

**SUSTAINABILITY
REPORT
2018**



TABLE OF CONTENTS

1.	A Message from our CEO	04
2.	About ONE	06
2.1	ONE Ambition	06
2.2	Our Core Values	06
2.3	Our Governance	07
3.	Sustainability at ONE	09
3.1	Our Commitment	09
3.2	Our Sustainability Priorities	10
4.	Responsible Business Partner	12
4.1	Our Commitment to the UN Global Compact Principles	12
4.2	Human Rights	14
4.3	Anti-Corruption	14
4.4	Tax Principles	15
5.	Delivering Safety and Security	16
5.1	Safe Transportation	16
6.	Commitment to the Environment	18
6.1	GHG and Other Emissions	19
6.2	Energy Efficiency in Ship Operation	20
6.3	Oil and Marine Pollutant Substance Spills	21
6.4	Ballast Water Management	21
7.	ONE Protecting and Empowering People	22
7.1	Management Approach	22
7.2	Recruitment, Training and Development	23



A MESSAGE FROM OUR CEO



“The safety and security of people and cargo onboard is our utmost priority.”

Dear reader,

As we have been preparing for the launch of Ocean Network Express (ONE) in 2018, we have worked to build a foundation for success: operate in a responsible and sustainable manner while exceeding customers' expectations through better service and more shipping routes.

This sustainability report outlines our position, commitments and future plans on environmental and social issues that are critical to address in our industry.

We first joined Global Compact Network Singapore, the local chapter of the United Nations Global Compact (UNGC) network in 2018. As a member, we want to demonstrate our commitment to the UNGC Ten Principles and our intention to manage our operations while helping advance the situation on human rights, labor standards, corruption and the protection of the environment.

As ONE continues to unlock new routes across more than 100 countries, the safety and

security of people and cargo onboard is our utmost priority. In addition to developing and implementing strict standards and procedures, we actively work with our partners to ensure their ships and people are fully equipped and capable of meeting our customers' needs and commitments to safety and security.

To manage our environmental impact, and help our customers manage the effects of climate change, ONE is developing an environmental management system which will be ISO14001 certified in 2018. We will also leverage on the expertise and technology of our three parent companies to identify innovative ways to further reduce our emissions.

ONE's objective is to deliver enhanced service and innovation in a responsible and sustainable manner. The development of ONE's first sustainability report was also the opportunity to better understand the environmental, social and governance issues

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that can have a material impact on our company, which will allow us to better manage risks and capture growth opportunities contributing towards ONE's business success over the long term.

We intend to regularly communicate our sustainability progress, successes and challenges openly and transparently to develop closer relationships with our stakeholders. We welcome your feedback and ideas on our sustainability efforts.

Best Regards,

Jeremy Nixon
Chief Executive Officer

ABOUT ONE

2.1 ONE AMBITION

Ocean Network Express will be operational on April 1st 2018 with the ambition to provide a new and unique approach to container shipping. Our name conveys our integrity - three leading marine transport companies working together to spark a revolution.

Ours is to champion human potential and combine our strengths to deliver better service, more diverse routes, and ICT solutions born to change the way the world moves. We manage our containers to exacting perfection, forming the world's leading container shipping network and delivering a new level of service with innovative new technologies.

2.2 OUR CORE VALUES

Our values reflect ONE's new world standard, moving beyond the traditional and into the innovative.



LEAN & AGILE
Breaking through conventions to make ideas into reality quickly



QUALITY
Pursuing the best quality that always exceeds customer expectations



CHALLENGE
Exploiting individual strengths and continuing to meet challenge without fear of failure



INNOVATION
Delivering services that contribute to the customer's business through self-innovation and creativity



BEST PRACTICE
Continuing to improve ourselves based on the knowledge cultivated by three shipping companies to deliver the best services



TEAMWORK
Respect individual diversity to build a team that can work together to create new value



RELIABILITY
Delivering stable, sustainable and professional services



CUSTOMER SATISFACTION
Focus on customer needs well and deliver satisfaction that exceeds expectations

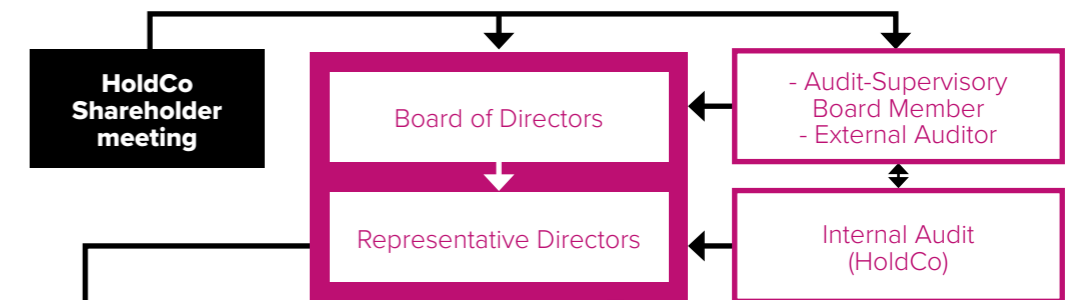
2.3 OUR GOVERNANCE

ONE was born from the integration of the container shipping businesses of three companies - Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha.

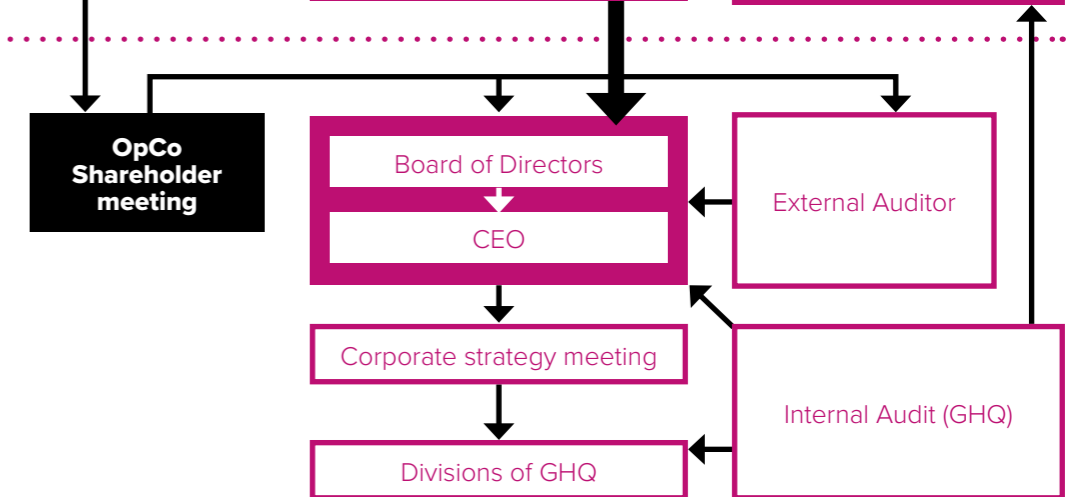
the governance of all operating companies globally. With operational global headquarters based in Singapore, ONE's global presence through regional offices, branches, subsidiaries and joint-ventures will span across more than 100 countries.

ONE Holding Company, based in Japan, oversees

HOLDING COMPANY (HoldCo)



OPERATING COMPANY (OpCo)



GLOBAL HEADQUARTER (GHQ)

NUMBER ONE

Our customers come first, and we intend to exceed them through constant quality and reliability. Now and well into the future.

- ✓ ONE is creating the world's highest-level network providing seamless services to our customers
- ✓ ONE has the ability to fine-tune services based on customer's perspectives
- ✓ ONE is rethinking customer services by utilizing latest technology

ONLY AT ONE

We believe that cutting edge technology will help us broaden the essence of our industry, explore new services and reimagine new levels of efficiency to break tradition for the better.

- ✓ ONE sustainable safety vessel operation
- ✓ ONE accelerated environmental response
- ✓ ONE has developed optimal economic ship operations by real time linkage of big data
- ✓ ONE focuses our efforts to be a lean and agile organization in order to make swift decisions and manage our business most efficiently

ONE TEAM

- ✓ To deliver on our commitment, ONE relies on a corporate culture that fosters collaboration and leveraging best practices
- ✓ Our approach to attract and manage talent is critical in the success of our business
- ✓ Our goal is to develop a diversity-rich and multicultural organization

SUSTAINABILITY AT ONE

3.1

OUR COMMITMENT

As a critical connector in the world's supply chains, ONE is committed to conducting its business in a responsible manner recognizing the wider economic, social and environmental impact of our activities.

ONE is also committed to promote sustainable practices with its suppliers and business partners. Sustainability matters

to our customers and our intention is to work closely with them to help reduce their risks and improve the transparency of their own supply chain, delivering greater value and a common purpose through their journeys.

This is integral to the way we do business at ONE, and will remain an essential part of our company in the future.

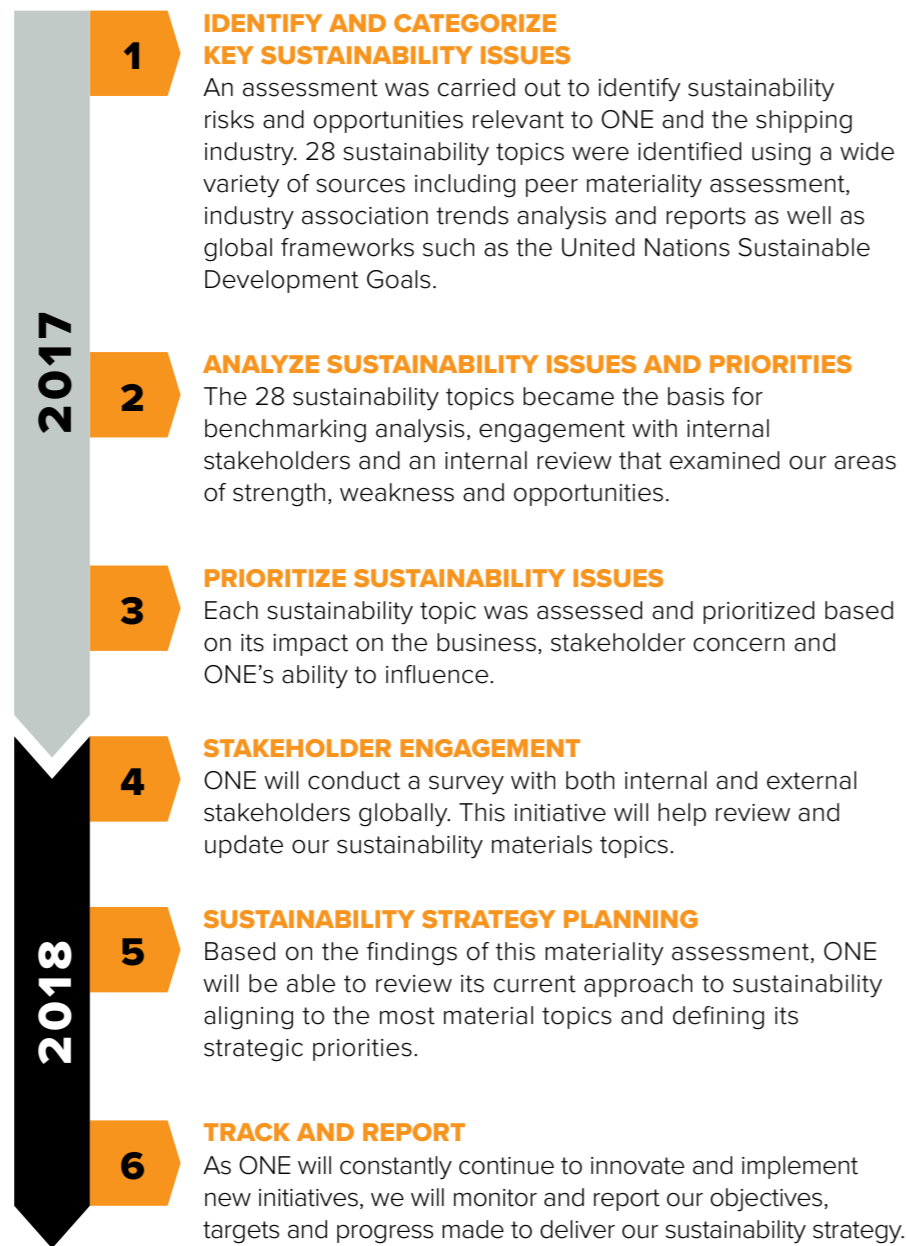


3.2 OUR SUSTAINABILITY PRIORITIES

With global trends and changes affecting our industry, it is critical we stay on top of emerging risks and respond quickly. Our first goal is to embed sustainability in our business strategy and in all areas of our operations.

As a first step, we worked with independent consultants to identify and prioritize the issues that matter most across our whole value chain - to our business and our key stakeholders. This materiality assessment will help inform the development of our sustainability strategy and allow us to report in line with the interests and needs of our audiences.

In 2018, we will further engage with key stakeholders to review and update our materiality assessment, reflecting possible changes in our business as well as socio-economic and environmental trends.



The 28 sustainability issues identified have been mapped on a materiality matrix to show their relative level of stakeholder interest and their potential impact on ONE business.



A RESPONSIBLE BUSINESS PARTNER

4.1 OUR COMMITMENT TO THE UN GLOBAL COMPACT PRINCIPLES

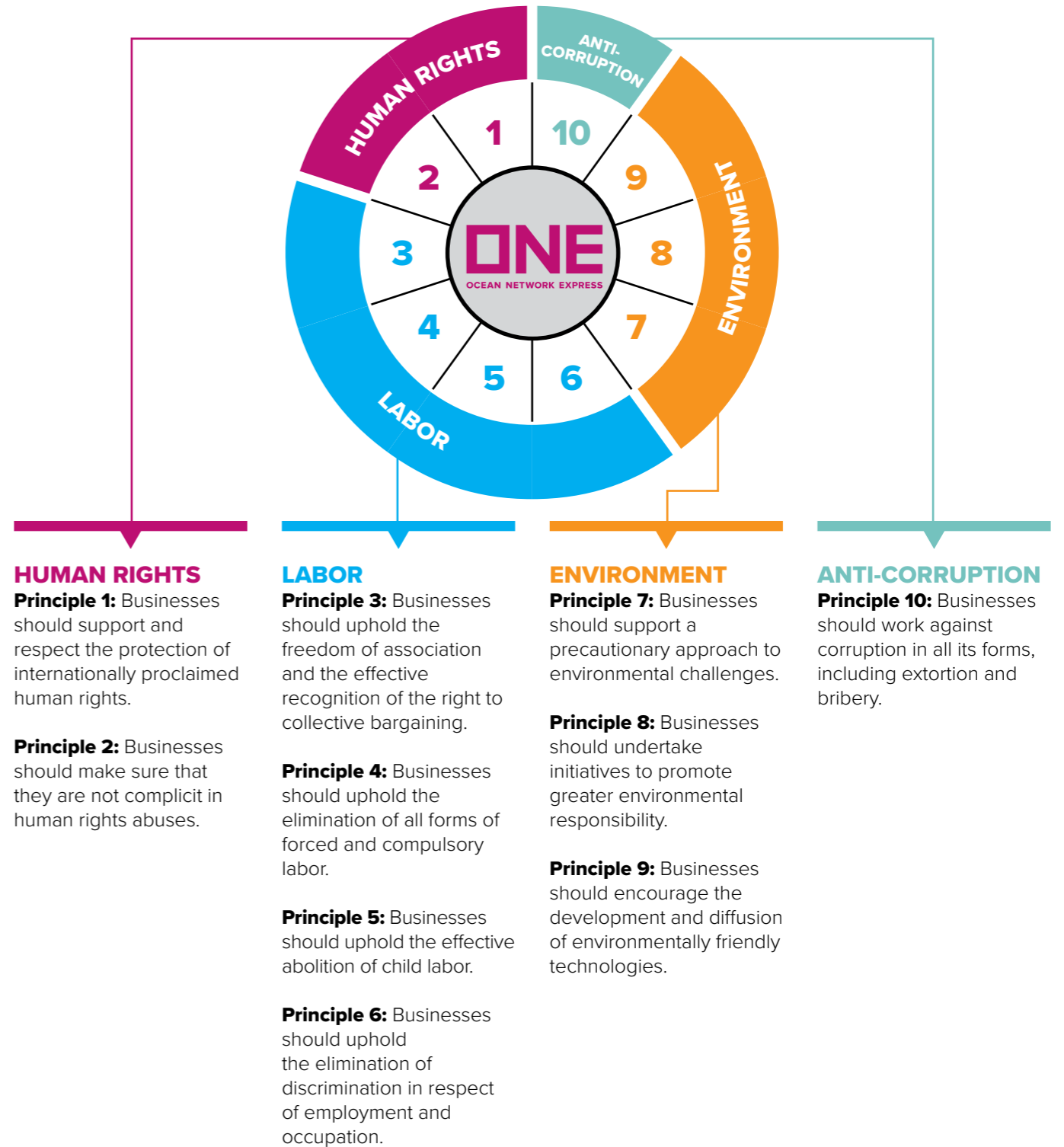
With global activities and a presence in more than 100 countries around the world, ONE will inevitably be confronted with ethics, human rights, labor and environmental issues. Through our own business activities, we can either cause, contribute or be linked to potential adverse impact in these areas.

In order to be part of a global movement towards conducting business in a responsible and sustainable manner, ONE became a member of Global Compact Network Singapore (GCNS), the local chapter of the United Nations Global Compact (UNGC) network.

As a member, ONE supports the ten UNGC Principles and has pledged to adopt and promote sustainable and responsible business practices. This means operating in ways that, at a minimum, meet

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fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption.



4.2

HUMAN RIGHTS

As a member of Global Compact Network Singapore, we support universal principles regarding human rights and labor standards. Our commitment to human rights is expressed through our Credo and Code of Conduct. We will work to ensure that we do not contribute to human rights violations as a result of our global business activities.

As a trusted employer, we will also ensure that all our employees are treated in a manner consistent with the applicable laws and labor conventions.

We will work to ensure that we do not contribute to human rights violations as a result of our global business activities.

A compliance committee will be established in 2018 whose responsibility is to ensure that ONE respects human rights throughout its operations and will integrate human-rights considerations into its existing management systems.

4.3

ANTI-CORRUPTION

Operating globally increases the risk of corrupt practices in our businesses which could result in potential financial and reputational risks.

ONE is committed to work against all forms of corruption in accordance with the law and the fundamental values of our organization. It is in our Credo, Code of Conduct and Basic Anti-Bribery Policy that no employee – whether directly or through third parties – are to engage in any form of corrupt practice, including bribery and extortion.

The legal department and compliance committee at

ONE is committed to work against all forms of corruption in accordance with the law and the fundamental values of our organisation.

ONE global headquarters are responsible for driving our compliance with necessary anti-corruption laws across all ONE companies worldwide.

All staff in ONE's global headquarters and managers from regional headquarters have been informed on ONE's position on anti-corruption through ONE's Credo, Code of Conduct and Basic Anti-Bribery Policy. ONE global headquarters will work with the regional legal departments to further develop and execute a broader communication plan in order to educate all local employees in their respective regions in 2018.

4.4

TAX PRINCIPLES

As tax laws and regulations are evolving and becoming more complex, the risk of unintentional compliance breaches is significantly increasing.

ONE is committed to ensuring compliance with local requirements and working towards tax transparency and disclosure. ONE does not condone the behavior of profit shifting with a tax avoidance intent to minimize its tax obligation and commits to be a responsible taxpayer in all relevant countries.

As a starting point, our tax department will conduct a research study in view of analyzing local tax laws and reporting requirements in various countries where ONE may operate. This study will help us prepare for our country-to-country reporting to local tax authorities in accordance with the OECD's Base Erosion and Profit Shifting project.



Global tax policies and an internal control framework will be developed by April 2018, following our commitment to comply with tax laws and regulations in each jurisdiction. ONE will therefore formalize the approach it will take to carry out its tax planning strategy without compromising the integrity of its corporate governance and tax morality.

Tax matters will be monitored by our tax department at our global headquarters which also manages country and regional tax departments.

ONE is committed to ensuring compliance with local requirements and working towards tax transparency and disclosure.

DELIVERING SAFETY AND SECURITY

In order to exceed our customers' expectations, the safe transportation of their cargo cannot be compromised. Safety is and will remain our utmost priority.

5.1 SAFE TRANSPORTATION

It is our mission to provide quality and reliable service through constant safety in the operation of our ships and the transportation of the cargo. In 2018, ONE is implementing a series of initiatives to ensure that customers can fully rely on us for the safe transportation of their cargo to its destination:

1. ONE is developing an Operational Standard that focuses on ship safety and navigation. The Operational Standard provides guidance on various scenarios such as navigating in heavy weather, cargo damage and fire prevention. It also provides guidance on preventing and managing

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2. ONE is developing a Vessel Deployment Standard that stipulates the safety distance and navigation of ships in the proximity of ports and harbors.
3. ONE has a Vessel Quality Standard (ONE-VQS) that indicates our requirements for ship safety & quality management system. ONE will conduct ship inspections in accordance to the ONE-VQS. The first inspection will take place in April 2018. Remedial actions are to be taken by ship owners based on the inspections and ONE will work together with them to improve the ships' conditions to further minimize the risks of accidents or detention.
4. ONE will also ensure that all ships it operates are certified under the International Safety Management (ISM) Code.

5. Ships on voyage may face other types of risks such as piracy or risks associated with navigating to, from or through conflict zones. These threaten the security of transporting cargo. ONE's Operational Standard provides specific instructions on navigating in various piracy areas and guidance on prevention of robberies, stowaways as well as smuggling firearms and drugs. As an

operator, ONE will also cooperate with ship owners that ONE is chartering ships from to prepare the ships in accordance to the requirements provided by ONE.

From the launch of operations in April 2018, ONE will continue to implement operational safety and security measures to keep the cargo secured.



COMMITMENT TO THE ENVIRONMENT



From climate change to decreasing environmental quality, the shipping industry can contribute to a number of adverse environmental impacts if not properly managed. As a container shipping business, it is our responsibility to ensure our operations are handled to minimize our environmental impact. We also recognize the business value of positive environmental practices in a globally changing regulatory landscape and providing ocean transport services that have a low

environmental burden for our customers. As such, we commit to using best industry practices and accelerating our environmental response with new technologies.

We will focus on an effective approach to environmental management as a key aspect of our business. We are establishing an environmental management system and aiming to be ISO14001 certified in 2018. Personnel involved in this process will receive training to understand and implement the requirements

to be certified. Thereafter we will establish an environmental committee to manage our environmental impact.

As part of our environmental management system we will also define our environmental goals and aspirations, developing key performance indicators (KPIs) to track and monitor our progress. Our environmental performance will be shared with our stakeholders in our future sustainability reports.

6.1 GHG AND OTHER EMISSIONS

Carbon dioxide (CO₂) emissions from shipping currently represent around 3% of the total global greenhouse gas (GHG) emissions annually. The industry as a whole contributes to poor air quality through emissions of nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM).

Reducing our GHG emissions along with other air emissions is ONE's priority and an integral part of our operations.

ONE aims to join the Clean Cargo Working Group with the objective to track and benchmark our CO₂ emission performance and report back to our customers and stakeholders in a standardized industry-recognized format. All three of our mother

We also plan to reduce our CO₂ emissions by chartering ships from ONE's parent companies that also apply cutting-edge technology to improve the ships' efficiency and reducing emissions.



companies are already members of this business-to-business leadership initiative and ONE will pursue best practice on this front.

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6.2 ENERGY EFFICIENCY IN SHIP OPERATION

Maximizing the energy efficiency of our fleet not only results in cost savings that can be passed on to our customers, but ensures conservation of resources such as fuel and a key measure in achieving our emission reductions.

ONE will develop a comprehensive data collection system to measure and monitor energy consumption from both renewable and

non-renewable sources, including our bunker fuel consumption. As part of our energy efficiency measures, we will also develop and implement the International Maritime Organization's (IMO's) Ship Energy Efficiency Management Plan (SEEMP) and will work with ship owners to monitor and improve energy efficiency going forward.

CASE STUDY: Reducing fuel consumption through IBIS PLUS

The IBIS PLUS system will

facilitate the optimization and micromanagement of ship operations including fuel consumption by consolidating real time data from ships. This system will allow ONE to promptly decide on the most appropriate steps to take. We expect the use of the IBIS PLUS system to assist us in reducing our bunker fuel consumption.



6.3 OIL AND MARINE POLLUTANT SUBSTANCE SPILLS

At ONE we are also prepared for the unexpected. Unplanned events and loss of containment can result in some of the most significant environmental impacts in our industry. To address this risk, our marine safety & quality team developed a Crisis Management Manual that sets out the appropriate response procedures in the event of cargo trouble or maritime accidents such as spills, ship collisions, ship damage, engine trouble, cargo damage and typhoons. In addition, the manual provides clear roles and responsibilities including ONE CEO and reporting procedures when an accident occurs.

In December 2017, our regional managers went through a crisis management training to ensure the emergency preparedness of our organization. As a next step, our regional managers will then pass along their

knowledge and train their own teams in their respective local operations in 2018.

Large-scale maritime accident response training will be conducted at least once a year to ensure the effectiveness of the Crisis Management Manual and build capabilities amongst employees, ensuring our staff are equipped to respond to maritime accidents promptly and effectively.

6.4 BALLAST WATER MANAGEMENT

Taking on and discharging ballast water during voyage can provide a pathway for species transfer between different ecosystems. This could result in the release of harmful invasive and non-native algae, plants or animals into new environments.

The IMO adopted the Ballast Water Management (BWM) Convention in 2004, with its provisions entering into

force from September 2017. The Convention requires ships in international traffic to implement a Ballast Water and Sediments Management Plan, to carry a Ballast Water Record Book, and to apply ballast water management procedures to meet the standards set.

Our operating fleet at this stage comprises of approximately 220 ships. These ships are chartered from our parent companies and ship owners who are compliant with environmental regulations and committed to reducing their environmental footprint. Our fleet management team will work with ship owners to select the appropriate ballast water treatment system and establish operational guidelines to protect biodiversity during transportation.

ONE PROTECTING AND EMPOWERING PEOPLE

7.1

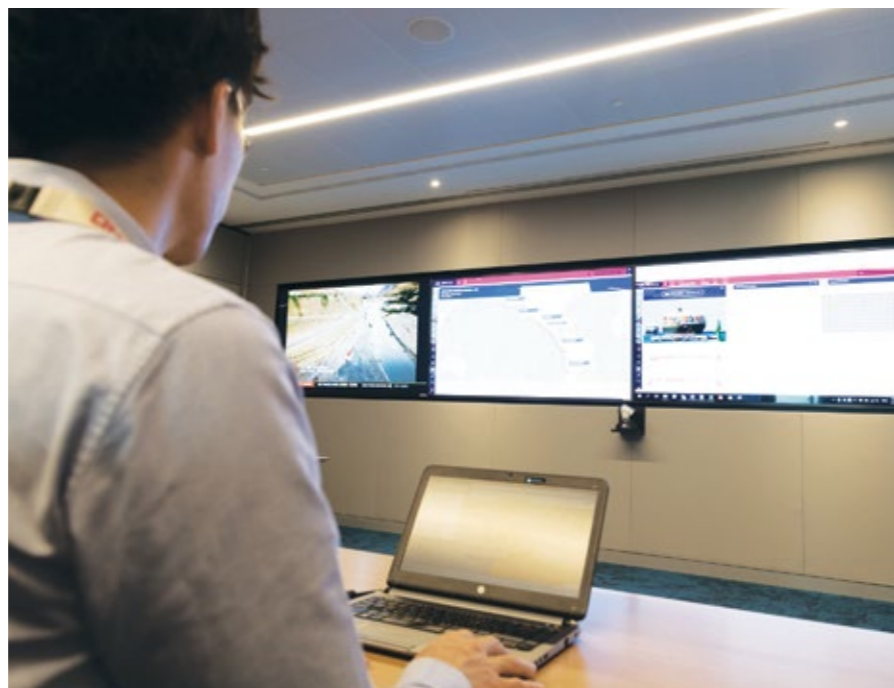
MANAGEMENT APPROACH

As a service-based company that intends to exceed customers' expectations, our people are our most precious asset to deliver quality service. Our core values "Lean" and "Agile" define the characteristics of our team. Our organization is structured around three core teams - Corporate & Innovation, Product & Network as well as Marketing & Commercial. This structure will allow swift decision-making and business efficiency at ONE.

In 2018, employees from the shipping container business units of the three parent companies will come together as ONE employees. ONE particularly focuses its efforts on developing the right capabilities and building a culture that supports innovation and efficiency. Our Human Resource Policy guides us on recruitment, managing employment relationships that includes

benefits and collating employee data.

ONE has also developed an Code of Conduct that aligns our employees' behaviour and decisions making process with our company values. Having a Code of Conduct declares ONE's position on a set of standards, values and principles. By 2018, all employees will be communicated about the Code of Conduct.



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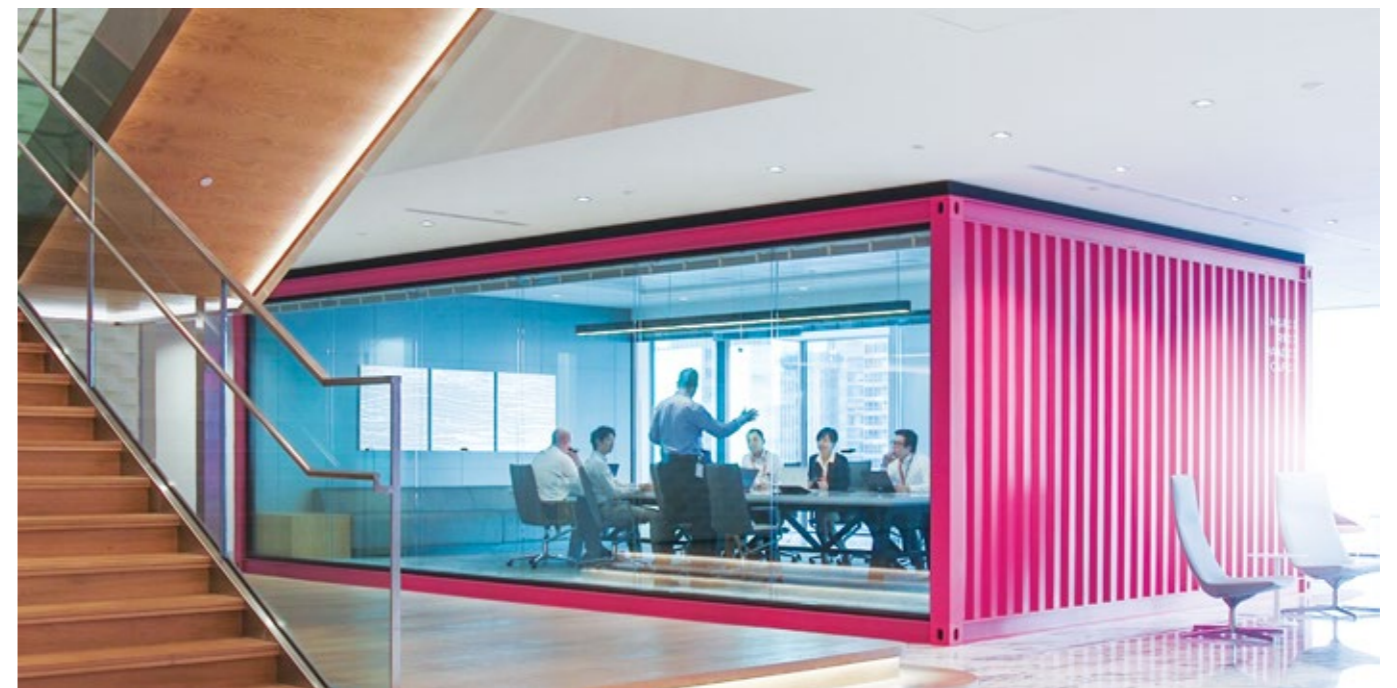
7.2

RECRUITMENT, TRAINING AND DEVELOPMENT

Creating a lean and agile team extends beyond recruiting the right people but also providing quality training and education programs that maximize people's potential to perform and take pride in their work.

We emphasize on providing a continuous learning environment that empowers employees to reach their

fullest potential. In 2018, ONE will develop systematic training programs customized to each level of employees from junior to middle management focusing on work-related courses, specific technical skills and soft skill such as languages and people management. Learning does not stop for our senior employees as well, courses on leadership and business management skills will be provided.



ONE

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