholder expectations, and more effectively include the charterers, concerning Danaos' services and initiatives.
- Given the ever-increasing importance of managing a sustainable supply chain, Danaos must maintain and continue strengthening its sustainability policy regarding its supply chain.
- Danaos must maintain and continue enhancing and accelerating its environmental initiatives, specifically GHG emission reduction of its fleet, which are part of its long-term commitment towards environmental protection.

**Findings and Conclusions Regarding the Principles**

- Inclusivity – how the stakeholder groups have been identified, and how Danaos communicated with key stakeholders regarding sustainability. The communication activities with the stakeholder groups include all key stakeholder groups of Danaos. Also, Danaos has implemented the appropriate principles in the development of its approach towards sustainable development.
- Materiality – how Danaos determines the importance for the selection of the material sustainability issues. The

process of determining the material issues by Danaos provides a balanced representation of the material issues based on its sustainability performance.

- Responsiveness – how Danaos responded to the issues set by the stakeholders and how this process is described within the ESG Report. Danaos has implemented the principle of responsiveness during the selection of the issues included in the report. At the same time, its sustainability strategy responds to the concerns of the stakeholders, and to the long-term commitment towards corporate responsibility.
- Impact – how Danaos monitors, measures, and is accountable for its impacts on the broader ecosystem, people, and economy. Danaos has identified all key sustainability issues and has reported on them using the GRI Standards and SASB Standards. At the same time, Danaos' longterm strategy and goals respond to both the short-term impacts and long-term impacts and aim to adoption and mitigation. As stated in the ESG Report there is a major challenge for the shipping industry with the individual enterprises' overall GHG emissions reduction, as the sector can expect high demand and growth in the coming decades. The key tool for significant GHG emission reductions for this sector are vessels powered by 'zero carbon energy sources' (Getting to Zero Coalition). The commercial readiness of those sources, at competitive costs and at scale need strengthened international policies and allocation of significant resources, to enable accelerated development and deployment. Furthermore, there are several risks associated with the shipping industry that are proactively addressed by Danaos with a robust 'Risk Management and Control Framework', supported through extensive internal and external assurance audits.
- **Specific Performance Information.** The Specific Performance Information (quantitative data related to GRI and SASB metrics and indicators) has been collected and presented in a commonly accepted manner in ESG Report and the 'general and specific disclosures' have been reviewed during the assurance process. During the assurance process the following metrics and information were reviewed:
  - General disclosures about Danaos, its strategy, its ethics and integrity, its corporate governance, its engagement with stakeholders, and its reporting practices.
  - Specific Disclosures about:
    - Greenhouse gas emissions and their reduction.
    - Energy consumption, intensity, and reduction.
    - Production and management of waste.
    - Statements regarding compliance to environmental laws and regulations.
    - Occupational health and safety.
    - Employment records.

- Policies and incidents regarding corruption.
- Statements regarding compliance to anti-competitive behavior laws and regulations.
- Practices regarding customer data and privacy.
- Employee training.
- Supply chain characteristics.
- Selection and evaluation of suppliers.
- Records about diversity, non-discrimination, and equal opportunities.

◦ The incorporation of the UN Sustainable Development Goals in the ESG Report.

### Exceptions and Limitations

The assurance process did not include information related to:

- Activities outside the reporting period.
- Statements about the position, policies, and principles of Danaos.
- Financial information.
- Content of other documents, reports and/or corporate websites.

### Responsibilities of Danaos and the Assurance Provider

The preparation, presentation, and the content of the online versions of the ESG Report is the responsibility of Danaos.

The responsibility of CSE North America lies in providing an

independent assurance to the stakeholders for the accuracy, reliability and objectivity of the information included in the report, as well as to express its overall opinion based on the type of engagement, as defined by the present report.

CSE North America recognizes the need for a detailed, transparent assurance process to ensure reliability and to operate in order to improve the performance of Danaos about its sustainability strategy, as well as its ESG Reporting.

CSE North America has extensive knowledge on reviewing and evaluating issues and systems regarding sustainability.

On behalf of CSE North America

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