WEBBER RESEARCH | ADVISORY

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Export Infrastructure

Webber Research: 2021 ESG Scorecard

2021 ESG Scorecard: Before we delve into our updated rankings, framework, and company specific changes, we want to reiterate the idea that underpins this entire endeavor, which is that **we believe there is no longer a place in the public shipping markets for companies that do not prioritize strong corporate governance and capital stewardship.** We believe that risk premiums associated with poor governance and capital discipline should continue to widen, eventually pricing-out conflicted players and antiquated structures from public markets.

Evolving Carbon Factor. Our 2021 ESG Scorecard generally included the same Carbon methodology we incorporated in 2020 to reflect the public disclosure of relevant carbon data, which increased our model's factor categories to nine**,** and the total number of *subfactors* to 22 (from 20). For traditional shipping companies, the carbon disclosure metrics we've focused are **AER** & **EEOI** (see Page 16), which helps align our ESG framework with the Poseidon Principles, and help facilitate the disclosure of consistent carbon data to investors. This year we've also begun tracking Scope 1 and Scope 2 GHG emissions disclosures (as defined by the Greenhouse Gas Protocol) for every company in our universe, and we've incorporated Scope 1/Scope 2 data into our scorecard results for non-traditional shipping companies where AER & EEOI are less applicable. We also intend to continue evolving our model's criteria in future scorecards, and we'll continue to display each company's **ESG Scorecard Quartile,** as well as a **Carbon Disclosure Indicator** on the front page of our company-specific research notes – as we've done since we launched Webber Research in 2019.

Model Adjustments. We maintained our 20% weighting for the Carbon Factor within our model, positioning it among the most dominant variables within our framework, and left other aspects of our model unchanged. Our factor weightings and methodology can be found on Pages 12-17).

Carbon Disclosure: Who's Participating? In total, **71%** of the companies in our scorecard (37/52) met the carbon disclosure requirements within our model, up from **42%** (22/52) last year (see page 2). We're also aware of a few companies still in the process of aggregating, auditing, and (eventually) disclosing relevant carbon data to investors, which should continue to improve the overall level of disclosure.

Superior Governance Translates To Outperformance:

- Companies with the ***strongest ESG*** scores (**GNK**, **EURN**, **INSW**, **EGLE**, **ASC**, **TRTN**, **MATX**, **GRIN**, **DHT**, **INT**, **TRMD**, **KEX**, and **OSG**) ***outperformed*** the bottom quartile by **+51%** on a 5-year basis and **+64%** since inception.
- Companies with the ***weakest ESG*** scores (**HMLP, CPLP, DSX, NAT, DAC, NMM, GSL, NNA, DLNG, GASS, SB, TNP,** and **CTRM**) ***underperformed*** the group by **(-45%)** on a 5-year basis and **(-44%)** since inception.

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Webber Research: 2021 ESG Scorecard Summary

Figure 1. ESG Scorecard Rankings For 2021

2021 ESG Scorecard Rankings

Quartile	Company	2021	2020	Δ Up/ (Down)	Quartile	Company	2021	2020	Δ Up/ (Down)
Quartile 1	GNK	**1**	5	*4*	Quartile 3	ZIM	**27**	New	
	EURN	**2**	6	*4*		NETI	**28**	37	*9*
	INSW	**3**	2	*(1)*		NFE	**29**	26	*(3)*
	EGLE	**4**	1	*(3)*		SBLK	**30**	34	*4*
	ASC	**5**	3	*(2)*		PANL	**31**	New	
	TRTN	**6**	4	*(2)*		STNG	**32**	39	*7*
	MATX	**7**	8	*1*		TGH	**33**	30	*(3)*
	GRIN	**8**	9	*1*		AGAS-NO	**34**	29	*(5)*
	DHT	**9**	16	*7*		KNOP	**35**	41	*6*
	INT	**10**	11	*1*		HUNT-NO	**36**	31	*(5)*
	TRMD	**11**	19	*8*		ATCO	**37**	32	*(5)*
	KEX	**12**	13	*1*		CMRE	**38**	40	*2*
	OSG	**13**	7	*(6)*		TGP	**39**	42	*3*
Quartile 2	GLNG	**14**	12	*(2)*	Quartile 4	HMLP	**40**	33	*(7)*
	FLOT-RU	**15**	New			CPLP	**41**	43	*2*
	NVGS	**16**	14	*(2)*		DSX	**42**	46	*4*
	TK	**17**	18	*1*		NAT	**43**	38	*(5)*
	LPG	**18**	23	*5*		DAC	**44**	49	*5*
	FRO	**19**	15	*(4)*		NMM	**45**	44	*(1)*
	BWLPG-NO	**20**	27	*7*		GSL	**46**	48	*2*
	TNK	**21**	25	*4*		NNA	**47**	45	*(2)*
	CAI	**22**	20	*(2)*		DLNG	**48**	47	*(1)*
	GOGL	**23**	17	*(6)*		GASS	**49**	51	*2*
	SFL	**24**	28	*4*		SB	**50**	52	*2*
	FLNG	**25**	21	*(4)*		TNP	**51**	50	*(1)*
	GLOP	**26**	22	*(4)*		CTRM	**52**	New	

Carbon disclosures provided

Source: Webber Research & Advisory, LLC estimates

High Level Takeaways: 2021 Scorecard

- The general level of carbon disclosure is up nearly **70%** y/y (71% of the model universe in 2021 vs 42% in 2020). We believe establishing sector benchmarks and/or tracking company specific y/y changes is likely the next step in our model's evolution (either in 2022 or 2023), along with the potential inclusion of additional disclosures.

- Given the robust improvement in sector fundamentals and the significant shift in market sentiment exiting the pandemic, a number of higher-beta names have *significantly* outperformed over the past 12-18 months, many of whom rank in the bottom half of our scorecard. While that outperformance is certainly notable, we also believe it's somewhat expected at this stage of the cycle, and we continue to believe in (and the data continues to support) a significant long-term relationship between strong corporate governance and equity outperformance.

- We've added 4 new companies to the scorecard (**CTRM**, **PANL**, **FLOT-RU**, **ZIM**) to replaced attrition from M&A, etc. (**CKH**, **DSSI**, **GLOG**, **GMLP**). While the general level of governance has improved, it's worth noting that there's been an uptick in companies taking *non-traditional* routes to the public markets, which often require less scrutiny. In some cases, companies with structures that we believe *couldn't* or *wouldn't* make it through a traditional institutional IPO process [(**CTRM**, Poseidon Containers (**GSL**), etc.] have been able find a back door in terms of accessing public capital, which is a trend we think is worth watching.

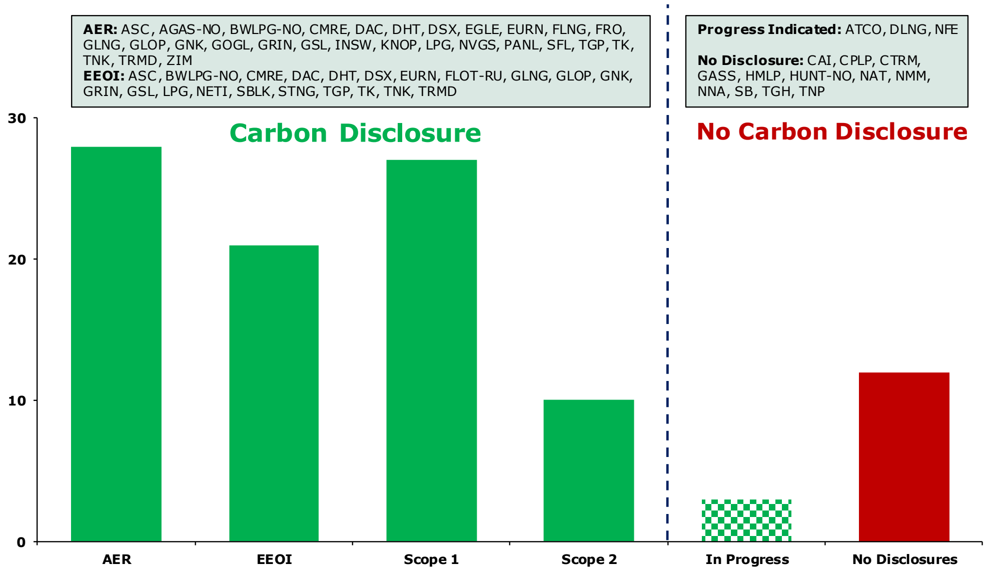
- There were some minor shifts at the top of our scorecard (**GNK** rises to #1) and we note the top of quartile 1 is pretty tightly grouped (with relatively minimal quantitative differences between **GNK**, **EURN**, **INSW**, **EGLE**, **ASC**, **TRTN**, & **MATX**).

Feedback & Intent. As a reminder, our model does not explicitly measure intent, nor will we be re-litigating whether entrenched related party relationships are ultimately symbiotic or parasitic for investors, rather whether certain avenues exist that could misalign management and shareholder interests – hopefully providing a baseline from which investors can dig deeper. To that point, we think strong governance helps minimize the need for investors to delve into potential conflicts of interest, for which they're almost certainly at an informational disadvantage. **We believe the data is clear, the evolution is obvious, and the market's verdict is unambiguous** – decided long before we began publishing this scorecard.

What Is The Webber Research ESG Scorecard? Our scorecard ranks the public shipping universe on a number of corporate governance metrics (Page 13), with the goal of identifying both high quality shipping platforms and points of conflict based on those underlying factors. Our scorecard crystallizes a framework that's been core to our investment strategy and coverage, while also aimed at keeping conflicted entities from relying on *anonymity* or *indifference* to perpetuate what's become a consistent headwind for the sector.

Carbon Factor Details

Figure 2. ESG Scorecard: Carbon Data Disclosure Breakdown



Source: Webber Research & Advisory, LLC, Company filings

Figure 3. ESG Scorecard: Carbon Data Notes

Carbon Disclosure Summary
28 out of 52 companies (54%) reported AER, a carbon intensity metric in accordance with the IMO. (ASC, AGAS-NO, BWLPG-NO, CMRE, DAC, DHT, DSX, EGLE, EURN, FLNG, FRO, GLNG, GLOP, GNK, GOGL, GRIN, GSL, INSW, KNOP, LPG, NVGS, PANL, SFL, TGP, TK, TNK, TRMD, ZIM)
21 out of 52 companies (40%) reported EEOI, a more accurate measurement of a vessel's carbon intensity based on actual cargo transported. (ASC, BWLPG-NO, CMRE, DAC, DHT, DSX, EURN, FLOT-RU, GLNG, GLOP, GNK, GRIN, GSL, LPG, NETI, SBLK, STNG, TGP, TK, TNK, TRMD)
27 out of 52 companies (52%) reported Scope 1, a measure of direct GHG emissions in accordance with the GHG Protocol. (AGAS-NO, ASC, CMRE, DHT, DSX, EGLE, EURN, FLNG, FRO, GLNG, GOGL, GSL, INT, KEX, KNOP, MATX, NETI, OSG, PANL, SBLK, SFL, STNG, TGP, TK, TNK, TRMD, ZIM)
10 out of 52 companies (19%) reported Scope 2, a measure of indirect GHG emissions in accordance with the GHG Protocol. (ASC, EURN, GOGL, INT, KEX, KNOP, MATX, SFL, TRMD, TRTN)
3 of 15 companies (20%) are actively working on an ESG report - that we're aware of (ATCO, DLNG, NFE)
12 of 52 companies (25%) do not yet provide publicly available carbon data (CAI, CPLP, CTRM, GASS, HMLP, HUNT-NO, NAT, NMM, NNA, SB, TGH, TNP
CPLP doesn't disclose its carbon data, but its vessel sponsor Capital Ship Management Corp prepares an annual environmental report certified by Lloyd's Register that contains carbon disclosure for vessels under management (includes both CPLP & DSSI).
ATCO aims to publish its inaugural ESG report in July, after the release of our scorecard.
DLNG is currently working on its inaugural ESG report, which should be released in Q2/Q3.
HMLP's ESG data is consolidated in HLNG Annual Report, unable to determine carbon disclosures for HMLP on a stand-alone basis.
INSW plans to include EEOI in its next report.

Source: Webber Research & Advisory, LLC, Company filings

Figure 4. ESG Scorecard: Carbon Data Overview

Ticker	Sector	AER[1, 2]	EEOI[1, 2]	Scope 1[1, 2]	Scope 2[1, 2]
INT	Bunker			✓	✓
ATCO	Container				
CAI	Container				
CMRE	Container	✓	✓	✓	
DAC	Container	✓	✓		
GSL	Container	✓	✓	✓	
MATX	Container			✓	✓
TGH	Container				
TRTN	Container				✓
CTRM	Dry Bulk				
DSX	Dry Bulk	✓	✓	✓	
EGLE	Dry Bulk	✓		✓	
GNK	Dry Bulk	✓	✓		
GOGL	Dry Bulk	✓		✓	✓
GRIN	Dry Bulk	✓	✓		
NETI	Dry Bulk		✓	✓	
PANL	Dry Bulk	✓		✓	
SB	Dry Bulk				
SBLK	Dry Bulk		✓	✓	
DLNG	LNG				
FLNG	LNG	✓		✓	
GLNG	LNG	✓	✓	✓	
GLOP	LNG	✓	✓		
HMLP	LNG				
NFE	LNG				
TGP	LNG	✓	✓	✓	
AGAS-NO	LPG	✓		✓	
BWLPG-NO	LPG	✓	✓		
GASS	LPG				
LPG	LPG	✓	✓		
NVGS	LPG	✓			
CPLP	Marine MLP/GP				
KNOP	Marine MLP/GP	✓		✓	✓
NMM	Marine MLP/GP				
TK	Marine MLP/GP	✓	✓	✓	
ASC	Tanker	✓	✓	✓	✓
DHT	Tanker	✓	✓	✓	
EURN	Tanker	✓	✓	✓	✓
FLOT-RU	Tanker		✓		
FRO	Tanker	✓		✓	
HUNT-NO	Tanker				
INSW	Tanker	✓			
NAT	Tanker				
NNA	Tanker				
SFL	Tanker	✓		✓	✓
STNG	Tanker		✓	✓	
TNK	Tanker	✓	✓	✓	
TNP	Tanker				
TRMD	Tanker	✓	✓	✓	✓
ZIM	Tanker	✓		✓	
KEX	US Marine			✓	✓
OSG	US Marine			✓	

1) Green check = affirmative data point in our model, Blue check = additional disclosures
2) Blank cell = no credit
Source: Webber Research & Advisory, LLC

Notes & Outliers

The companies that had the **strongest** ESG scores within our framework were **GNK**, **EURN**, **INSW**, **EGLE**, **ASC**, **TRTN**, **MATX**, **GRIN**, **DHT**, **INT**, **TRMD**, **KEX**, and **OSG** as noted in Figure 1.

The companies that had the **weakest** ESG scores within our model were **HMLP**, **CPLP**, **DSX**, **NAT**, **DAC**, **NMM**, **GSL**, **NNA**, **DLNG**, **GASS**, **SB**, **TNP**, and **CTRM** as noted in Figure 1.

Our subjective factor reflects history, frequency, and context that is inherently limited by the binary nature of certain data points and factors. We note that excluding our subjective factor (which carries a 12.5% weighting), the results would have been largely the same. In fact:

- *Excluding* our **subjective factor**, 11 out of the 13 top quartile (best ranked) names would have been the same.
- *Excluding* our **subjective factor**, 12 out of the 13 bottom quartile (worst ranked) names would have been the same.

Do We Look At Relative Operating Metrics Or Profitability? Sure, but not here. We look at a mosaic of factors when determining our broader equity ratings, and governance is certainly one of those. For the purposes of this piece, **we've intentionally kept the scope relatively narrow and well-defined**, to focus on an idea/risk that can be easily obfuscated or overrun by other dynamics like valuation and cyclicality. We know some make the argument that conflicted or related-party structures may have competitive G&A, OPEX, or other efficiencies – a position held almost exclusively by direct beneficiaries of those structures or their representatives. While that may be true in select cases, it is also beside the point (at best) and misdirection (at worst). We believe whether or not a related party structure is being abused is simply a debate public equity investors shouldn't have to entertain, and certainly not for free. Those legacy related-party relationships may save money in some cases, but we think there's a larger (growing) price-tag for the window they leave open for conflicts. Ultimately, we believe the risk premiums associated with poor governance and capital stewardship can (and should) continue to widen, eventually pricing-out conflicted players or antiquated structures from the public markets.

Changes To Our Rankings:

- As with prior iterations of our scorecard, there tend to be three primary clusters of scores: the leading group, a large middle section, and a small group at the bottom (**Page 2**).
- **Updated Universe.** We've removed **GLOG** (taken private), **GMLP** (acquired by **NFE**), **CKH** (taken private), and **DSSI** (taken private), which have all been replaced by **CTRM**, **PANL**, **FLOT-RU**, **ZIM. NETI** replaces is predecessor **SALT**.
- **Quartile 1:** The composition of Quartile 1 remained relatively consistent y/y, with **11** of the top 13 names remaining the same. **GNK** (1) & **EURN** (2) each climbed 4 spots, **INSW** (3) dropped a spot, **EGLE** (4) fell 3 spots, and **ASC** (5) fell 2 spots to round out the top 5. Notably, **DHT** (9) and **TRMD** (11) jumped 7 and 8 spots, respectively into Quartile 1, due in part to their carbon disclosures. We note Quartile 1 scores are tightly clustered, with small changes driving most of the movement referenced above.

- **Quartile 2:** **GLNG** (14) slid two spots as the inclusion of additional companies with carbon disclosures edged it out from Quartile 1 into Quartile 2. **BWLPG-NO** (20) and **SFL** (24) both moved up from Quartile 3 and new entrant **FLOT-RU** (15) scored well in its first year on our scorecard.
- **Quartile 3:** **NFE** (29) slid from Quartile 2 into Quartile 3, as the lack carbon disclosures weighed down its score. New entrants **ZIM** (27) & **PANL** (32) were weighed down due to related-party transactions (both), related party commercial management (**ZIM**) relatively low percentage of independent board members (both), and the same Chairman/CEO (**PANL**).
- **Quartile 4:** **HMLP** (40) & **NAT** (43) dropped by 7 and 5 spots, respectively, sliding from Quartile 3 into Quartile 4 due to various weak board policies. In its first appearance on our scorecard, **CTRM** (52) took the bottom position due to generally weak governance and lack of carbon disclosures.

Recent Developments & Data Updates

Figure 5. Recent (Select) Company Specific Changes

Ticker	Commentary
AGAS-NO	Christian Fallesen (independent) left the board, and Erik Jacobsen, Kathrine Fredriksen, Øystein Kalleklev, James O'Shaughnessy (all independent) joined the board.
ATCO	Alistair Buchanan (independent) left the board.
BWLPG-NO	Anders Onarheim (not independent), Andreas Beroutsos (independent) , John B. Harrison (independent) left the board, and Sonali Chandmal, Andrew E. Wolff (both independent) joined the board.
CAI	Victor M. Garcia (former CEO) left the board, and Timothy Page (new CEO, former CFO) joined the board.
DAC	George Economou left the board, and Anthony Kandylidis joined the board, both are non independent.
DHT	Susan Reedy (not independent) left the board and Sophie Rossini (independent) joined the board.
DSX	Konstantinos Psaltis (independent) left the board.
EURN	Ludovic Saverys (not independent) will leave the board in 2021 and will not be replaced.
FLNG	Marius Hermansen & Joao Saraiva E. Silva (both not independent) left the board and Steen Jakobsen (independent) joined the board.
FRO	Ulrika Laurin (independent) left the board and Tor Svelland (not independent) joined the board.
GLOP	Andrew J. Orekar and Peter G. Livanos (both not independent), Michael G. Gialouris, Pamela M. Gibson, Robert B. Allardice III (all three are independent) left the board, and Roland Fisher (independent), Julian R. Metherell, Paul A. Wogan (both not independent) joined the board.
GNK	Kevin Mahony, Christoph Majeske (both not independent) and Jason Scheir (independent) left the board and Karin Y. Orsel (independent), John C. Wobensmith (not independent) joined the board.
GOGL	Ulrika Laurin (not independent) and Gert-Jan van den Akker (independent) left the board and Tor Svelland (not independent) and Bjørn Tore Larsen (independent) joined the board.
GRIN	Cato Brahde (independent) left the board and Murray Grindrod (not independent) joined the board.
INSW	Gregory A. Wright (independent) left the board.
KEX	Monte J. Miller (independent) will be leaving the board at the end of his term in 2021, and will be replaced.
MATX	W. Blake Baird left the board, and Meredith J. Ching joined the board, both are independent.
NNA	Casey McDonald (independent) joined the board.
NVGS	Hal Malone (not independent) left the board and Andreas Beroutsos (not independent) joined the board.
OSG	Ty E. Wallach (independent) left the board.
SBLK	Katherine Ralph (not independent) and Eleni Vrettou (independent) joined the board, and Tom Søfteland (independent) left the board.
SFL	Bert Bekker (independent) joined the board.
TGH	James Earl, Cynthia Hostetler and Grace Tang (all independent) joined the board, and Iain Brown (not independent) left the board.
TK	Bjorn Moller (not independent) joined the board.
TNK	Peter Antturi joined the board and Arthur Bensler left the board, both are not independent.
TRTN	Annabelle Bexiga joined the board and David A. Coulter left the board, both are independent.

Source: Webber Research & Advisory, LLC, Company filings

Corporate Governance Quality & Returns

Stronger Corporate Governance Has Generally Been Associated With Stronger Performance. As noted in Figure 6, companies in Quartile 1 significantly **outperformed** Quartile 4 on a 5-year, and Since Inception/10-year basis by **~51% and 64%**, respectively. While we believe cyclical pressure has impacted the longer-term returns across the board, we believe this relative outperformance reflects the general idea that sound corporate governance policies are consistently associated with stronger returns. We note stocks in Quartile 4 generally **underperformed** the group (by **~45%** over the past 5 years).

Figure 6. Price, Performance, And Rating By Quartile Rank

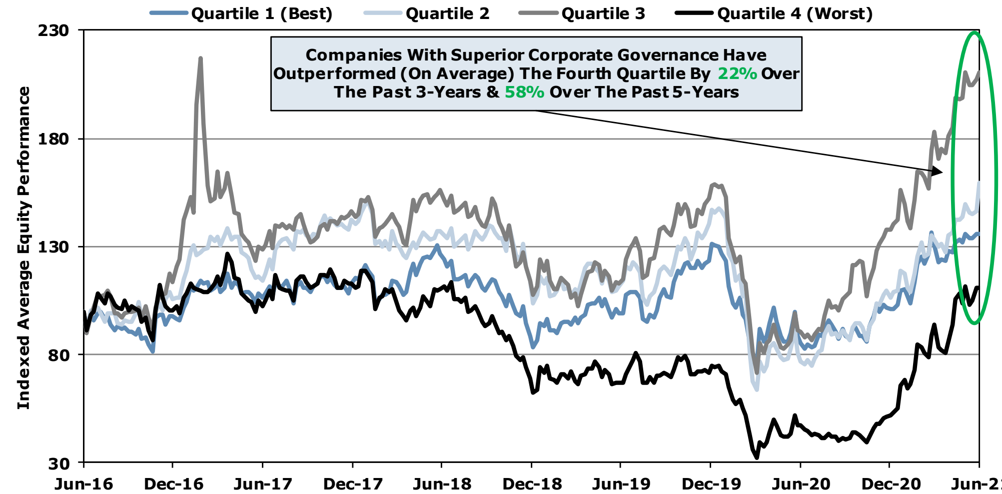
2021 ESG Scorecard Rankings

Marine Names With Top-Tier Governance Have Outperformed On A Long-Term Basis

	Ticker	Rating	Price 6/21/21	% Total Return YTD	1 Year	3 Year	5 Year	Since Inception/10-Year[1]
Quartile 1	GNK	Not Rated	$18.89	158%	170%	24%	262%	(87%)
	EURN	Outperform	$9.13	15%	14%	13%	31%	(8%)
	INSW	Not Rated	$19.62	21%	8%	(7%)	N/A	102%
	EGLE	Not Rated	$52.77	178%	204%	28%	(23%)	(5%)
	ASC	Not Rated	$3.88	19%	(18%)	(51%)	(50%)	(67%)
	TRTN	Not Rated	$51.79	9%	83%	94%	430%	232%
	MATX	Not Rated	$62.88	11%	118%	72%	113%	176%
	GRIN	Not Rated	$10.66	154%	282%	(37%)	N/A	(37%)
	DHT	Outperform	$6.46	25%	39%	83%	86%	(71%)
	INT	Not Rated	$32.94	6%	27%	53%	(22%)	0%
	TRMD	Not Rated	$8.61	22%	1%	24%	N/A	26%
	KEX	Outperform	$63.58	23%	15%	(25%)	(5%)	13%
	OSG	Not Rated	$2.12	(1%)	5%	(43%)	N/A	(27%)
	Average			***49%***	***73%***	***18%***	***91%***	***19%***
Quartile 2	GLNG	Outperform	$13.16	37%	63%	(51%)	(17%)	(47%)
	FLOT-RU	Not Rated	$1.29	6%	N/A	N/A	N/A	0%
	NVGS	Not Rated	$10.84	(1%)	40%	(14%)	(1%)	(46%)
	TK	Not Rated	$3.83	78%	49%	(51%)	(45%)	(84%)
	LPG	Not Rated	$14.63	20%	86%	82%	108%	(22%)
	FRO	Market Perform	$8.51	37%	20%	75%	40%	23%
	BWLPG-NO	Not Rated	$7.01	10%	174%	142%	161%	95%
	TNK	Not Rated	$14.43	31%	1%	45%	(37%)	(71%)
	CAI	Not Rated	$56.00	82%	251%	156%	638%	173%
	GOGL	Not Rated	$10.51	133%	165%	34%	247%	(36%)
	SFL	Not Rated	$8.11	34%	(8%)	(27%)	(8%)	30%
	FLNG	Not Rated	$14.63	78%	231%	3%	53%	55%
	GLOP	Market Perform	$3.39	25%	(14%)	(81%)	(70%)	(74%)
	Average			***44%***	***88%***	***26%***	***89%***	***(0%)***
Quartile 3	ZIM	Not Rated	$43.52	278%	N/A	N/A	N/A	278%
	NETI	Not Rated	$18.96	13%	4%	(71%)	(23%)	(98%)
	NFE	Not Rated	$40.79	(24%)	217%	N/A	N/A	215%
	SBLK	Not Rated	$22.50	159%	212%	66%	597%	(60%)
	PANL	Not Rated	$4.85	78%	92%	64%	111%	(77%)
	STNG	Not Rated	$21.80	97%	51%	(19%)	(46%)	(70%)
	TGH	Not Rated	$35.24	84%	343%	131%	220%	57%
	AGAS-NO	Not Rated	$4.88	7%	178%	130%	89%	(33%)
	KNOP	Not Rated	$19.74	39%	58%	31%	86%	105%
	HUNT-NO	Not Rated	$0.35	19%	40%	13%	121%	(87%)
	ATCO	Not Rated	$13.56	28%	87%	79%	29%	70%
	CMRE	Not Rated	$11.87	46%	140%	83%	71%	44%
	TGP	Market Perform	$15.31	39%	30%	9%	74%	(22%)
	Average			***66%***	***121%***	***47%***	***121%***	***25%***
Quartile 4	HMLP	Not Rated	$17.55	30%	101%	37%	70%	53%
	CPLP	Not Rated	$12.81	61%	53%	40%	73%	8%
	DSX	Not Rated	$5.19	169%	192%	8%	128%	(53%)
	NAT	Not Rated	$3.45	18%	(17%)	51%	(67%)	(67%)
	DAC	Not Rated	$72.78	242%	1721%	218%	65%	1%
	NMM	Not Rated	$26.43	137%	212%	10%	64%	(80%)
	GSL	Not Rated	$20.66	76%	363%	102%	94%	(50%)
	NNA	Not Rated	$3.43	13%	(14%)	(51%)	(73%)	(82%)
	DLNG	Not Rated	$3.17	27%	(6%)	(58%)	(68%)	(69%)
	GASS	Not Rated	$2.88	23%	9%	(24%)	(32%)	(34%)
	SB	Not Rated	$3.88	198%	201%	4%	288%	(37%)
	TNP	Not Rated	$8.53	6%	(25%)	(49%)	(60%)	(74%)
	CTRM	Not Rated	$2.73	48%	(62%)	N/A	N/A	(95%)
	Average			***81%***	***210%***	***24%***	***40%***	***(45%)***
	S&P 500		**$4,224.79**	**12%**	**36%**	**54%**	**102%**	**226%**

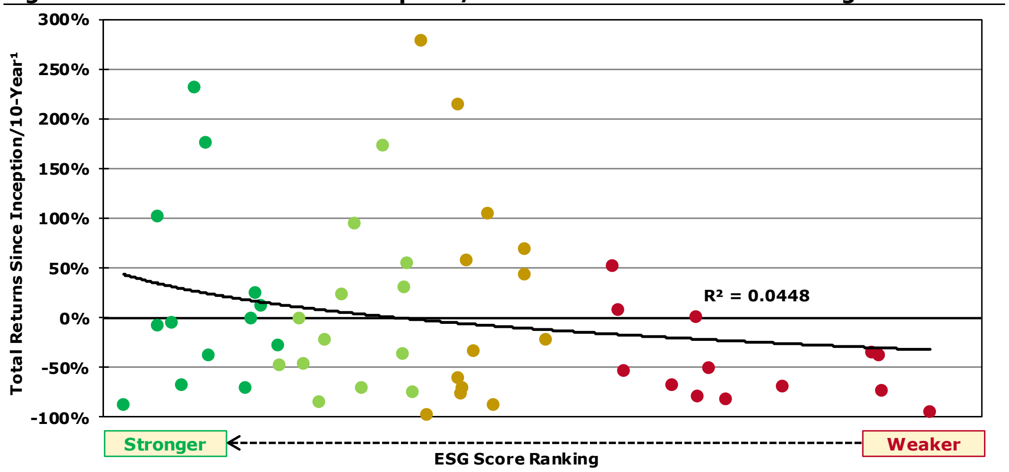
[1] 10-year performance used in lieu of since-inception data when applicable
Source: FatSet, Webber Research & Advisory, LLC

Figure 7. Average Equity Performance By ESG Quartile Ranking



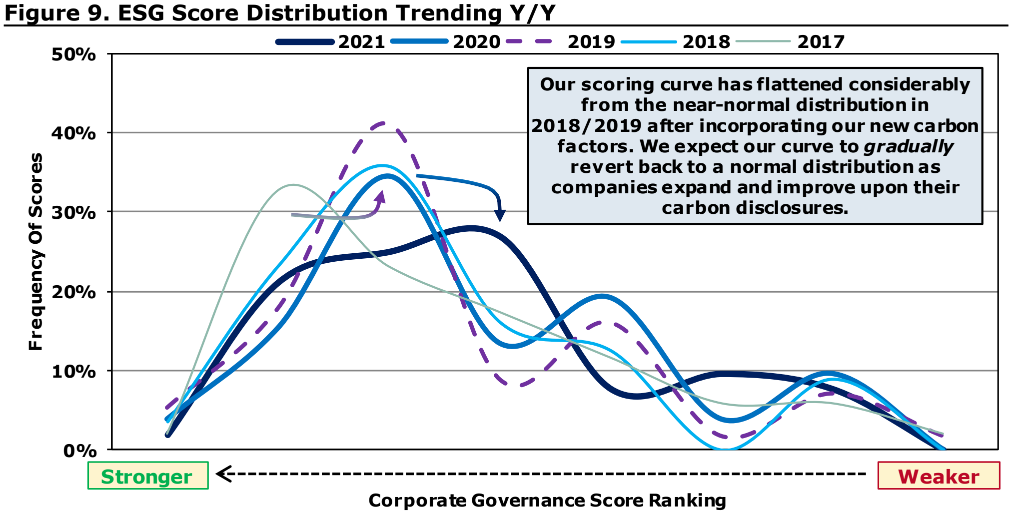
Source: Webber Research & Advisory, LLC, FactSet

Figure 8. Total Return Since Inception/10-Year[1] Vs. Scorecard Ranking



[1] 10-year performance used in lieu of since-inception data when applicable
Source: Webber Research & Advisory, LLC estimates, FactSet, Company filings

Figure 9. ESG Score Distribution Trending Y/Y



Source: Company filings, Webber Research & Advisory, LLC estimates

Scorecard Rationale

The purpose of the scorecard is to provide a baseline, comparable quantitative and qualitative corporate governance ranking across the Marine universe. We use a proprietary factor model built on eight quantitative and qualitative inputs that places Marine names into quartile rankings (Quartile 1 being our highest ranking in the model). Our model is centered on measuring corporate governance controls, with (1) related-party commercial management fees and (2) related-party technical management fees, (3) S&P fees, (4) related-party transactions, (5) level of board independence, (6) board composition, (7) board policies, and (8) **Carbon Factor**. We also add a subjective factor (9) to capture dynamics, context, or risks that are missed by the inherently binary aspect of some of our metrics. Our model creates a cumulative value, or ranking for each company in each category, and, for example, if a Marine stock scores poorly (Quartile 4), we believe the corporate governance profile of that name should probably receive extra scrutiny. Thus, an investor would need to price this lower degree of corporate governance (and associated risk) appropriately (i.e., pay a lower price/valuation). In contrast, we believe Quartile 1 Marine names are more likely to fetch a relative valuation premium based on higher underlying quality indicated by our scorecard.

How Should The Scorecard Be Used?

We believe our scorecard can be used as a tool to help evaluate degrees of individual companies' corporate governance across shipping sectors. While there are obviously dozens of risk factors and fundamentals on both a company and an industry basis that go into making an investment decision, we believe corporate governance is too often either overlooked or mispriced. All else equal, we believe companies in Quartile 1 generally screen more favorably than the lower quartiles, presenting stronger governance standards than many of their peers. Our primary goal for this scorecard is to help clients better understand the varying degrees of governance risk across the shipping space, enabling investors to differentiate among investment alternatives, and provide a relative baseline for further work.

What It Is Not?

Our ESG scorecard is not an indication that an investor should only invest in Quartile 1 Shipping companies, as we believe governance is one factor among several risks or fundamentals to be considered, along with a specific investor's risk appetite and investment goals. We note that industry dynamics (be it Tankers, LNG, Containers, etc.) play a very large role in our formal, cumulative ratings and investment process, and are not necessarily captured within the narrower scope of this scorecard.

Corporate Governance Methodology

In our 2016 Corporate Governance rankings, we identified five factors to capture some of the basic elements of corporate governance and conflicts of interest, particularly as they pertain to shipping. Specifically, we used **(1) Related Party Commercial Management, (2) Related Party Technical Management, (3) Sale and Purchase (S&P) Fees,** the history of **(4) Related Party Transactions,** as well as the **(5) Independence Level of Boards.**

In 2017, we expanded the scope of our analysis to include several additional measures to evaluate how a Board of Directors is composed/structured, as well as its functions and policies, **with the overarching goal of evaluating their alignment with shareholders.** Specifically, we added two factors: **(1) Board Composition** and **(2) Board Policy** to our scorecard, while also adding additional criteria to another factor, **(3) Board Independence,** to help give the evaluation more depth and context.

In 2020, we included a **Carbon Factor** as the 8th factor in our proprietary ESG model. Our 2020 framework only evaluates whether the appropriate carbon data is *disclosed* – we have yet to draw any qualitative or quantitative conclusions from that data – ***however, we may over time***. The relevant data we looked for is laid out on pages 15-16 of the Poseidon Principles and consists of:

1) an **Annual Efficiency Ratio (AER)** on an *aggregate* or *vessel specific* basis

2) an **Annual Energy Efficiency Operational Indicator (EEOI)** on an *aggregate* or *vessel specific* basis

For 2021 we slightly adjusted our 8th factor (**Carbon**) to include **(1) Scope 1** and **(2) Scope 2** GHG emissions disclosures to our scorecard to account for non-asset owners and other entities for which AER & EEOI are less material.

Scope 1 accounts for the **direct** GHG emissions (the seven GHGs covered under the Kyoto Protocol) from sources that are owned or controlled by the company (on-site fuel combustion, fleet fuel consumption, etc.), while **Scope 2** accounts for **indirect** GHG emissions from the generation of purchased electricity consumed by the company. This should help solve for comparing certain companies in our universe that don’t report vessel data – such as Box Lessors – but do publish robust sustainability reports.

Figure 10. Our Current ESG Scorecard Factors

	***First-Gen* Corporate Governance Factors**	**Weight**
Factor #1	Related Party Commercial Management	16.7%
Factor #2	Related Party Technical Management	16.7%
Factor #3	Sale And Purchase Fees	16.7%
Factor #4	Related Party Transactions	16.7%
Factor #5	Independent Board Membership	16.7%
Factor #6	Subjective	16.7%

	***Second-Gen* Corporate Governance Factors**	**Weight**
Factor #1	Related Party Commercial Management	12.5%
Factor #2	Related Party Technical Management	12.5%
Factor #3	Sale And Purchase Fees	12.5%
Factor #4	Related Party Transactions	12.5%
Factor #5	Board Independence	15.0%
Factor #6	Board Composition	10.0%
Factor #7	Board Policy	12.5%
Factor #8	Subjective	12.5%

	***Third-Gen* ESG Factors**	**Weight**
Factor #1	Related Party Commercial Management	8.8%
Factor #2	Related Party Technical Management	8.8%
Factor #3	Sale And Purchase Fees	8.8%
Factor #4	Related Party Transactions	8.8%
Factor #5	Board Independence	12.5%
Factor #6	Board Composition	10.0%
Factor #7	Board Policy	10.0%
Factor #8	Carbon Factor	20.0%
Factor #9	Subjective	12.5%

Source: Webber Research & Advisory, LLC

Factor Details

Factor #1: Related Party Commercial Managers (8.75%). Commercial management covers the marketing, chartering, operations, and trading of vessels in the spot or time-charter market. While commercial management can be provided by wholly-owned subsidiaries, it is commonplace in the industry for companies to outsource commercial management to third-party managers who charge a daily fee on a per vessel basis (with those fees ranging widely from $300 - $2,000/day across our Shipping universe). These management agreements can be with either public or private managers, which may be either related or unrelated parties, potentially creating conflicts of interest given the difficulty of comping the value of services within these arrangements. Commercial relationships with wholly-owned subsidiaries or to unrelated third parties generally provide the least degree of potential conflicts of interest, while related party management presents higher potential risk for shareholders given those conflicts. Within related party commercial management structures, we believe the degree of the risks from conflicting interests are partially offset via public-to-public relationships given the greater degree of visibility on both ends of the agreement, while we view public-to-private related party arrangements as the least desirable. Additionally, given the presence of related party management relationships as an inherent aspect of the GP/MLP structure, our related party commercial management factor rankings are less punitive across the GP/MLP group so far as the arrangements are within the bounds of the typical GP/MLP relationship, and both entities are public.

Factor #2: Related Party Technical Managers (8.75%). Technical management includes providing vessel maintenance, arranging and supervising newbuilding construction, dry-docking, repairs, capital improvements, and maintaining vessel safety management systems. While technical management can be provided internally by wholly-owned subsidiaries, it is commonplace in the industry for companies to outsource technical management to either related or unrelated third-party managers who charge a daily fee on a per vessel basis (with those fees ranging widely from $250 - $1,000/day across our Shipping universe). Relationships with wholly-owned subsidiaries or to unrelated third parties generally provide the least degree of potential conflicts of interest, while related party management presents a higher degree of potential risk for shareholders. We believe the degree of the risks from conflicting interests are partially offset via public-to-public relationships given the greater degree of visibility on both ends of the agreement, while we view public-to-private related party arrangements as the least desirable. As with commercial management, the presence of related party management relationships is an inherent aspect of the GP/MLP structure, our related party factor rankings are less punitive across the GP/MLP group, and both entities are public.

Factor #3: Sale & Purchase Fees (8.75%). Shipping companies often have Sale & Purchase fee arrangements, whereby management directly (or indirectly via a related third-party) receives a fee for any newbuild orders, asset sales, or purchases at the company level, with these S&P fees typically ranging from 1-1.25% of the total transaction value. We view the presence of these S&P fee arrangements as a major red flag, and a reflection of lower quality corporate governance given weaker alignment of shareholder and management interests. We believe S&P arrangements between related parties often incentivize investment decisions based on deal size and frequency, rather than returns.

Factor #4: Related Party Transactions (8.75%). We also scrutinize related party transactions, as we believe they create similar (and very significant) conflicts of interest for management, with the potential for transaction values to deviate from market prices given the incentives for premium valuations charged between the two parties (and higher risk). This most readily presents itself via acquisitions from private fleets or related entities, with a number of Dry Bulk, Tanker, and Containership owners acquiring or selling assets to their private fleets.

Factor #5: Board Independence (12.5%). We view board independence as a factor that is highly reflective of strong corporate governance controls. As such, we believe it is important to differentiate between the varying levels of independent board membership across the shipping space. Additionally, within our recent scorecard rankings we have expanded our underlying variables from solely independent board membership to also reflect executive participation at the Board level and board member tenures.

- **Rationale:** We favor active, knowledgeable boards that are heavily weighted with independent directors. Boards run by insiders are more easily "captured" by management or otherwise promote interests that run counter to those of equity holders. Longer tenure of board members can improve the board's grasp of the company's business and strengthen their ability to challenge management. However, this rule of thumb is subject to diminishing returns: beyond a certain point, (10 years or longer in our model), high average tenure implies a lack of director turnover which may undermine the independence of the board.

- **Subfactors:**
  1) *Separated Chairman + CEO Roles:* We view separated Chairman and CEO roles as indicative of higher quality corporate governance, and penalize companies with an Executive Chairman role.

  2) *Executive Chairman & No Lead Director:* If there is an Executive Chairman role, we believe a Lead Independent Director in conjunction with the Executive Chairman role is indicative of higher quality corporate governance.

  3) *Degree of Board Independence:* We view a higher degree of Independent Directors as indicative of higher quality corporate governance, as it increases the likelihood of objectivity. We have compiled the independent board membership percentages across our universe into quartiles, with companies that have lower independent directorship percentages receiving more punitive scores in our model.

  4) *Length of Board Member Tenure:* We tend to view shorter Board Member tenures as indicative of higher quality corporate governance as they help prevent stale and trenched directorships – many of which tend to be non-independent. That said, we note that there is also a trade-off between length of tenure and experience.

  5) *Existence of Executive Sessions:* We believe Board Members should participate in Executive Sessions that exclude management, and we penalize companies that lack Executive Sessions in our model.

Factor #6: Board Composition (10.0%). We view the actual composition of a Board as a meaningful factor for perspectives and a diversity of skill sets that are generally a well-regarded best practice. While we believe Board Composition is very important (hence its inclusion), given how many basic and fundamental governance issues exist within the shipping space, we've modestly lowered this factor's weighting last year to accommodate additions to our model.

- **Subfactors:**
  1) *Utilization Of Specialized Committees:* Committees allocate specialized tasks such as the oversight of executive compensation to groups of Directors. The committee structure will depend on the circumstances and priorities of a company.

2) *Overboarding:* We believe Directors that hold several board seats can impact the quality of corporate governance should it lead to insufficient time to fulfill obligations, or if those Directors are stacked on the boards of related parties. We have adjusted this subfactor to account for the number of each company's board members that hold multiple board seats *within* our universe, and assigned the most punitive scores to companies with a higher number of "overboarded" Directors.

3) *Age Diversity:* We view diversity across age ranges as another effective measure of adding perspective in support of higher quality corporate governance. As such, we have compiled the standard deviation of the age members across each company's Board of Directors into quartiles and we penalize companies with more concentrated age ranges.

4) *Gender Diversity:* Diversity can enhance Board effectiveness by adding different perspectives and vantage points. As such, we have a binary gender diversity variable within our model.

Factor #7: Board Policy (10.0%). We view the limitation of shareholder rights as one of the more important topics within corporate governance, as companies can limit shareholder rights by conferring disproportionate voting rights to certain classes of shareholders. While such policies may protect directors from short-term activist investors seeking changes, they also restrict the ability of ordinary shareholders to hold management accountable, while most research also suggests that provisions that limit shareholder power contribute to lower valuations.

- **Subfactors:**

1) *Staggered Board:* We believe a staggered board limits the ability of shareholders to hold directors accountable by having directors serve multiple-year terms at a time. Annual re-election or something similar tends to be best practice here.

2) *Limited Shareholder Voting Rights:* We generally view limited shareholder voting rights arrangements as factors contributing to lower quality corporate governance, with those arrangements having a punitive impact on the Corporate Governance scores in our model.

3) *Stockholder Rights Agreement/Poison Pill:* We generally view Poison Pills or other aggressively defensive mechanisms as unfriendly to common shareholders.

4) *Blank Check Preferred Stock:* Similarly, we generally view Blank Check Preferred Stock as an aggressively defensive mechanism that is unfriendly to common shareholders.

Factor #8: Carbon Data (20.0%). Our 2021 framework only evaluates whether the appropriate carbon data is *disclosed* – we have yet to draw any qualitative or quantitative conclusions from that data – ***however, we may over time***. The relevant data we looked for is described within the Poseidon Principles and consists of:

1) an **Annual Efficiency Ratio (AER)** on an *aggregate* or *vessel specific* basis

2) an **Annual Energy Efficiency Operational Indicator (EEOI)** on an *aggregate* or *vessel specific* basis

We note both metrics are reported in ***grams of CO2 per ton-mile***, and the data required for **AER** metrics is already required by the IMO DCS (hence it should be readily available for most participants). For this year, we gave credit to certain companies in our universe that disclosed Scope 1/Scope 2 GHG emissions (as described within the Greenhouse Gas Protocol) for which AER/EEOI data is less relevant – such as Box Lessors – who report different, but relevant data.

1) **Scope 1** covers *direct* GHG emissions from sources that are owned or controlled by the company.

2) **Scope 2** covers *indirect* GHG emissions from the generation of purchased electricity consumed by the company.

Factor #9: Subjective (12.5%). For our final factor, we assess dynamics that may be difficult to quantify amid our primary data sets, including history, context, and scale, as we believe the inherently binary nature of certain data points do not fully capture all of the relevant dynamics in play.

Appendix

To further supplement our Corporate Governance rankings, we have provided a detailed summary of our factor inputs (Commercial/Technical Management, S&P fees, Related Party Transactions, Independent Board Membership and our Subjective factor) to an individual company level.

Figure 11. Company Specific Overview

Ticker	Sector	Quartile 2021	Quartile 2020	Commercial Fees 2021	Commercial Fees 2020	Technical Fees 2021	Technical Fees 2020	S&P Fees / Commissions 2021	S&P Fees / Commissions 2020	Related Party Transactions 2021	Related Party Transactions 2020	% Independent Board 2021	% Independent Board 2020	Carbon Disclosure[1] AER/Scope 1	Carbon Disclosure[1] EEOI/Scope 2
ASC	Tanker	1	1	No	No	No	No	No	No	No	No	83%	83%	Yes	Yes
ATCO	Container	3	3	No	No	No	No	No	No	Yes	Yes	43%	50%	No	No
AGAS-NO	LPG	3	3	Yes	Yes	Yes	No	No	No	Yes	Yes	86%	75%	Yes	No
BWLPG-NO	LPG	2	3	Yes	Yes	Yes	Yes	No	No	Yes	Yes	80%	67%	Yes	Yes
CAI	Container	2	1	No	No	No	No	No	No	No	Yes	50%	50%	No	No
CMRE	Container	3	3	Yes	Yes	Yes	Yes	No	No	No	No	33%	33%	Yes	Yes
CPLP	Marine MLP/GP	4	4	Yes	Yes	Yes	Yes	No	No	Yes	Yes	71%	71%	No	No
CTRM	Dry Bulk	4	N/A	Yes	N/A	Yes	N/A	Yes	N/A	Yes	N/A	67%	N/A	No	No
DAC	Container	4	4	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	57%	57%	Yes	Yes
DHT	Tanker	1	1	No	No	No	No	No	No	No	No	80%	60%	Yes	Yes
DLNG	LNG	4	4	Yes	Yes	Yes	Yes	No	No	Yes	Yes	40%	40%	No	No
DSX	Dry Bulk	4	4	No	No	No	No	Yes	Yes	Yes	Yes	56%	56%	Yes	Yes
EGLE	Dry Bulk	1	1	No	No	No	No	No	No	No	No	83%	83%	Yes	No
EURN	Tanker	1	1	No	No	No	No	No	No	No	No	83%	83%	Yes	Yes
FLNG	LNG	2	2	No	No	Yes	Yes	No	No	Yes	Yes	75%	40%	Yes	No
FLOT-RU	Tanker	2	N/A	No	N/A	No	N/A	No	N/A	Yes	N/A	27%	N/A	No	Yes
FRO	Tanker	2	2	No	No	No	No	No	No	Yes	Yes	0%	0%	Yes	No
GASS	LPG	4	4	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	75%	75%	No	No
GLNG	LNG	2	2	No	No	No	No	No	No	Yes	Yes	57%	57%	Yes	Yes
GLOP	LNG	2	2	Yes	Yes	Yes	Yes	No	No	Yes	Yes	60%	57%	Yes	Yes
GNK	Dry Bulk	1	1	No	No	No	No	No	No	No	No	57%	38%	Yes	Yes
GOGL	Dry Bulk	2	2	No	No	Yes	Yes	Yes	No	Yes	Yes	20%	20%	Yes	No
GRIN	Dry Bulk	1	2	No	No	No	No	No	No	No	Yes	57%	71%	Yes	Yes
GSL	Container	4	4	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	63%	63%	Yes	Yes
HMLP	LNG	4	3	Yes	Yes	Yes	Yes	No	No	Yes	Yes	57%	57%	No	No
HUNT-NO	Tanker	3	2	No	No	No	No	No	No	Yes	Yes	33%	33%	No	No
INSW	Tanker	1	1	No	No	No	No	No	No	No	No	63%	78%	Yes	No
INT	Bunker	1	1	No	No	No	No	No	No	No	No	63%	63%	Yes	Yes
KEX	US Marine	1	1	No	No	No	No	No	No	Yes	Yes	80%	80%	Yes	Yes
KNOP	Marine MLP/GP	3	4	Yes	Yes	Yes	Yes	No	No	Yes	Yes	57%	57%	Yes	No
LPG	LPG	2	2	No	No	No	No	No	No	Yes	Yes	57%	57%	Yes	Yes
MATX	Container	1	1	No	No	No	No	No	No	No	No	71%	71%	Yes	Yes
NAT	Tanker	4	3	No	No	No	No	No	No	Yes	Yes	60%	60%	No	No
NFE	LNG	3	2	No	No	No	No	No	No	Yes	Yes	75%	75%	No	No
NMM	Marine MLP/GP	4	4	Yes	Yes	Yes	Yes	No	No	Yes	Yes	57%	57%	No	No
NNA	Tanker	4	4	Yes	Yes	Yes	Yes	No	No	Yes	Yes	63%	57%	No	No
NVGS	LPG	2	1	No	No	No	No	No	No	No	No	57%	43%	Yes	No
OSG	US Marine	1	1	No	No	No	No	No	No	No	No	88%	89%	No	No
NETI	Dry Bulk	3	4	Yes	Yes	Yes	Yes	No	No	Yes	Yes	75%	75%	No	Yes
PANL	Dry Bulk	3	N/A	No	N/A	No	N/A	No	N/A	Yes	N/A	43%	N/A	Yes	No
SB	Dry Bulk	4	4	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	43%	43%	No	No
SBLK	Dry Bulk	3	3	Yes	Yes	Yes	Yes	No	No	Yes	Yes	27%	60%	No	Yes
SFL	Tanker	2	2	Yes	Yes	Yes	Yes	No	No	Yes	Yes	20%	50%	Yes	No
STNG	Tanker	3	4	Yes	Yes	Yes	Yes	No	No	Yes	Yes	67%	67%	No	Yes
TGH	Container	3	2	No	No	No	No	No	No	Yes	Yes	40%	13%	No	No
TGP	LNG	3	3	Yes	Yes	Yes	Yes	No	No	Yes	Yes	33%	33%	Yes	Yes
TK	Marine MLP/GP	2	2	No	No	No	No	No	No	Yes	Yes	50%	43%	Yes	Yes
TNK	Tanker	2	2	No	No	No	No	No	No	Yes	Yes	40%	40%	Yes	Yes
TNP	Tanker	4	4	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	67%	67%	No	No
TRMD	Tanker	1	3	No	No	No	No	No	No	No	No	60%	60%	Yes	Yes
TRTN	Container	1	1	No	No	No	No	No	No	No	No	78%	78%	No	Yes
ZIM	Tanker	3	N/A	Yes	N/A	No	N/A	No	N/A	Yes	N/A	44%	N/A	Yes	No

1) For certain companies in our universe, we acknowlege Scope 1 and Scope 2 disclosures in lieu of AER and EEOI.

Source: Webber Research & Advisory, LLC estimates, Company filings

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